



**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 6, 2023**

November 1, 2023

To Our Stockholders:

You are cordially invited to attend our 2023 Annual Stockholders' Meeting, which will be conducted virtually at www.virtualshareholdermeeting.com/FGF2023, on December 6, 2023 at 11:00 a.m., Eastern time, and any adjournments or postponements thereof for the following purposes:

1. To elect to the Board of Directors the six director nominees identified in the accompanying Proxy Statement, each to serve for a term as described in the Proxy Statement;
2. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2023;
3. To consider and act upon a non-binding advisory resolution to approve the compensation of our named executive officers; and
4. To consider and transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

Only stockholders of record at the close of business on October 16, 2023 are entitled to notice of, and to vote at, the Annual Meeting.

Please read the Proxy Statement and vote your shares as soon as possible. Your vote is very important. Please complete, sign, date and return the accompanying proxy card, or follow the instructions on the card for voting by telephone or Internet. You may also attend the Annual Meeting and vote in person.

By Order of the Board of Directors,

/s/ D. Kyle Cerminara

D. Kyle Cerminara

Chairman of the Board

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
STOCKHOLDER MEETING TO BE HELD ON DECEMBER 6, 2023:**

This Notice and the accompanying Proxy Statement are first being distributed or made available, as the case may be, on or about November 1, 2023, and the Company's Proxy Statement for the 2023 Annual Meeting of Stockholders and Annual Report on Form 10-K for the year ended December 31, 2022 are available at

<http://www.proxyvote.com>

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FG FINANCIAL GROUP, INC.

PROXY STATEMENT FOR 2023 ANNUAL MEETING OF STOCKHOLDERS

This Proxy Statement is furnished in connection with the solicitation of the accompanying proxies on behalf of the Board of Directors of FG Financial Group, Inc. (the “Company”, “we”, “our” or “us”) for use at the Company’s 2023 Annual Meeting of Stockholders (the “Annual Meeting”), which will be conducted virtually at www.virtualshareholdermeeting.com/FGF2023, on December 6, 2023 at 11:00 a.m., eastern time, and any adjournments or postponements of the Annual Meeting.

QUESTIONS & ANSWERS ABOUT THE ANNUAL MEETING

Why am I receiving these materials?

At the Annual Meeting, holders of our common stock will act upon the matters described in the Notice of Meeting accompanying this Proxy Statement, including the election of directors. You are receiving this Proxy Statement and the related form of proxy because you held shares of our common stock at the close of business on the Record Date (as defined below), and the Board of Directors of the Company (the “Board of Directors” or “Board”) is soliciting your proxy to vote at the Annual Meeting.

You are invited to attend the Annual Meeting to vote on the proposals for which you may vote, as described in this Proxy Statement. However, you do not need to attend the meeting to vote your shares. Instead, you may vote your shares as described in further detail under the heading “*How do I vote?*” below.

When will these materials be mailed?

The notice, this Proxy Statement, and the proxy card for stockholders of record were distributed or made available, as the case may be, beginning on or about November 1, 2023, and the Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 are available at www.proxyvote.com.

Who is entitled to vote?

Stockholders of record at the close of business on October 16, 2023 (the “Record Date”) are entitled to vote in person or by proxy at the Annual Meeting. As of the Record Date, 10,303,738 shares of our common stock were outstanding. Each stockholder is entitled to one vote for each share of common stock held on the Record Date.

Stockholders do not have cumulative voting rights in the election of directors. For ten days prior to the Annual Meeting during normal business hours, a complete list of all stockholders of record will be available for examination by any stockholder, for any purpose germane to the Annual Meeting, by contacting the Company’s Corporate Secretary at (847) 773-1665 for information regarding providing proof of eligibility to view the list. The list of stockholders will also be available at the Annual Meeting.

Who can attend the Annual Meeting?

All stockholders as of the Record Date, or individuals holding their duly appointed proxies, may attend the Annual Meeting. Appointing a proxy in response to our solicitation will not affect a stockholder’s right to attend the Annual Meeting and to vote in person. Please note that if you hold your shares in “street name” (in other words, through a broker, bank, or other nominee), you will need to bring a proxy, executed in your favor, from the holder of record (the broker, bank or other nominee) to gain admittance to the Annual Meeting.

What is the difference between a stockholder of record and a beneficial owner?

If your shares are registered directly in your name with our transfer agent, VStock Transfer, LLC, then you are a “stockholder of record.” The accompanying proxy card has been provided directly to you by the Company. You may vote by ballot at the Annual Meeting or vote by proxy. To vote by proxy, complete, sign, date and return the enclosed proxy card or follow the instructions on the proxy card for voting by telephone or Internet.

If your shares are held for you by a broker, bank or other nominee (that is, held in “street name”), then you are not a stockholder of record. Rather, the broker, bank or other nominee is the stockholder of record, and you are the “beneficial owner” of the shares. The accompanying voting instruction card has been forwarded to you by the broker, bank or other nominee. If you complete and properly sign the voting instruction card and return it in the appropriate envelope, or follow the instructions on the voting instruction card for voting by telephone or Internet, the broker, bank or other nominee will cause your shares to be voted in accordance with your instructions. If you are a beneficial owner of shares and wish to vote in person at the Annual Meeting, then you must obtain a proxy, executed in your favor, from the holder of record (the broker, bank or other nominee).

What constitutes a quorum?

A majority of the 10,303,738 shares of common stock outstanding on the Record Date must be represented, in person or by proxy, to provide a quorum at the Annual Meeting. If you vote, your shares will be part of the quorum. Shares represented by a properly executed proxy card that is marked “ABSTAIN” or returned without voting instructions will be counted as present for the purpose of determining whether the quorum requirement is satisfied. Also, shares held of record by a broker, bank or other nominee who has not received voting instructions from the beneficial owner of the shares and votes on matters without discretionary authority to do so (“broker non-votes”) will be counted as present for quorum purposes. However, although broker non-votes and abstentions are considered as present for purposes of establishing a quorum, we believe broker non-votes and abstentions will not be considered as votes cast for or against a proposal or director nominee. Once a share is represented at the Annual Meeting, it will be deemed present for quorum purposes throughout the Annual Meeting (including any postponement or adjournment thereof unless a new record date is or must be set for such postponement or adjournment).

What is the purpose of the meeting?

The principal purposes of the Annual Meeting are to (i) elect the six director nominees named in this Proxy Statement to the Company’s Board of Directors, each to serve for a term as described in this Proxy Statement, (ii) ratify the appointment of BDO USA, LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2023, (iii) consider and act upon a non-binding, advisory resolution to approve the compensation of our named executive officers, and (iv) transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

How do I vote?

If you are a holder of record, you can vote either in person at the Annual Meeting or by proxy without attending the Annual Meeting. We urge you to vote by proxy even if you plan to attend the Annual Meeting so that we will know as soon as possible that enough votes will be present for us to hold the meeting. If you attend the meeting and vote in person, your previously submitted proxy will be revoked and will not be counted.

You can vote by proxy using any of the following methods:

- *Voting by Telephone or Internet.* If you are a holder of record, you may vote by proxy by using either the telephone or Internet methods of voting. Proxies submitted by telephone or through the Internet must be received by 11:59 p.m., Eastern Time, on December 5, 2023. Please see the proxy card for instructions on how to access the telephone and Internet voting systems.
- *Voting by Proxy Card.* Each stockholder of record may vote by completing, signing, dating and promptly returning the accompanying proxy card in the self-addressed stamped envelope provided. When you return a properly executed proxy card, the shares represented by your proxy will be voted as you specify on the proxy card. Your proxy card must be received prior to the Annual Meeting to be counted.

The proxies named in the enclosed form of proxy and their substitutes will vote the shares represented by the enclosed form of proxy, if the proxy appears to be valid on its face, and, where a choice is specified by means of the ballot on the form of proxy, will vote in accordance with each specification so made.

If you hold your shares in “street name,” you must either direct the broker, bank, or other nominee as to how to vote your shares, or obtain a proxy from the broker, bank, or other nominee, executed in your favor, to vote at the meeting. Please refer to the voter instruction cards provided by your broker, bank, or other nominee for specific instructions on methods of voting, including by telephone or using the Internet.

What does it mean if I receive more than one proxy card?

You will receive separate proxy cards when you own shares in different ways. For example, you may own shares individually, as a joint tenant, in an individual retirement account, in trust or in one or more brokerage accounts. You should complete, sign, date and return each proxy card you receive or follow the telephone or Internet voting instructions on each card. The instructions on each proxy card may differ. Be sure to follow the instructions on each card.

Can I change my vote or instruction?

Yes. If you are a stockholder of record, you may revoke your proxy or change your vote, regardless whether previously submitted by mail or via the Internet or by telephone, by (i) delivering a signed written notice stating that you revoke your proxy to the attention of the Corporate Secretary of the Company, at 104 S. Walnut Street, Unit 1A, Itasca, IL 60143, that bears a later date than the date of the proxy you want to revoke and is received prior to the Annual Meeting, (ii) submitting a valid, later-dated proxy via the Internet or by telephone before 11:59 p.m., Eastern Time, on December 5, 2023, or by mail that is received prior to the Annual Meeting, or (iii) attending the Annual Meeting (or, if the Annual Meeting is postponed or adjourned, attending the postponed or adjourned meeting) and voting in person, which automatically will cancel any proxy previously given, or revoking your proxy in person, but your attendance alone at the Annual Meeting will not revoke any proxy previously given.

If you hold your shares in “street name” through a broker, bank, or other nominee, you must contact your broker, bank or other nominee to change your vote through new voting instructions or, if you wish to change your vote in person at the Annual Meeting, obtain a written legal proxy from the bank, broker or other nominee to vote your shares.

What happens if I submit a proxy card and do not give specific voting instructions?

If you are a stockholder of record and sign and return the proxy card without indicating your voting instructions, your shares will be voted in accordance with the recommendations of the Board of Directors. With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion. As of the filing date of this Proxy Statement, we did not know of any other matter to be raised at the Annual Meeting.

What happens if I do not submit a proxy card and do not vote by telephone or Internet or do not submit voting instructions to my broker, bank or other nominee?

If you are a stockholder of record and you neither designate a proxy nor attend the Annual Meeting, your shares will not be represented at the meeting. If you are a beneficial owner and do not provide voting instructions to your bank, broker or other nominee, then, under applicable rules, the broker, bank or other nominee that holds your shares in “street name” may generally vote on “routine” matters but cannot vote on “non-routine” matters. If the broker, bank, or other nominee that holds your shares does not receive instructions from you on how to vote your shares on a “non-routine matter”, the broker, bank or other nominee will inform the inspector of election for the Annual Meeting that it does not have the authority to vote on the matter with respect to your shares. This is generally referred to as a “broker non-vote.”

Which voting matters are considered “routine” or “non-routine”?

We believe that Proposal 1 regarding the election of directors and Proposal 3 regarding the non-binding, advisory resolution to approve the compensation of our named executive officers are considered “non-routine” matters under applicable rules. Therefore, a broker, bank or other nominee cannot vote on such proposals without voting instructions from the beneficial owners, and there may be broker non-votes in connection with Proposals 1 and 3.

We believe that Proposal 2 concerning the ratification of the appointment of BDO USA, LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2023, is considered a “routine” matter under applicable rules. Therefore, a broker, bank or other nominee may generally vote on these matters, and there will be no broker non-votes in connection with Proposal 2.

What vote is required to approve each item? How will abstentions and broker non-votes be counted?

As to Proposal 1, election of directors, a holder of common stock may vote “FOR” the election of each of the nominees proposed by the Board, or “WITHHOLD” authority to vote for one or more of the proposed nominees. The election of a director requires the affirmative vote of a plurality of the votes properly cast on the election of directors at the Annual Meeting. A “plurality” means that the individuals who receive the largest number of votes are elected as directors up to the maximum number of directors to be elected at the meeting. As to Proposal 1, proxies marked “WITHHOLD” and broker non-votes will have no impact on the election of directors.

With respect to Proposal 2, ratification of BDO USA, LLP as our independent registered public accounting firm, a holder of common stock may vote “FOR” or “AGAINST” ratification or “ABSTAIN” from voting on the proposal. Ratification requires an affirmative vote of holders of a majority of the votes properly cast at the Annual Meeting. Proxies marked “ABSTAIN” will not be considered as votes cast for or against Proposal 2 and will have no effect on the outcome of the proposal.

With respect to Proposal 3, advisory approval of the compensation of our named executive officers, a holder of common stock may vote “FOR” or “AGAINST” approval or “ABSTAIN” from voting on the proposal. Approval requires an affirmative vote of holders of a majority of the votes properly cast at the Annual Meeting. Proxies marked “ABSTAIN” and broker non-votes will not be considered as votes cast for or against Proposal 3 and will have no effect on the outcome of the proposal.

What are the Board’s voting recommendations?

The Board recommends a vote “FOR”:

1. election of each of the six director nominees named in this Proxy Statement to the Board of Directors, each to serve for a term as described in the Proxy Statement;
2. ratification of the appointment of BDO USA, LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2023;
3. approval, on an advisory, non-binding basis, of the compensation of our named executive officers.

As of the date of this Proxy Statement, it is expected that Fundamental Global GP, LLC (“FG”), FG Financial Holdings, LLC (“FGFH”), FG Group Holdings, Inc. (“FGH”) and certain of our directors will vote “FOR” approval of Proposals 1, 2, and 3. As of the Record Date, FG and its affiliated entities, including FGH, collectively, are the beneficial owners of 5,666,111 shares of common stock, which represents approximately 55% of the Company’s outstanding shares of common stock. D. Kyle Cerminara, Chairman of our Board, serves as Chief Executive Officer, Founder and Partner of FG, Manager of FGFH, and Chairman of the board of directors of FGH.

Who is paying for the preparation and mailing of the proxy materials and how will solicitations be made?

The Company will pay the expenses of soliciting proxies. Proxies may be solicited on our behalf by the Company’s directors, officers or employees in person or by mail, telephone, facsimile or electronic transmission. We do not compensate them for soliciting proxies. We have requested brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to beneficial owners and have agreed to reimburse those institutions for their out-of-pocket expenses.

PROPOSAL 1 — ELECTION OF DIRECTORS

The Company's Board of Directors currently consists of six directors, each serving a one-year term.

Based upon the recommendation of the Nominating and Corporate Governance Committee, the Board has nominated D. Kyle Cerminara, Richard E. Govignon, Jr., Rita Hayes, E. Gray Payne, Larry G. Swets, Jr., and Scott D. Wollney to stand for election at the Annual Meeting, with each director holding office for a term of one year and until his or her successor has been duly elected and qualified or until his or her earlier death, retirement, resignation, or removal.

Required Vote

The election of a director requires the affirmative vote of a plurality of the votes properly cast on the election of directors at the Annual Meeting. A "plurality" means that the individuals who receive the largest number of votes are elected as directors, up to the maximum number of directors to be elected at the meeting. Therefore, proxies marked "WITHHOLD" and "broker non-votes" will have no impact on the election of directors. Properly executed proxies submitted pursuant to this solicitation will be voted "**FOR**" the election of the directors marked on the proxy, unless specified otherwise.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "**FOR**" THE ELECTION OF D. KYLE CERMINARA, RICHARD E. GOVIGNON, JR., RITA HAYES, E. GRAY PAYNE, LARRY G. SWETS, JR., AND SCOTT D. WOLLNEY, AS DIRECTORS.

Directors and Director Nominee Standing for Election:

Set forth below is information about each of the Company's directors and executive officers, including ages as of October 16, 2023.

Name	Age	Position
Directors:		
D. Kyle Cerminara	46	Chairman of the Board of Directors
Larry G. Swets, Jr.	48	Chief Executive Officer and Director
Richard E. Govignon, Jr.	46	Director
Rita Hayes	79	Director
E. Gray Payne	74	Director
Scott D. Wollney	55	Director
Executive Officers:		
Hassan R. Baqar	46	Executive Vice President and Chief Financial Officer

The Board currently consists of six directors, each serving for a term of one year and until his or her successor has been duly elected and qualified or until his or her earlier death, retirement, resignation, or removal.

D. Kyle Cerminara was appointed to our Board of Directors on December 27, 2016; he became Chairman of our Board of Directors on May 11, 2018; and he served as our Principal Executive Officer from March 2020 to June 2020. Mr. Cerminara has over 20 years' experience as an institutional investor, asset manager, director, chief executive, founder and operator of multiple financial services and technology businesses. Mr. Cerminara co-founded Fundamental Global in 2012, which is the Company's largest stockholder, and serves as its Chief Executive Officer.

Mr. Cerminara is a member of the board of directors of a number of companies focused in the reinsurance, investment management, technology and communication sectors, including FG Group Holdings, Inc. (NYSE American: FGH) (formerly Ballantyne Strong, Inc.), a holding company with diverse business activities focused on serving the entertainment and retail markets, since February 2015; BK Technologies Corporation (NYSE American: BKT), a provider of two-way radio communications equipment, since July 2015; Strong Global Entertainment, Inc. (NYSE American: SGE), a leader in the entertainment industry providing mission critical products and services to cinema exhibitors and entertainment venues, since March 2022; FG Communities, Inc., a real estate management company focused on preserving and improving affordable housing, since July 2022; and Firefly Systems Inc., a venture-backed digital advertising company, since August 2020. Mr. Cerminara is the chairperson of the board of directors of FG Acquisition Corp. (TSX:FGAA.U), a Canadian special purpose acquisition company that has completed its initial public offering and is focused on searching for a target company in the financial services sector.

Mr. Cerminara has served as the Chairman of FG Group Holdings, Inc. since May 2015 and previously served as its Chief Executive Officer from November 2015 through April 2020. Mr. Cerminara has served as the Chairman of Strong Global Entertainment, Inc. since March 2022. Mr. Cerminara has served as the Chairman of BK Technologies Corporation since July 2022 and previously from March 2017 until April 2020. Mr. Cerminara has served as the Chairman and President of FG Communities, Inc. since its formation in July 2022. From February 2022 to August 2023, Mr. Cerminara served as a Senior Advisor to FG Merger Corp. (NASDAQ: FGMC), a special purpose acquisition company, which merged with iCoreConnect, Inc. (NASDAQ: ICCT), a market leading, cloud-based software and technology company focused on increasing workflow productivity and customer profitability through its enterprise and healthcare workflow platform of applications and services. Since October 2023, Mr. Cerminara has served as the Chairman of FG Merger II Corp., a special purpose acquisition company in the process of completing its initial public offering. From April 2021 to December 2021, Mr. Cerminara served as a director of Aldel Financial Inc. (NYSE: ADF), a special purpose acquisition company co-sponsored by Fundamental Global, which merged with Hagerty, a leading specialty insurance provider focused on the global automotive enthusiast market. From July 2020 to July 2021, Mr. Cerminara served as Director and President of FG New America Acquisition Corp. (NYSE: FGNA), a special purpose acquisition company, which merged with OppFi Inc. (NYSE: OPFI), a leading financial technology platform that powers banks to help everyday consumers gain access to credit. He served on the board of directors of GreenFirst Forest Products Inc. (TSXV: GFP) (formerly Itasca Capital Ltd.), a public company focused on investments in the forest products industry, from June 2016 to October 2021 and was appointed Chairman from June 2018 to June 2021; Limbach Holdings, Inc. (NASDAQ: LMB), a company which provides building infrastructure services, from March 2019 to March 2020; Iteris, Inc. (NASDAQ: ITI), a publicly-traded, applied informatics company, from August 2016 to November 2017; Magnetek, Inc., a publicly-traded manufacturer, in 2015; and blueharbor bank, a community bank, from October 2013 to January 2020. He served as a Trustee and President of StrongVest ETF Trust, which was an open-end management investment company, from July 2016 to March 2021. Previously, Mr. Cerminara served as the Co-Chief Investment Officer of CWA Asset Management Group, LLC, a position he held from January 2013 to December 2020.

Prior to these roles, Mr. Cerminara was a Portfolio Manager at Sigma Capital Management, an independent financial adviser, from 2011 to 2012, a Director and Sector Head of the Financials Industry at Highside Capital Management from 2009 to 2011, and a Portfolio Manager and Director at CR Intrinsic Investors from 2007 to 2009. Before joining CR Intrinsic Investors, Mr. Cerminara was a Vice President, Associate Portfolio Manager and Analyst at T. Rowe Price (NASDAQ: TROW) from 2001 to 2007, where he was named amongst Institutional Investor's Best of the Buy Side Analysts in November 2006, and an Analyst at Legg Mason from 2000 to 2001.

Mr. Cerminara received an MBA degree from the Darden Graduate School of Business at the University of Virginia and a B.S. in Finance and Accounting from the Smith School of Business at the University of Maryland, where he was a member of Omicron Delta Kappa, an NCAA Academic All American and Co-Captain of the men's varsity tennis team. He also completed a China Executive Residency at the Cheung Kong Graduate School of Business in Beijing, China. Mr. Cerminara holds the Chartered Financial Analyst (CFA) designation.

We believe Mr. Cerminara is qualified to serve on our Board as he contributes his perspective as one of the Company's largest stockholders. He also offers to the Board valuable insights obtained through his management and operational experience and extensive experience in the financial industry, including investing, capital allocation, finance and financial analysis of public companies.

Larry G. Swets, Jr. has served as a member of our Board of Directors since November 2013 and served as our Chairman from March 2017 to May 2018. Mr. Swets has served as our Chief Executive Officer since November 2020 after serving as our interim Chief Executive Officer from June 2020 to November 2020, through a consulting agreement with Itasca Financial LLC.

Mr. Swets has over 25 years of experience within financial services encompassing both non-executive and executive roles. Mr. Swets founded Itasca Financial LLC, an advisory and investment firm, in 2005 and has served as its managing member since inception. Mr. Swets also founded and is the President of Itasca Golf Managers, Inc., a management services and advisory firm focused on the real estate and hospitality industries, in August 2018. Mr. Swets is a member of the board of directors of GreenFirst Forest Products Inc. (TSXV: GFP), a public company focused on investments in the forest products industry since June 2016, Harbor Custom Development, Inc. (Nasdaq: HCDI) since February 2020, FG Group Holdings, Inc. (NYSE American: FGH) since October 2021, and Ascension Illinois Foundation since March 2018, and was a member of the Board of Directors of Unbounded Media Corporation from June 2019 to September 2023. Mr. Swets also serves as Chief Executive Officer and a member of the board of directors of FG Acquisition Corp (TSX:FGAA.U) since October 2021, a special acquisition company seeking to complete an acquisition, since October 2021. Since October 2023, Mr. Swets has served as the Chief Executive Officer of FG Merger II Corp., a special purpose acquisition company in the process of completing its initial public offering.

Previously, Mr. Swets served as a Director and Chief Executive Officer of FG New America Acquisition Corp. (NYSE: FGNA), a special purpose acquisition company which merged with OppFi Inc. (NYSE: OPFI), a leading financial technology platform that powers banks to help everyday consumers gain access to credit, from July 2020 to July 2021. From April 2021 to December 2021, Mr. Swets also served as Senior Advisor to Aldel Financial Inc., a special purpose acquisition company, which merged with Hagerty, Inc. (NYSE: HGTY), a leading specialty insurance provider focused on the global automotive enthusiast market. Mr. Swets served as Chief Executive Officer of GreenFirst Forest Products Inc. (TSXV: GFP) (formerly Itasca Capital Ltd.) from June 2016 to June 2021. Mr. Swets served as the Chief Executive Officer of Kingsway Financial Services Inc. (NYSE: KFS) from July 2010 to September 2018, including as its President from July 2010 to March 2017. Mr. Swets served as a director of Insurance Income Strategies Ltd. from October 2017 to December 2021. He also previously served as a member of the board of directors of Limbach Holdings, Inc. (NASDAQ: LMB) from July 2016 to August 2021; Kingsway Financial Services Inc. (NYSE: KFS) from September 2013 to December 2018; Atlas Financial Holdings, Inc. (Nasdaq: AFH) from December 2010 to January 2018; FMG Acquisition Corp. (Nasdaq: FMGQ) from May 2007 to September 2008; United Insurance Holdings Corp. from 2008 to March 2012; and Risk Enterprise Management Ltd. from November 2007 to May 2012.

Prior to founding Itasca Financial LLC, Mr. Swets served as an insurance company executive and advisor, including the role of director of investments and fixed income portfolio manager for Lumbermens Mutual Casualty Company, formerly known as Kemper Insurance Companies. Mr. Swets began his career in insurance as an intern in the Kemper Scholar program in 1994. Mr. Swets earned a Master's Degree in Finance from DePaul University in 1999 and a Bachelor's Degree from Valparaiso University in 1997. He is a member of the Young Presidents' Organization and holds the Chartered Financial Analyst (CFA) designation.

Dr. Richard E. Govignon, Jr. Dr. Richard E. Govignon, Jr. was elected to our Board of Directors on December 15, 2021. Dr. Govignon has been a Partner of Dnerus Financial, a family asset management company, since June 2021. Dr. Govignon is an experienced corporate director/trustee in the U.S. and Canada with broad exposure to numerous industries. Dr. Govignon has been a director of Strong Global Entertainment, Inc. (NYSE: SGE), a corporation focused on supplying screens and providing technical support services to the cinema exhibition industry, theme parks, and other entertainment-related markets since January 2022. Dr. Govignon also serves as a member of the board of directors of FG Acquisition Corp (TSX: FGAA.U), a special purpose acquisition corporation ("SPAC") incorporated under the laws of the Province of British Columbia, which in May 2023 announced a business combination agreement with ThinkMarkets an online forex and CFD provider since April 2022. Since October 2023, Dr. Govignon has served as a director of FG Merger II Corp., a special purpose acquisition company in the process of completing its initial public offering. Dr. Govignon is also a member of the board of directors of B-Scada, Inc. (OTC: SCDA), a company developing software and hardware products since June 2021. Dr. Govignon served as a member of the board of directors of GreenFirst Forest Products, Inc. (TSXV: GFP), a public company focused on forest product investments, from January 2019 to December 2021. Dr. Govignon also served as a Trustee of the StrongVest ETF Trust (US: CWA1) that, invested in a diversified portfolio of corporate bonds with varying maturities and equity securities from 2017 to 2019. Dr. Govignon has worked in the healthcare and pharmaceutical industry in various management and pharmacy positions for over 20 years, most recently with ShopRite Pharmacy since 2022 and previously with CVS Health Corporation (2022-2019 and from 2013-2017), with Acme Markets Inc. (2017-2019) and Rite Aid Corporation (2001-2013).

Dr. Govignon received a Bachelor of Science in Pharmacy and a Doctor of Pharmacy from the University of the Sciences in Philadelphia. We believe Dr. Govignon's managerial experience and his experience in investing and financial analysis make him qualified to serve on our Board of Directors.

Rita Hayes was appointed to our Board of Directors on January 11, 2019. Ms. Hayes has been Chair of Hayes International Advisors, LLC since 2013, where she counsels industry and institutional leaders on a range of economic, political and regulatory matters. She served as an expert for the International Chamber of Commerce's World Business Summit in 2008. Ms. Hayes served as Deputy U.S. Trade Representative and Ambassador to the World Trade Organization (WTO), a post to which she was nominated by President Bill Clinton and unanimously confirmed by the U.S. Senate, from November 1997 through August 2001, during which time she served as Acting U.S. Trade Representative from January through March 2001. From 2001 through December 2006, she held the position of Deputy Director General of the World Intellectual Property Organization (WIPO) to which she was approved by the 184 Member States. At the conclusion of her appointment at WIPO, she served as Senior Advisor in Hogan & Hartson LLP's Geneva, Switzerland office. Confirmed by the U.S. Senate in 1996, Ms. Hayes served from 1996 to 1997 as U.S. Chief Textile Negotiator in the Office of the U.S. Trade Representative (USTR) in Washington, D.C. From 1983 to 1992, Ms. Hayes served as Chief of Staff for two members of the U.S. Congress. Ms. Hayes received a Bachelor of Arts from the University of Georgia, an honorary degree as Doctor of Humane Letters from the College of Charleston and an honorary degree as Doctorate of Outstanding Public Service from the University of South Carolina. We believe Ms. Hayes' extensive record of public and private service uniquely qualifies her to serve on our Board of Directors.

E. Gray Payne was elected to our Board of Directors on May 31, 2018. General Payne served as Senior Vice President of The Columbia Group (“TCG”) from September 2010 to September 2017, where he was responsible for managing the Marine Corps Programs Division (since September 2010) and the Navy Programs Division (since October 2013). TCG is a federal consulting firm working with the Department of Defense, the Department of Homeland Security, the National Oceanic and Atmospheric Administration, and private clients. TCG consults in the areas of logistics, acquisitions, program management, information technology, training, marine architecture and engineering, and command and control systems. Since December 2011, General Payne has also provided consulting services to and served on the Advisory Council of Marstel-Day, LLC, located in Fredericksburg, Virginia, which consults in the areas of conservation, environmental compliance, and encroachment. Prior to September 2010, General Payne was on active duty with the Marine Corps for 10 years, retiring as a Major General. His three commands as a General Officer included the Marine Corps Mobilization Command, the Marine Corps Logistics Command, and the 4th Marine Logistics Group. Prior to March 2001, he worked with a number of companies in various capacities, including as a management consultant, Chief Financial Officer, Chief Operating Officer, and Chief Executive Officer. General Payne currently serves on the Board of Directors of BK Technologies Corporation (NYSE American: BKT), a provider of communications equipment, since January 2017. He is a prior chairman of the Board of the Marine Corps Association and Foundation and currently serves as a Director on the Boards of VetCV (since December 2017) and the National Wildlife Refuge Association (since June 2018). He received a B.S. in Economics from North Carolina State University and a M.S. in Strategic Studies from U.S. Army War College. A member of the National Association of Corporate Directors, he has also earned the Professional Director designation from the American College of Corporate Directors. We believe General Payne’s 40 years of service in the Marine Corps, as well as over 25 years of experience in the private sector in the areas of financial management, operational improvement and strategic planning, qualify him to serve on our Board of Directors.

Scott D. Wollney was appointed to our Board of Directors on March 30, 2015. Since December 2010, Mr. Wollney has served as the President, Chief Executive Officer and as a Director of Atlas Financial Holdings, Inc. (“Atlas”) (OTC: AFHIF), a specialty commercial automobile insurance business that operates primarily as a managing general agency. Since October 2023, Mr. Wollney has served as a director of FG Merger II Corp., a special purpose acquisition company in the process of completing its initial public offering. From July 2009 until December 2010, Mr. Wollney was President and Chief Executive Officer of Kingsway America Inc. (KAI), a property and casualty holding company and subsidiary of Kingsway Financial Services Inc. From May 2008 to March 2009, he was the President and Chief Executive Officer of Lincoln General Insurance Company (a subsidiary of KAI), a property and casualty insurance company. Mr. Wollney co-founded Avalon Risk Management, Inc., an insurance broker, in 1998, and served as its President, from 2002 to 2008. Mr. Wollney has more than 30 years of experience in property and casualty insurance. During his tenure in the industry, Mr. Wollney has held executive positions at both insurance companies, as well as brokerage operations. Mr. Wollney is a MBA graduate of Northwestern University’s Kellogg School of Management with a concentration in finance and management strategy and holds a Bachelor of Arts degree from the University of Illinois. We believe Mr. Wollney’s qualifications to serve on our Board of Directors include his direct operating experience with respect to numerous disciplines which are critical to the insurance business.

CORPORATE GOVERNANCE

Board Diversity

Board Diversity Matrix as of October 16, 2023

Total Number of Directors	6			
	<u>Female</u>	<u>Male</u>	<u>Non- Binary</u>	<u>Did not Disclose Gender</u>
Directors	1	5	—	—
Demographic Information:	—	—	—	—
African American or Black	—	—	—	—
Alaskan or Native American	—	—	—	—
Asian	—	—	—	—
Hispanic or Latinx	—	—	—	—
Native Hawaiian or Pacific Islander	—	—	—	—
White	1	5	—	—
Two or More Races or Ethnicities	—	—	—	—
LGBTQ+			—	
Persons with Disabilities			1	

We recognize the value of diversity at the Board level and believe that our Board currently comprises an appropriate mix of background, diversity and expertise. In particular, we currently have a female director, and our directors, overall, have significant experience in a variety of industries and sectors, including, among others, the insurance industry, the financial industry, military operations and political and diplomatic operations. Although we have no formal separate written policy, our Nominating and Corporate Governance Committee is required under its charter to recommend nominees that ensure sufficient diversity of backgrounds on our Board. We believe that the diversity of our directors enriches our Board by encouraging fresh perspectives and bringing new and valuable insights to the Board.

Board Meetings

During the year ended December 31, 2022, the Board of Directors held eight meetings. In 2022, no director attended fewer than 75% of the total number of (i) meetings held by the Board of Directors during the period for which he or she was a director and (ii) meetings held by all committees of the Board of Directors on which he or she served (during the period that the director served). Independent members of our Board of Directors also meet in executive session without management present.

“Controlled Company” Status

As discussed under “Security Ownership of Certain Beneficial Owners and Management,” FG and affiliated entities beneficially own approximately 55% of our common stock as of the Record Date. As a result, we are a “controlled company,” or a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company, under The Nasdaq Stock Market (“Nasdaq”) rules. “Controlled companies” may elect not to comply with certain Nasdaq corporate governance requirements, including regarding independence of their directors and board committees. Currently, we have not elected to take advantage of these exemptions and are subject to the same governance standards as companies that are not “controlled companies.”

Director Independence

The Board has determined that four of its members are “independent directors” as defined under the applicable rules of Nasdaq and the Securities and Exchange Commission (the “SEC”). The four independent directors currently serving on the Board are Rita Hayes, E. Gray Payne, Scott D. Wollney and Richard E. Govignon, Jr. In making its determination of independence, the Board of Directors considered questionnaires completed by directors and any relationships and transactions between the Company and all entities with which the directors are involved. Nasdaq’s listing rules require that the Board of Directors be comprised of a majority of independent directors.

Board Leadership Structure

Mr. Cerminara serves as Chairman of the Board of Directors, and Mr. Swets is the Company's principal executive officer.

The Chairman of the Board typically presides at all meetings of the Board. The Chairman's role also includes providing feedback on the direction and performance of the Company, setting the agenda of meetings of the Board of Directors and leading the Board of Directors in anticipating and responding to changes in our business.

Our Board of Directors has not established a policy on whether the same person should serve as both the principal executive officer of the Company and the Chairman of the Board or, if the roles are separate, whether the Chairman should be selected from the non-employee directors or should be an employee. Our Board believes that it should have the flexibility to periodically determine the leadership structure that it believes is best for the Company. Given the specific characteristics and circumstances of the Company, the Board believes that its current leadership structure will enhance and facilitate the implementation of the Company's business strategy, including effective monitoring and objective evaluation of the Chief Executive Officer's performance. Mr. Cerminara has been closely involved in developing the Company's business strategy following the sale of our three insurance subsidiaries to FedNat Holding Company and has extensive management experience, including having served as Chairman of the Board since May 2018. The Board believes that these qualities uniquely qualify Mr. Cerminara to lead and facilitate informed Board discussions about the Company's policies and operations and enable him to communicate effectively with the Board on strategic developments and other critical matters facing the Company, while also providing oversight of the Chief Executive Officer. As Chief Executive Officer, Mr. Swets is also responsible for developing the Company's business strategy and managing its day-to-day leadership and performance.

The Board has not appointed a lead independent director at this time. Currently, the Board consists of six directors, four of whom are independent. All independent directors serve on one or more committees of the Board, are able to closely monitor the activities of the Company and meet in executive sessions without management present to discuss the Company's business strategy and operations. Given the active involvement of all of the independent directors in the Company's matters, the Board has determined that a lead independent director is not necessary at this time. Additionally, because the Company's Chairman is appointed annually by the Company's non-management directors, such directors are able to evaluate the leadership and performance of the Chairman each year.

Risk Oversight

Our Board is actively involved in oversight of risks that could affect the Company. This oversight is conducted primarily through the three standing committees of the Board, as disclosed in the descriptions of each of the committees herein, and in the charters of each of the committees, but the full Board has retained responsibility for overall supervision of risk management efforts as they relate to the key business risks we face. Management identifies, assesses and manages the risks most critical to our operations and routinely advises our Board regarding those matters. Areas of material risk may include operational, financial, legal and regulatory, human capital, information technology and security, and strategic and reputational risks. Our Board satisfies its oversight responsibility through full reports by each committee chair regarding the applicable committee's considerations and actions, as well as through regular reports directly from members of management responsible for oversight of particular risks within the Company. The Audit Committee considers and discusses financial risk exposures. The Compensation and Management Resources Committee assesses and monitors whether any of the Company's compensation policies and programs have the potential to encourage excessive risk-taking. The Nominating and Corporate Governance Committee monitors the effectiveness of the Company's corporate governance policies and the selection of prospective board members and their qualifications. In addition, General Payne, as the chair of the Nominating and Corporate Governance Committee, takes an active role in corporate governance matters. The Board believes that the leadership structure described above facilitates the Board's oversight of risks because it allows the Board, working through its committees, to participate actively in the oversight of management actions. The Board believes that its role in risk oversight does not affect the Board's leadership structure.

Like all businesses, we also face threats to our cybersecurity, as we are reliant upon information systems and the internet to conduct our business activities. In light of the pervasive and increasing threat from cyberattacks, the Audit Committee, with input from management, assesses the Company's cybersecurity and other information technology risks and threats and the measures implemented by the Company to mitigate and prevent cyberattacks, and the Board receives periodic reports on the Company's cybersecurity program.

Hedging and Pledging Policy

Under the Company's Insider Trading Policy, all directors, officers and employees of the Company and its subsidiaries are prohibited from engaging in any hedging transactions involving Company securities or equity securities of any subsidiaries of the Company, holding Company securities in a margin account or pledging Company securities as collateral.

Policy Concerning Director Attendance at Annual Stockholders' Meetings

There is no formal policy as to Director attendance at annual stockholders' meetings. Ms. Hayes, as well as Messrs. Cerminara, Payne, Swets, Wollney, and Govignon, attended the 2022 Annual Stockholders' Meeting held on August 23, 2022.

Code of Ethics

We have adopted a code of ethics applicable to all officers, employees and directors of the Company. Our code of ethics has been posted on our corporate website: www.fgfinancial.com under the heading "Governance Documents."

Board Committees and Committee Member Independence

Our Board of Directors has established an Audit Committee, a Compensation and Management Resources Committee, and a Nominating and Corporate Governance Committee. The composition of each committee as of the date of this Proxy Statement is outlined in the table and footnote below. Our Board of Directors utilizes the Nasdaq rules and independence standards in determining whether its members are independent.

	Audit Committee	Compensation and Management Resources Committee	Nominating and Corporate Governance Committee
Scott D. Wollney	C	X	X
E. Gray Payne	X	C	C
Rita Hayes			X
Richard E. Govignon, Jr.	X		

C – Indicates committee chair.

The following is a summary of the respective responsibilities of the Audit Committee, the Compensation and Management Resources Committee, and the Nominating and Corporate Governance Committee. The Board of Directors has approved and adopted a written charter for each of the committees listed, copies of which are posted on the Company's website at www.fgfinancial.com, under the heading "Governance Documents." The Board of Directors may also establish from time to time any other committees that it deems necessary or desirable. Members serve on these committees until their resignation or until otherwise determined by the Board of Directors.

Audit Committee

The Audit Committee was appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities with respect to the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the external auditor's qualifications, independence, and performance, and the performance of the Company's internal audit function. The Audit Committee's primary duties and responsibilities are to:

- Oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.
- Identify and monitor the management of the principal risks that could impact the financial reporting of the Company.
- Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting appropriateness and compliance.
- Provide oversight of the qualifications, independence and performance of the Company's external auditors and the appointed actuary.
- Provide an avenue of communication among the external auditors, the appointed actuary, management and the Board.
- Review the annual audited and quarterly financial statements with management and the external auditors.

The Audit Committee is also responsible for discussing policies with respect to risk assessment and risk management, including regularly reviewing the Company's cybersecurity and other information technology risks, controls and procedures and the Company's plans to mitigate cybersecurity risks and respond to data breaches.

Audit committee members must meet the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the independence requirements of the Nasdaq listing standards and all other applicable rules and regulations. Each member of the Audit Committee is independent and satisfies the applicable requirements for Audit Committee membership under Rule 10A-3 under the Exchange Act and the Nasdaq rules. The Board of Directors has determined that Mr. Wollney is the "audit committee financial expert," as that term is defined in SEC regulations. The Audit Committee held six meetings during the year ended December 31, 2022.

Compensation and Management Resources Committee

The primary purpose of the Compensation and Management Resources Committee, (the "Compensation Committee") is to assist the Board of Directors in discharging its responsibilities with respect to compensation of the Company's executive officers and subsidiary presidents and to provide recommendations to the Board in connection with directors' compensation. The Compensation Committee's primary duties and responsibilities are to:

- Develop guidelines for and determine the compensation and performance of the executive officers of the Company (in the case of the Chief Executive Officer's compensation, without the Chief Executive Officer being present).
- Recommend to the Board incentive and equity-based plans and administer such plans, oversee compliance with the requirements under the Nasdaq listing standards that stockholders of the Company approve equity incentive plans (with limited exceptions under such standards), and approve grants of equity and equity-based awards.
- Review any recommendations from the Chief Executive Officer with respect to compensation for the other executive officers, including benefits and perquisites, incentive compensation plans and equity-based plans for recommendation to the Board.
- Oversee risks relating to the Company's compensation policies, practices and procedures.
- Review and discuss with management the proxy disclosures regarding executive compensation required to be included in the Company's proxy statement and periodic reports with the SEC, each in accordance with applicable rules and regulations of the SEC and other authority.
- Evaluate the results of the stockholder advisory vote on executive compensation when held.
- Review director compensation levels and practices, and recommend, from time to time, changes in such compensation levels and practices to Board with equity ownership in the Company encouraged.

The Compensation Committee receives input and recommendations from the Company's executive officers (except with respect to such executive officer's own compensation) but is not bound by such recommendations. These recommendations are generally based on each executive officer's individual performance as well as his knowledge of each executive officer's job responsibilities, seniority, expected contributions and his understanding of the competitive market for such executives. Each Compensation Committee member is independent and satisfies the applicable requirements for Compensation Committee membership under the Nasdaq rules and is a "non-employee director" as defined in Rule 16b-3 under the Exchange Act. The Compensation Committee held four meetings during the year ended December 31, 2022.

Nominating and Corporate Governance Committee

The purpose of the Nominating and Corporate Governance Committee (the “Nominating Committee”) is to:

- Identify, evaluate and recommend individuals qualified to become members of the Board of Directors, consistent with criteria approved by the Board of Directors.
- Select, or recommend that the Board select the director nominees to stand for election at each annual or special meeting of stockholders of the Company in which directors will be elected or to fill vacancies on the Board.
- Develop and recommend to the Board a set of corporate governance principles applicable to the Company, as the Committee deems appropriate.
- Oversee the annual performance evaluation of the Board and its committees and management.
- Otherwise take a leadership role in shaping and providing oversight of the corporate governance of the Company, including recommending directors eligible to serve on all committees of the Board.

Each Nominating Committee member is independent under the Nasdaq rules. The Nominating Committee held one meeting during the year ended December 31, 2022.

Although the Nominating Committee has not formulated any specific minimum qualifications that the committee believes must be met by a director-nominee that the committee recommends to the Board, the factors it will take into account will include judgement, skill, diversity, experiences with businesses and other organizations of comparable size and scope, the interplay of the candidate’s experience with the experience of other directors, and the extent to which the candidate would be a desirable addition to the Board of Directors and any committees of the Board. The Nominating Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees and may also seek referrals from other members of the Board, management, stockholders and other sources. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates, as appropriate. Upon selection of a qualified candidate, the Nominating Committee recommends the candidate for consideration by the full Board.

The Nominating Committee will consider recommendations for directorships submitted by stockholders. Stockholders wishing to propose director candidates for consideration by the Nominating Committee may do so by writing to the Corporate Secretary of the Company and providing the information concerning the nominee and his or her proponent(s) as required by the Company’s By-Laws. The By-Laws set forth further requirements for stockholders wishing to nominate director candidates for consideration at a stockholders’ meeting including, among other things, that a stockholder must give timely written notice of such a nomination to the Corporate Secretary of the Company. Candidates recommended by stockholders will be given the same consideration as all other candidates.

Stockholder Communications with the Board

Stockholders may communicate with the full Board or individual directors by submitting such communications in writing to FG Financial Group, Inc., 104 S. Walnut Street, Unit 1A, Itasca, IL 60143. The Company’s management will forward such correspondence, as appropriate. Complaints or concerns relating to our financial reporting, accounting, internal accounting controls or auditing will be referred to the Chairman of our Audit Committee.

DIRECTOR COMPENSATION

Under our director compensation program, we provide compensation to our non-employee directors. Directors who are employees of the Company do not receive compensation for their service as directors. Our director compensation program was adopted to remain competitive in attracting and retaining qualified board members and to better align director compensation to other public companies of comparable size to the Company. The terms of the program were as follows:

- Each non-employee director receives an annual cash retainer of \$50,000, paid in quarterly installments;
- The Chairman of the Board receives an additional annual cash retainer of \$75,000, paid in quarterly installments;
- The Chairman of the Reinsurance and Risk Committee receives an additional cash retainer of \$75,000, paid in quarterly installments;
- The Chairman of the Audit Committee receives an additional cash retainer of \$15,000, paid in quarterly installments;
- The Chairman of the Compensation Committee as well as the Chairman of the Nominating Committee each receives an additional cash retainer of \$5,000, paid in quarterly installments;
- Each of the members of the Audit, Compensation, and Nominating Committees (excluding the Chairman of each of those committees), receives an additional cash retainer of \$2,000, paid in quarterly installments;
- Each non-employee director receives an annual grant of restricted stock units (“RSUs”) with a value of \$50,000; and
- Each non-employee director will receive reimbursement of reasonable out-of-pocket expenses for attending board and committee meetings.

RSUs granted to our directors vest in five equal annual installments, beginning with the first anniversary of the grant date, provided that, if the director makes him or herself available and consents to be nominated by the Company for continued service as a director of the Company, but is not nominated by the Board for election by stockholders, other than for good reason as determined by the Board in its discretion, then the next 20% tranche of RSUs shall vest as of the director’s last date of service as a director of the Company.

The Company’s 2021 Equity Incentive Plan, as amended (the “2021 Plan”) provides that the aggregate grant date fair value of all awards granted to any single non-employee director during any single calendar year (determined as of the applicable grant date(s) under applicable financial accounting rules), taken together with any cash fees paid to the non-employee director during the same calendar year, may not exceed \$200,000.

The following table sets forth information with respect to compensation earned by each of our non-employee directors for the year ended December 31, 2022. Mr. Swets, who served as a director for all of 2022, did not receive any compensation for his service as a director, as he concurrently served as Chief Executive Officer of the Company. For more information, see “Compensation of Executive Officers-Summary Compensation Table.”

Non-Employee Director	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Total (\$)
D. Kyle Cerminara.....	125,000	414,000	539,000
Rita Hayes.....	52,000	50,000	102,000
Richard E. Govignon, Jr.	52,000	50,000	102,000
E. Gray Payne	62,000	50,000	112,000
Scott D. Wollney	69,000	50,000	119,000

1. In addition to their compensation, directors are reimbursed for travel and other reasonable out-of-pocket expenses related to their attendance at Board or committee meetings, or for other travel on behalf of the Company. These expenses have not been included in the table above.

2. Stock awards represent the aggregate grant date fair value of 31,645 RSUs granted to each non-employee director on August 19, 2022. The aggregate grant date fair value for the RSUs has been presented in the table above in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. The RSUs were valued using the closing price of the Company's common shares on Nasdaq on the grant date. The RSUs vest in five equal annual installments, beginning one year from the date of grant, provided that, if the director makes themselves available and consents to be nominated by the Company for continued service as a director of the Company, but is not nominated by the Board for election by stockholders, other than for good reason as determined by the Board in its discretion, then the next 20% tranche of RSUs shall vest as of the director's last date of service as a director of the Company.

Effective February 17, 2023, the Company approved 130,000 restricted stock units to be granted to Mr. Cerminara based upon 2022 performance, subject to vesting terms. On the date of the grant, the units had a fair market value of \$364,000. As of the date of this filing, the Company has issued the 130,000 RSU and delivered shares for the 1/3 vested RSUs.

The aggregate numbers of stock awards and option awards outstanding for each director as of December 31, 2022 were as follows:

- Mr. Cerminara - 52,699 RSUs.
- Ms. Hayes - 53,714 RSUs.
- Mr. Govignon - 40,340 RSUs.
- General Payne - 52,699 RSUs.
- Mr. Swets - 4,231 RSUs (excludes a stock option granted to Mr. Swets for his service as the Company's CEO; see "Compensation of Executive Officers").
- Mr. Wollney - 52,699 RSUs.

2022 Grants of Restricted Stock Units

On August 19, 2022, the Compensation Committee granted 31,645 RSUs with a value of \$50,000 to all five of the Company's non-employee directors. The RSUs vest in five equal annual installments, subject to the director's continued service on the Board, beginning with the first anniversary of the grant date.

The award agreements for each of the RSU grants made during 2022 discussed above also provide that if a director makes herself or himself available and consents to be nominated by the Company for continued service as a director of the Company, but is not nominated by the Board for election by stockholders, other than for good reason, as determined by the Board in its discretion, then the next 20% tranche of RSUs shall vest as of the director's last date of service as a director of the Company. The Board's practice has been to accelerate vesting of all of a director's RSUs, upon the director's termination of service.

PROPOSAL 2 — RATIFICATION OF APPOINTMENT OF BDO USA, LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2023

At the Annual Meeting, stockholders will be asked to ratify the appointment of BDO USA, LLP (“BDO”) as our independent registered public accounting firm for the year ending December 31, 2023. The Audit Committee of our Board of Directors has appointed BDO as our independent registered public accounting firm for the year ending December 31, 2023. BDO also served as our independent registered public accounting firm for the year ended December 31, 2022 and has served as our independent registered public accounting firm since 2012. If stockholders do not ratify the appointment of BDO, our Board may consider the selection of other independent registered public accounting firms for the year ending December 31, 2023, but will not be required to do so.

Stockholder ratification of the appointment of BDO is not required by our articles of incorporation or our By-Laws. However, our Board of Directors is submitting the appointment of BDO to the stockholders for ratification as a matter of good corporate governance. Even if the appointment is ratified, our Board of Directors, in its discretion, may direct the appointment of a different independent registered public accounting firm for 2023 if the Board of Directors feels that such a change would be in the best interests of the Company and its stockholders.

We expect that representatives of BDO will not be present at the Annual Meeting.

In considering the reappointment of BDO as our independent registered public accounting firm, the Audit Committee considered BDO’s qualifications, experience, independence, tenure as our independent registered public accounting firm, and its related depth of understanding of our businesses, operations and systems. The Audit Committee and the Board of Directors believe that the continued retention of BDO as our independent registered public accounting firm is in the best interests of the Company and our stockholders at this time.

Required Vote

Ratification requires an affirmative vote of holders of a majority of common stock voted at the Annual Meeting. A holder of common stock may vote “FOR” or “AGAINST” approval or “ABSTAIN” from voting on the proposal. Proxies marked “ABSTAIN” will not be considered as votes cast for or against Proposal 2 and will have no effect on the outcome of the proposal. A broker, bank or other nominee who has not been furnished voting instructions from a beneficial owner will be authorized to vote on Proposal 2, as it is a “routine” matter under applicable rules. Therefore, no broker non-votes are expected in connection with this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE “**FOR**” THE RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2023.

Principal Accountant Fees and Services

The consolidated financial statements for the years ended December 31, 2022 and 2021 have been audited by BDO, our independent registered public accounting firm. Our Audit Committee requires that management obtain the prior approval of the Audit Committee for all audit and permissible non-audit services to be provided by BDO. Fees for all services provided by BDO were pre-approved by the Audit Committee. The following table shows the fees that we incurred for professional services rendered by BDO for 2022 and 2021.

	Year ended December 31,	
	2022	2021
Audit fees ⁽¹⁾	\$ 313,832	\$ 257,919
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
Total	<u>\$ 313,832</u>	<u>\$ 257,919</u>

1. Includes professional fees billed for the audits of our annual financial statements and the review of our interim condensed financial statements, including the reimbursement of expenses incurred by BDO related to our audit. Also includes professional services normally provided by BDO in connection with statutory and regulatory filings or engagements.

AUDIT COMMITTEE REPORT

The following report of the Audit Committee shall not be deemed to be “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall this report be incorporated by reference into any filing made by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its general oversight of the Company’s financial reporting process. The Audit Committee conducted its oversight activities for the Company in accordance with the duties and responsibilities outlined in the Audit Committee charter. The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisers as the Audit Committee deems necessary to carry out its duties and to receive appropriate funding, as determined by the Audit Committee, from the Company for such advice and assistance.

The Company’s management is responsible for the preparation, consistency, integrity and fair presentation of the financial statements, accounting and financial reporting principles, systems of internal control and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. The Company’s independent registered public accounting firm, BDO, is responsible for performing an independent audit of the Company’s financial statements.

The Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements as of and for the year ended December 31, 2022 with management.
2. The Audit Committee has discussed with BDO, the Company’s independent auditors for the year ended December 31, 2022, the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (“PCAOB”) and the Securities and Exchange Commission.
3. The Audit Committee has received the written disclosures and the letter from BDO required by applicable requirements of the PCAOB regarding BDO’s communications with the Audit Committee concerning independence, and has discussed with BDO its independence.
4. Based upon the review and discussion referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements be included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, for filing with the Securities and Exchange Commission.

THE AUDIT COMMITTEE

Scott D. Wollney, Chairman
E. Gray Payne
Richard E. Govignon, Jr.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Below is biographical information for our executive officers who are not directors. Biographical information regarding Mr. Swets, our Chief Executive Officer and a current director of the Board, can be found in Proposal 1.

Hassan R. Baqar, age 46, has served as our Corporate Secretary since May 2022, our Chief Financial Officer since August 2021 and Executive Vice President since December 2021, through Sequoia Financial LLC (“Sequoia”), an advisory firm for which Mr. Baqar is managing member.

Mr. Baqar has over 20 years of experience within financial services and other industries focused on corporate development, mergers & acquisitions, capital raising, investments and real estate transactions. Mr. Baqar has served as the founder and managing member of Sequoia Financial LLC, a financial services and advisory firm, since January 2019. Mr. Baqar has also served as Chief Financial Officer of Insurance Income Strategies Ltd., a former Bermuda based reinsurance company from October 2017 to December 2021, as a director of GreenFirst Forest Products Inc. (TSXV: GFP) (formerly Itasca Capital Ltd.), a public company focused on investments in the forest products industry from August 2019 to December 2021 and as Chief Financial Officer of GreenFirst Forest Products Inc. from June 2016 to December 2020, as a director of FG Reinsurance Ltd., a Cayman Islands reinsurance company since June 2020, as director, treasurer and secretary of Sponsor Protection Coverage and Risk, Inc., a South Carolina captive insurance company since October 2022, and as a director and Chief Financial Officer of Unbounded Media Corporation from June 2019 to September 2023. Since October 2021, Mr. Baqar has also served as the Chief Financial Officer and a member of the board of directors of FG Acquisition Corp. (TSX: FGAA.U), a Canadian special purpose acquisition company that has completed its initial public offering and is focused on searching for a target company in the financial services sector. Since October 2023, Mr. Baqar has served as the Chief Executive Officer of FG Merger II Corp., a special purpose acquisition company in the process of completing its initial public offering.

Mr. Baqar served as a director of FG Merger Corp. (Nasdaq: FGMCU) from December 2021 to August 2023, a special purpose acquisition company which merged with iCoreconnect Inc. (Nasdaq: ICCT), a market leading, cloud-based software and technology company focused on increasing workflow productivity and customer profitability through its enterprise and healthcare workflow platform of applications and services, and as Chief Financial Officer of Aldel Financial Inc. (NYSE: ADF) from January 2021 to December 2021, a special purpose acquisition company which merged with Hagerty, Inc. (NYSE: HGTY), a leading specialty insurance provider focused on the global automotive enthusiast market. From July 2020 to July 2021, Mr. Baqar served as Chief Financial Officer of FG New America Acquisition Corp. (NYSE: FGNA), a special purpose acquisition company, which merged with OppFi Inc. (NYSE: OPFI), a leading financial technology platform that powers banks to help everyday consumers gain access to credit. Previously, he served as Vice President of Kingsway Financial Services Inc. (NYSE: KFS) (“Kingsway”) from January 2014 to January 2019 and as a Vice President of Kingsway’s subsidiary Kingsway America Inc. from January 2010 to January 2019. Mr. Baqar also served as Chief Financial Officer and director of 1347 Capital Corp. from April 2014 to July 2016, a special purpose acquisition company which merged with Limbach Holdings, Inc. (Nasdaq: LMB). Mr. Baqar served as a member of the board of directors of FG Financial Group, Inc. (Nasdaq: FGF) from October 2012 to May 2015. He also served as the Chief Financial Officer of United Insurance Holdings Corp. (NYSE: UIHC), a publicly held property and casualty insurance holding company, from August 2011 to April 2012.

His previous experience also includes director of finance at Itasca Financial, LLC from 2008 to 2009 and positions held at Lumbermens Mutual Casualty Company (a Kemper Insurance company), a diversified mutual property-casualty insurance provider, from June 2000 to April 2008, where he most recently served as a senior analyst. Mr. Baqar earned a Master’s Degree in Business Administration from Northeastern Illinois University in 2009 and a Bachelor’s Degree in Accounting and Business Administration from Monmouth College in 2000. He also holds a Certified Public Accountant designation.

COMPENSATION OF EXECUTIVE OFFICERS

Our named executive officers for the fiscal year ended December 31, 2022 include Larry G. Swets, Jr., our President and Chief Executive Officer, Hassan R. Baqar, our Executive Vice President and Chief Financial Officer, and Brian D. Bottjer, our former Senior Vice President, Chief Accounting Officer, and Secretary.

With respect to executive compensation, the primary goal of the Compensation Committee is to retain and motivate highly skilled executives by aligning their pay with the Company's performance and stockholder returns. Our compensation consists primarily of five components: (i) base salary, (ii) a discretionary cash bonus, (iii) equity-based incentive awards, (iv) retirement benefits in the form of Company paid matching and profit sharing contributions to the Company's 401(k) retirement plan, and (v) premiums paid by the Company on the behalf of our employees for health, dental, life and other ancillary insurance coverage.

Summary Compensation Table

The following table summarizes the compensation for our named executive officers for the years shown.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) ⁽²⁾	All Other Compensation (\$)	Total (\$)
Larry G. Swets, Jr. ⁽¹⁾	2022	550,000	384,000	54,768	988,768
President & Chief Executive Officer	2021	550,000	165,000	106,248	821,248
Hassan R Baqar ⁽³⁾	2022	—	384,000	480,000	864,000
Executive Vice President and Chief Financial Officer	2021	—	—	289,359	289,359
Brian D. Bottjer ⁽⁴⁾	2022	125,371	—	21,433	146,804
Senior Vice President, Chief Accounting Officer and Secretary	2021	221,212	30,000	32,780	283,992
John S. Hill ⁽⁵⁾	2022	—	—	—	—
Former Executive Vice President, & Chief Financial Officer	2021	172,260	—	342,385	514,645

- (1) All other compensation for Mr. Swets represents amounts paid by the Company for 401(k) matching contributions, as well as premiums for medical, dental, life and other ancillary insurance benefits provided to Mr. Swets.
- (2) Cash bonuses for 2022 represent performance bonuses approved by the Compensation Committee on February 17, 2023 in the amount of \$20,000 to both Mr. Swets and Mr. Baqar. Effective February 17, 2023, the Company approved 130,000 restricted stock units to be granted to Mr. Swets and 130,000 restricted stock units to be granted to Mr. Baqar, based upon 2022 performance, subject to vesting terms. On the date of the grant, the units had a fair market value of \$364,000. Cash bonuses for 2021 represent performance bonuses approved by the Compensation Committee on December 17, 2021 and paid to Messrs. Swets and Bottjer on January 15, 2022.
- (3) Mr. Baqar has served as a consultant to the Company since February 2019, through Sequoia Financial LLC ("Sequoia"), an advisory firm for which Mr. Baqar is managing member, at a rate of \$10,833 per month, which also included a bonus of \$75,000 related to the successful completion of the licensing process for the Company's insurance subsidiary. Effective August 11, 2021, the Company entered into the Second Amended and Restated Management Services Agreement (the "MSA") between the Company and Sequoia. The MSA provides that Mr. Baqar will act as the Company's Chief Financial Officer and will perform services and duties as required by the Company's Board of Directors and Chief Executive Officer, to whom he shall report. In consideration for the services, the Company has agreed to pay Sequoia \$40,000 per month during the term of the MSA, included in the table as other compensation.
- (4) Effective May 26, 2022, Mr. Bottjer resigned from his positions as Senior Vice President, Chief Accounting Officer and Secretary of the Company. All other compensation for Mr. Bottjer represents amounts paid by the Company for 401(k) match, as well as premiums paid for medical, dental, life and other ancillary insurance benefits provided to Mr. Bottjer.
- (5) All other compensation for 2021 represents amounts paid by the Company for 401(k) match, medical, dental, life and other ancillary insurance benefits provided to Mr. Hill, and one private business membership to encourage entertainment of business colleagues and customers, interactions with others within professional, business, and local communities and holding business meetings at a convenient offsite location. For 2021, all other compensation is as follows: 401(k) match, medical, dental, life, and other ancillary insurance benefits, \$40,669; private business membership, \$1,716; and severance of \$300,000. Pursuant to a separation agreement and general release entered into between the Company and Mr. Hill, the Company agreed to pay severance to Mr. Hill in the amount of \$300,000, of which \$99,000 was paid bi-monthly from August 6, 2021, through December 31, 2021, with the remainder, or \$201,000 paid, in lump-sum on January 15, 2022.

Executive Officer Appointments and Employment Agreements

Effective December 2, 2019, the Board promoted Mr. Bottjer to Senior Vice President and Controller of the Company. The employment agreement provided for an annual base salary of \$250,000 to Mr. Bottjer, effective upon his appointment to Chief Accounting Officer on July 29, 2021. Pursuant to his employee agreement, Mr. Bottjer became eligible to receive an annual bonus, payable in cash and/or through awards based on the equity in the Company, and subject to the achievement of the performance criteria, as determined by the Compensation Committee. Mr. Bottjer is also eligible to participate in the Company's benefit programs available generally to executive employees of the Company.

In the event Mr. Bottjer is terminated by the Company without cause, the Company was obligated to pay him an amount equal to 12 months of his base salary in effect at the time of the termination or the original base salary set forth in the Employment Agreement, whichever is greater, over 12 months, in accordance with the Company's normal payroll practices. If Mr. Bottjer is terminated for cause or voluntarily resigns, he will not be entitled to any severance under the Employment Agreement. For purposes of his Employment Agreement, "cause" exists if Mr. Bottjer (i) acts dishonestly or engages in willful misconduct, (ii) breaches his fiduciary duties, (iii) intentionally fails to perform duties assigned to him, (iv) is convicted or enters a plea of guilty or nolo contendere with respect to any felony crime involving dishonesty or moral turpitude or (v) breaches his obligations under the Employment Agreement. The Employment Agreement contains customary non-competition and non-solicitation covenants.

Effective May 26, 2022, Mr. Bottjer resigned from his positions as Senior Vice President, Chief Accounting Officer and Secretary of the Company.

Effective August 6, 2021, Mr. Hill retired from all positions with the Company. Pursuant to a separation agreement and general release entered into between the Company and Mr. Hill, the Company agreed to pay severance to Mr. Hill in the amount of \$300,000, of which \$99,000 was paid bi-monthly from August 6, 2021 through December 31, 2021, with the remainder, or \$201,000 paid, in lump-sum on January 15, 2022. The Company also agreed to cover the cost of health insurance coverage for Mr. Hill through December 31, 2021. Also, on August 6, 2021, the Compensation Committee of the Board approved the immediate vesting of 17,400 RSUs previously granted to Mr. Hill. Furthermore, on August 13, 2021, the Company paid to Mr. Hill approximately \$16,000, representing the balance of his unused vacation time.

On June 18, 2020, the Company entered into a consulting agreement (the "Consulting Agreement") with Itasca Financial LLC ("Itasca Financial"), an advisory and investment firm founded by Mr. Swets in 2005, pursuant to which Mr. Swets would provide the services described on behalf of Itasca Financial. The Consulting Agreement provided that Mr. Swets act as the Company's Interim Chief Executive Officer. In consideration for the services, the Company paid Itasca Financial \$111,333 during the term of the Consulting Agreement. The Consulting Agreement was terminated on November 10, 2020, with Mr. Swets' appointment as CEO.

In connection with Mr. Swets' appointment as CEO, the Company entered into an executive employment agreement with Mr. Swets, dated and effective as of November 10, 2020 (the "Swets Agreement"). The Swets Agreement has a three-year term and is subject to automatic three-year renewals, unless either party provides 60 days' prior written notice of his or its intention, as applicable, not to renew such term. Under the Swets Agreement, Mr. Swets is entitled to an annual base salary of \$550,000 until such time as the Board determines future compensation based on Swets' performance or other merit-based criteria.

In the event that the Company terminates Mr. Swets without cause, subject to Mr. Swets' execution of a general release of waiver and claims in favor of the Company and such general release becoming fully irrevocable, Mr. Swets will be entitled to severance consisting of two years of annual base salary continuation and benefits continuation to the extent permitted by, and in accordance with, the Company's applicable health and welfare plans. In the event that the parties mutually agree to terminate Mr. Swets' employment regardless of the reason, subject to Mr. Swets' execution of a general release and such general release's becoming fully irrevocable, Mr. Swets will be entitled to severance consisting of one year of annual base salary continuation and benefits continuation to the extent permitted by, and in accordance with, the Company's applicable health and welfare plans. The Swets Agreement also provides that Mr. Swets is subject to post-termination confidentiality covenants.

On January 18, 2021, Company entered into an Equity Award Letter Agreement (the "Letter Agreement") with Mr. Swets, pursuant to which the Company clarified its intention to grant an additional 370,000 stock options, restricted shares or restricted stock units pursuant to a future award (the "Future Award"), subject to the approval of an amended and/or new equity plan, among other conditions. Specifically, under the Letter Agreement, no such Future Award may be granted until there is a determination by the Compensation Committee of the specific vesting and other terms of the award, and an amended and/or new equity plan, in a form to be prepared and reviewed by the Board, has been approved by the Board and stockholders of the Company that authorizes a sufficient number of shares of common stock to make such Future Award.

Mr. Swets will remain a director of the Company if he is continued to be elected by its stockholders and will forgo the compensation of board fees while serving as CEO.

Mr. Baqar had served as a consultant to the Company since February 2019 through Sequoia, an advisory firm for which Mr. Baqar is managing member, at a rate of \$10,833 per month. Effective August 6, 2021, Mr. Baqar, was appointed our Chief Financial Officer pursuant to the MSA agreement. In consideration for these services, the Company has agreed to pay Sequoia \$40,000 per month during the term of the MSA. The initial term of the MSA is twelve months unless terminated earlier as described below. Unless either party to the MSA provides the other with ninety days written notice, the MSA will renew for a subsequent twelve-month period. If the MSA is terminated by Mr. Baqar for “Good Reason,” payment for the remainder of the full term will be provided in lump sum to Mr. Baqar at the time of termination. The Company may terminate the MSA for “Cause,” at any time upon fifteen days’ prior written notice. Upon termination by the Company for Cause, payment will stop immediately upon the effective date of termination. If the Agreement is terminated by either party without Cause or Good Reason prior to the end of the term, payment for the remainder of the term will be provided to Mr. Baqar subject to a maximum of three months.

In addition, the Company shall pay all of Mr. Baqar’s reasonable expenses associated with the performance of the duties as Chief Financial Officer.

The MSA contains a customary confidentiality provision and a six-month post-termination of the MSA restriction against both soliciting employees and independent contractors of the Company and inducing them to terminate their relationship with the Company.

Cash Bonuses

On January 15, 2022, the Company paid bonuses in the amount of \$165,000 to Mr. Swets and \$30,000 to Mr. Bottjer based upon performance in 2021. The bonuses were approved by the Compensation Committee on December 17, 2021. On February 17, 2023 the Compensation Committee approved cash bonuses in the amount of \$20,000 to both Mr. Swets and Mr. Baqar, based upon performance in 2022.

Share Bonuses

Effective February 17, 2023, the Company approved 130,000 restricted stock units to be granted to Mr. Swets and 130,000 restricted stock units to be granted to Mr. Baqar, based upon 2022 performance, subject to vesting terms. On the date of the grant, the units had a fair market value of \$364,000.

Retirement Benefits

The Company matches the contributions of each of its employees to the Company’s 401(k) Plan. Matching contributions equal 100% of the first 3% of pay and 50% of the next 2% of pay to the extent such contributions are not in excess of the Internal Revenue Code limits on contributions to Section 401(k) plans. Under the 401(k) Plan, the Company may make additional matching contributions or other profit-sharing contributions at its discretion. There were no discretionary contributions in 2021 or 2022.

2021 Equity Incentive Plan

On December 15, 2021, our stockholders approved the FG Financial Group, Inc. 2021 Equity Incentive Plan (the “2021 Plan”). The 2021 Plan replaced the 2018 Equity Incentive Plan (the “2018 Plan”). No new awards will be granted under the 2018 Plan.

The purpose of the 2021 Plan is to attract and retain directors, consultants, officers and other key employees of the Company and its subsidiaries and to provide to such persons incentives and rewards for superior performance. The 2021 Plan is administered by the Compensation Committee and has a term of ten years. All non-employee directors of the Company and employees and consultants of the Company and its subsidiaries designated by the Compensation Committee are eligible to participate in the 2021 Plan and to receive awards, including stock options (which may be incentive stock options or nonqualified stock options), stock appreciation rights (SARs), restricted shares, restricted share units and other share-based awards.

The maximum number of shares that may be issued or transferred with respect to awards under the amended 2021 Plan is 2,000,000 shares, subject to adjustment in certain circumstances as described below. Shares issued under the 2021 Plan may include authorized but unissued shares, treasury shares, shares purchased in the open market, or a combination of the foregoing.

Shares underlying awards that are settled in cash or that terminate or are forfeited, cancelled, or surrendered without the issuance of shares generally will again be available for issuance under the 2021 Plan. However, shares used to pay the exercise price of stock options, shares repurchased by the Company with stock option proceeds, and shares used to pay withholding taxes upon exercise, vesting or payment of an award, will not be added back to the share reserve under the 2021 Plan. In addition, when a SAR is exercised and settled in shares, all of the shares underlying the SAR will be counted against the share limit of the 2021 Plan, regardless of the number of shares used to settle the SAR.

Shares subject to awards that are granted in assumption of, or in substitution or exchange for, outstanding awards previously granted by an entity acquired directly or indirectly by the Company will not count against the share limit above, except as may be required by the rules and regulations of any stock exchange or trading market. The 2021 Plan provides that the aggregate grant date fair value of all awards granted to any single non-employee director during any single calendar year (determined as of the applicable grant date(s) under applicable financial accounting rules), taken together with any cash fees paid to the non-employee director during the same calendar year, may not exceed \$200,000.

Equity Compensation Plan Information

The following table sets forth, as of December 31, 2022, the number of shares of common stock underlying awards outstanding under the 2021 Plan, the 2018 Plan, and the Company's Amended and Restated 2014 Equity Incentive Plan ("2014 Plan"), as well as the number of shares remaining available for issuance under the 2021 Plan. No more awards may be made under the 2018 Plan or the 2014 Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights⁽¹⁾	Weighted- average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))⁽²⁾
	(a)	(b)	(c)
Equity compensation plans approved by security holders	477,880	\$ —	1,233,446
Equity compensation plans not approved by security holders	—	—	—
Total	477,880	\$ —	1,233,446

1. Includes 3,999 common shares to be issued upon vesting of restricted stock units issued under our 2014 Plan; includes 77,327 common shares to be issued upon vesting of restricted stock units and 130,000 common shares to be issued upon vesting of stock options issued under our 2018 Plan; and includes 266,554 common shares to be issued upon vesting of restricted stock units issued under our 2021 Plan.
2. Represents shares available for future issuance under the 2021 Plan.

Outstanding Equity Awards at 2022 Fiscal Year-End

The following table shows the number of outstanding equity awards that are held by our named executive officers as of December 31, 2022. Messrs. Bottjer and Baqar did not hold any equity awards as of December 31, 2022 and 2021.

Name	Number of shares of common stock underlying unexercised options (#) exercisable	Number of shares of common stock underlying unexercised options (#) exercisable	Option awards		Option Expiration Date
			Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price (\$)	
Larry G. Swets, Jr. ...	130,000 ⁽¹⁾	—	—	\$ 3.38	01/11/2031

(1)The option vests with respect to 20% of the total number of shares covered thereby on each of the first five anniversaries of the grant date, which was January 12, 2021, if Mr. Swets remains in the Company’s continuous service through each applicable vesting date, and the Company’s book value per share has increased by 15% from the previous year.

On January 18, 2021, the Company entered into the “Letter Agreement” with Mr. Swets, pursuant to which the Company clarified its intention to grant an additional 370,000 stock options, restricted shares or restricted stock units pursuant to a future award subject to the approval of an amended and/or new equity plan, among other conditions.

Potential Payments Upon Termination or Change in Control

Employment Agreements

The Employment Agreements between the Company and each of Messrs. Swets and Bottjer provide for payments by the Company in connection with a termination of employment.

In the event Messrs. Swets or Bottjer is terminated by the Company without cause, then the Company is obligated to pay Messrs. Swets or Bottjer, as applicable, 24 months and 12 months, respectively, of base salary in effect at the time of the termination or the original base salary set forth in the Employment Agreement, whichever is greater, payable by the Company over a 24-month (in the case of Mr. Swets) or 12-month (in the case of Mr. Bottjer) period in accordance with the Company’s normal payroll practices. If Messrs. Swets or Bottjer is terminated for cause or voluntarily resigns, he will not be entitled to any severance under the Employment Agreement. For purposes of their respective Employment Agreements, “cause” will exist if Messrs. Swets or Bottjer (i) acts dishonestly or engages in willful misconduct, (ii) breaches his fiduciary duties, (iii) intentionally fails to perform duties assigned to him, (iv) is convicted or enters a plea of guilty or nolo contendere with respect to any felony crime involving dishonesty or moral turpitude, and/or (v) breaches his obligations under the Employment Agreement. Furthermore, “cause” will exist under Mr. Swets’ employment agreement if Mr. Swets’ refuses to follow the written direction of the Board, unless such directions are, in the reasonable written opinion of legal counsel, illegal or in violation of applicable law.

In connection with Mr. Bottjer’s resignation effective May 26, 2022, the employment agreement which previously existed between the Company and Mr. Bottjer was terminated.

In connection with Mr. Hill’s retirement effective August 6, 2021, and a separation and general release entered into between the Company and Mr. Hill, the employment agreement which previously existed between the Company and Mr. Hill was terminated.

Equity Incentive Plans

As of December 31, 2022, the Company had equity grants outstanding under each of its 2021, 2018 and 2014 Plans. Each of the plans contain certain provisions concerning the vesting and termination of equity awards granted under the plans upon a termination of employment or upon a change in control. The Company's award agreements entered into under each plan also contain provisions concerning the vesting and termination of the RSUs granted thereunder.

2021 and 2018 Plans

The 2021 and 2018 Plan each generally provides for "double-trigger" vesting of equity awards in connection with a change in control of the Company, as described below.

To the extent that outstanding awards granted under either Plan are assumed in connection with a change in control, then, except as otherwise provided in the applicable award agreement or in another written agreement with the participant, all outstanding awards will continue to vest and become exercisable (as applicable) based on continued service during the remaining vesting period, with performance-based awards being converted to service-based awards at the "target" level. Vesting and exercisability (as applicable) of awards that are assumed in connection with a change in control generally would be accelerated in full on a "double-trigger" basis, if, within two years after the change in control, the participant's employment is involuntarily terminated without "cause", or by the participant for "good reason". Any stock options or SARs that become vested on a "double-trigger" basis generally would remain exercisable for the full duration of the term of the applicable award.

To the extent outstanding awards granted under either Plan are not assumed in connection with a change in control, then such awards generally would become vested in full on a "single-trigger" basis, effective immediately prior to the change in control, with performance-based awards becoming vested at the "target" level. Any stock options or SARs that become vested on a "single-trigger" basis generally would remain exercisable for the full duration of the term of the applicable award.

The Compensation Committee has discretion to determine whether any outstanding awards granted under each Plan will be assumed by the resulting entity in connection with a change in control, and the Compensation Committee has the authority to make appropriate adjustments in connection with the assumption of any awards. The Compensation Committee also has the right to cancel any outstanding awards in connection with a change in control, in exchange for a payment in cash or other property (including shares of the resulting entity) in an amount equal to the excess of the fair market value of the shares subject to the award over any exercise price related to the award, including the right to cancel any "underwater" stock options and SARs without payment therefor.

For purposes of the Plans, a "change in control" generally includes (a) the acquisition of 50% or more of the company's common stock; (b) a reorganization, merger, consolidation or similar transaction, or a sale of substantially all of the Company's assets; or (c) the complete liquidation or dissolution of the Company.

Whether a participant's employment has been terminated for "cause" will be determined by the Company. Unless otherwise provided in the applicable award agreement or in another written agreement with the participant, "cause", as a reason for termination of a participant's employment generally includes (a) an intentional act of fraud, embezzlement, theft or any other illegal or unethical act in connection with the performance of the participant's duties to the Company or a subsidiary that the Company determines, acting in good faith, has materially injured or is highly likely to materially injure the Company, or any other terminable offense under the Company's policies and practices; (b) intentional damage to the Company's (or a subsidiary's) assets; (c) conviction of (or plea of nolo contendere to) any felony or other crime involving moral turpitude; (d) improper, willful and material disclosure or use of the Company's (or a subsidiary's) confidential information or other willful material breach of the participant's duty of loyalty to the Company or a subsidiary; (e) a willful, material violation of the Company's policies and procedures as set out in its employee handbook or a material violation of the Company's code of conduct that the Company determines, acting in good faith, has materially injured or is highly likely to materially injure the Company, monetarily or otherwise; or (f) the participant's willful failure or refusal to follow the lawful and good faith directions of the Company or a subsidiary.

For purposes of the Plans, unless otherwise provided in the applicable award agreement or in an another written agreement with the participant, "good reason" generally includes (a) the assignment to the participant of any duties that are materially inconsistent with the Participant's duties or responsibilities as assigned by the Company or a subsidiary, or any other action by the Company or a subsidiary that results in a material diminution in of the participant's duties or responsibilities, unless remedied by the Company promptly after receipt of notice from the participant; or (b) any material failure by the Company or a subsidiary to comply with its agreed obligations to the participant, other than an isolated, insubstantial and inadvertent failure which is remedied by the Company promptly after receipt of notice from the Participant.

The award agreements entered into under the 2021 Plan and 2018 Plan also contain provisions concerning the vesting and termination of the awards subject to the agreements. Under the 2018 Plan, except as described above with respect to a change in control, un-exercisable stock options, unless otherwise provided in the applicable award agreement, are generally forfeited automatically upon termination of employment prior to a vesting date, unless (i) the Compensation Committee, in its discretion, provides for the full or partial acceleration of vesting and exercisability of the option in connection with the termination, or (ii) the termination is due to the grantee's death or disability, in which case the unvested options will automatically become vested and exercisable upon termination. The stock options that are exercisable at the time of termination of employment expire (a) twelve months after the termination of employment by reason of death or disability or (b) three months after the termination of employment for other reasons. Upon the termination of a grantee's employment for cause (as defined under the 2018 Plan), all of the grantee's vested and unvested options automatically terminate. Under each Plan, with respect to unvested restricted shares and RSUs, unless otherwise provided in the applicable award agreement, unvested restricted shares and restricted share units that have not yet vested are generally forfeited automatically in the event of the termination of the grantee's employment for any reason prior to a vesting date, unless (i) the Compensation Committee, in its sole discretion, provides for the full or partial acceleration of vesting of the restricted shares or restricted share units, as applicable, in connection with the termination, or (ii) the termination is due to the grantee's death or disability, in which case the unvested restricted shares or restricted share units, as applicable, will automatically become vested in full.

The Compensation Committee has discretion to determine the form, amount and timing of each award granted under the 2021 Plan and all other terms and conditions of the award, including, without limitation, the form of the agreement evidencing the award. As such, future awards granted under the 2021 Plan may be subject to additional terms providing for accelerated vesting, pay outs or termination of the award upon a termination of employment or a change in control of the Company.

Amended and Restated 2014 Equity Incentive Plan

Under the 2014 Plan, upon a change in control of the Company, our Board of Directors (as constituted immediately prior to such change in control) may, in its discretion, (i) require that shares of the Company resulting from such change in control, or a parent corporation thereof, be substituted for some or all of the common shares subject to an outstanding award granted under the 2014 Plan, with an appropriate and equitable adjustment as shall be determined by the Board, and/or (ii) require outstanding awards granted under the 2014 Plan, in whole or in part, to be surrendered to the Company by the holder, and to be immediately cancelled by the Company, and to provide for the holder to receive: (1) a cash payment in an amount equal to the aggregate number of common shares then subject to the portion of any stock option surrendered multiplied by the excess, if any, of the fair market value (as defined under the 2014 Plan) of a common share as of the date of the change in control, over the exercise price per common share subject to such stock option; (2) shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such change in control, or a parent corporation thereof, having a fair market value not less than the amount determined under clause (1) above; or (3) a combination of the payment of cash pursuant to clause (1) above and the issuance of shares pursuant to clause (2) above.

A "change in control" under the 2014 Plan generally means (i) the acquisition by any individual, entity or group of beneficial ownership of 50% or more of the then outstanding common shares or the combined voting power of the then outstanding securities of the Company, with certain exceptions; (ii) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company, unless (A) the Company's current beneficial owners retain more than 50% of the Company's outstanding shares and combined voting power following such transaction, (B) no new individual entity or group will beneficially own 50% or more of the Company's outstanding shares or combined voting power following such transaction, or (C) current members of the Board will constitute at least a majority of the board following such transaction; or (iii) the consummation of a plan of complete liquidation or dissolution of the Company.

The Company has RSU awards outstanding that were issued under the 2014 Plan and no outstanding stock option awards. The Company's RSU agreements entered into with Mr. Hill and non-employee directors under the 2014 Plan generally provide that the RSUs granted thereunder remain restricted until the applicable vesting date set forth in the agreement. In the event the grantee's employment with the Company or service on the Company's board of directors, as applicable, is terminated due to the grantee's death or disability (as defined under the 2014 Plan) prior to one or more of the vesting dates, all unvested RSUs will vest as of the date of death or the date the grantee is determined to be experiencing a disability. In addition, in the event the grantee's employment with the Company or service on the Company's board of directors, as applicable, is terminated by the Company or by the grantee for any reason other than death or disability (as defined under the 2014 Plan), all unvested RSUs granted under the agreement will be forfeited as of the date of termination.

In addition to the general provisions described above, the RSU agreements entered into by the Company in connection with the share matching arrangements for the Company's non-employee directors (other than Mr. Wollney) on December 15, 2017 contain special acceleration and termination provisions. The agreements for the non-employee directors provide that the vesting of the RSUs granted thereunder is subject to the director's continued service on the board through the applicable vesting date, provided that if a director makes himself available and consents to be nominated by the Company for continued service but is not nominated by the Board for election by the stockholders, other than for good reason as determined by the Board in its discretion, then such director's RSUs will vest in full as of his last date of service as a director with the Company.

Retirement of CFO

Upon the retirement of our former Chief Financial Officer, John S. Hill, effective August 6, 2021, the Compensation Committee approved the accelerated vesting of RSUs granted by the Company to Mr. Hill on May 29, 2015, December 15, 2017, and August 22, 2018. Accordingly, on August 6, 2021, 17,400 unvested RSUs held by Mr. Hill vested in full, with each RSU representing one share of the Company's common stock.

Pay Versus Performance

The following pay versus performance disclosure is new this year, as required by rules recently adopted by the SEC in the fall of 2022. The disclosure required for smaller reporting companies, like the Company, consists of a Pay Versus Performance table and reconciliation of the information reported in the table. The SEC believes this disclosure will help stockholders better evaluate the link between executive pay and performance, both for the Company on a stand-alone basis and as compared to other publicly traded companies.

The pay versus performance table is highly regulated and requires pay disclosure that is significantly different than what we have customarily provided in the Summary Compensation Table and the other executive compensation tables in prior years. The table currently provides SEC mandated compensation data for fiscal years 2021 and 2022 for our Named Executive Officers ("NEOs"), along with certain financial performance measures. In reviewing the table, our stockholders should note the following:

The amounts in columns (b) and (d) of the table are taken from or derived directly from the total compensation paid to the relevant NEOs as reported in this year's or prior years' Summary Compensation Tables;

The "compensation actually paid" in columns (c) and (e) represents a new type of compensation disclosure mandated by the SEC, the intent of which is to try and isolate the amount of compensation earned by the relevant NEO(s) in each year. To calculate "compensation actually paid," we are required to start with the totals for that year as reported in the Summary Compensation Table, deduct the Summary Compensation Table values for stock and option awards, and then add back amounts for new and previously outstanding stock and option awards in a manner mandated by the SEC. The disclosure and calculations are complex and can be confusing, and the amounts determined in accordance with the rules often bear no relation to the money or the economic value received or monetized by a particular NEO in the given year. We therefore caution that the term "compensation actually paid" should not be read literally and does not actually reflect the "take home" amounts received by our NEOs in a given year;

The SEC rules require that we include in the Pay Versus Performance table information regarding our U.S. GAAP net income results. U.S. GAAP net income was not a performance metric in any of our compensation programs and did not affect the compensation awarded to our NEOs for the years covered by the Pay Versus Performance Table. We are nonetheless required to include such information in the table and we urge our investors to keep in mind that U.S. GAAP net income did not drive the amount of pay awarded to or realized by our NEOs.

Pay Versus Performance Table

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Summary Compensation Table Total for PEO(1)	Compensation Actually Paid to PEO (2)	Average Summary Compensation Table Total for Non -PEO NEOs	Average Compensation Actually paid to Non-PEO NEOs	Value of Initial Fixed \$100 Investment Based on Total Shareholder Return (3)	Net Income available to Maiden Common Shareholder (in thousands)
Larry G. Swets Jr. President & Chief Executive Officer	2022	\$ 988,768	\$ 988,768	-	-	\$ 59	\$ 1,088
	2021	\$ 821,248	\$ 674,706	-	-	\$ 76	\$ (7,188)
Hassan R. Baqar..... Executive Vice President and Chief Financial Officer	2022	-	\$ -	\$ 864,000	864,000	\$ 59	\$ 1,088
	2021	-	\$ -	\$ 289,359	289,359	\$ 76	\$ (7,188)
Brian D. Bottjer Former Senior Vice President, Chief Accounting Officer and Secretary	2022	-	\$ -	\$ 146,804	146,804	\$ 59	\$ 1,088
	2021	-	\$ -	\$ 283,992	283,992	\$ 76	\$ (7,188)
John S. Hill Former Executive Vice President, & Chief Financial Officer	2022	-	-	-	-	\$ 59	\$ 1,088
	2021	-	\$ -	\$ 514,645	514,645	\$ 76	\$ (7,188)

1. Mr. Swets served as the Company's Chief Executive Officer for the entirety of 2022 and 2021. Mr. Baqar served as the Company's Chief Financial Officer Since August 11, 2021 . Mr. Hill served as Company's Chief Financial Officer till August 10, 2021. Mr. Bottjer served as Company's Chief Accounting officer for the entirety of 2021 and till May 26, 2022.
2. To calculate compensation actually paid, adjustments were made to the amounts reported in the Summary Compensation Table for the applicable year. A reconciliation of the adjustments for Messrs. Swets, Baqar, Hill and Bottjer is set forth in the table immediately following these footnotes.
3. Pursuant to rules of the SEC, the illustration assumes \$100 was invested on December 31, 2020 in our Common Shares. Historic common share price performance is not necessarily indicative of future common share price performance.

To calculate the amounts reported in the “Compensation Actually Paid” columns in the table above, the following amounts were deducted from and added to (as applicable) our NEOs total compensation as reported in the Summary Compensation Table (“SCT”) for our named executive officers as of December 31, 2022:

			Less:	Plus:	Plus (less):				
							Change in Fair Value of RSUs from Prior Years that Vested in the Covered Year (f)	Change in Fair Value of Unvested RSUs from the Prior Years (g)	Compensation Actually Paid
Name	Fiscal Year	SCT Total (a)	SCT Share Awards (b)	Fair Value of Restricted Shares Units ("RSU") Granted in the Covered Year(c)	Change in Fair Value of Unvested RSUs from Covered Years (d)	Fair Value of RSU Granted and Vested in the covered year (e)			
Larry G. Swets Jr.	2022	\$988,768	-	-	-	-	-	-	\$ 988,767
	2021	\$821,248	(146,542)	-	-	-	-	-	\$ 674,706
Hassan R. Baqar.....	2022	\$864,000	-	-	-	-	-	-	\$ 864,000
	2021	\$289,359	-	-	-	-	-	-	\$ 289,359
Brian D. Bottjer.....	2022	\$146,804	-	-	-	-	-	-	\$ 146,804
	2021	\$283,992	-	-	-	-	-	-	\$ 283,992
John S. Hill	2022	\$ -	-	-	-	-	-	-	-
	2021	\$514,645	-	-	-	-	-	-	\$ 514,645

- Represents Total Compensation as reported in the Summary Compensation Table for the indicated fiscal year.
- Represents the grant date fair value of the option award granted to Mr. Swets during the indicated fiscal year, computed in accordance with the methodology used for financial reporting purposes. The option award becomes vested and fully exercisable in 20% increments on each anniversary of the grant date, provided that Mr. Swets remains in the continuous service of the Company through each applicable vesting date and that the Company’s book value per share shall have increased by 15% or more as compared to the Company’s book value per share as of the fiscal year end prior.
- Represents the fair value as of the indicated fiscal year-end of the outstanding and unvested RSU granted during such fiscal year, computed in accordance with the methodology used for financial reporting purposes.
- Represents the change in fair value during the indicated fiscal year of each RSU that was granted in a prior fiscal year and that remained outstanding and unvested as of the last day of the indicated fiscal year, computed in accordance with the methodology used for financial reporting purposes. No RSUs were granted to named PEO or the NEOs in 2021 or 2022
- Represents the fair value at vesting of the RSU that were granted and vested during the indicated fiscal year, computed in accordance with the methodology used for financial reporting purposes. No RSUs were granted or vested in 2021 and 2022 for the named PEO or the NEOs.
- Represents the change in fair value, measured from the prior fiscal year-end to the vesting date, of each RSU that was granted in a prior fiscal year and which vested during the indicated fiscal year, computed in accordance with the methodology used for financial reporting purposes. No RSUs were granted to the PEO or the NEOs in 2021 or 2022.
- Represents the fair value as of the last day of the prior fiscal year of the share awards that were granted in a prior fiscal year and which failed to meet the applicable vesting conditions in the indicated fiscal year, computed in accordance with the methodology used for financial reporting purposes.

PROPOSAL 3 — TO CONSIDER AND ACT UPON A NON-BINDING ADVISORY RESOLUTION TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) and Section 14A of the Exchange Act, we are asking our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement pursuant to the compensation disclosure rules promulgated by the SEC. This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on the compensation of our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we are asking our stockholders to vote “FOR” the following resolution at our Annual Meeting:

“RESOLVED, that the Company’s stockholders approve, on an advisory basis, the compensation paid to the Company’s named executive officers, as disclosed in the Company’s proxy statement pursuant to Item 402 of Regulation S-K, including the compensation tables and accompanying narrative disclosures.”

This advisory say-on-pay vote on executive compensation is not binding on the Board or the Compensation Committee. However, the Board values the opinion of our stockholders and will consider the result of the vote when making future decisions regarding executive compensation. We design our executive compensation programs to implement our core objectives of attracting key leaders, motivating our executives to remain with the Company for long and productive careers, rewarding sustained financial and operating performance and leadership excellence and aligning the long-term interests of our executives with those of our stockholders. The Board believes that the policies and practices described in “Compensation of Executive Officers” are effective in achieving the Company’s goals.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE **“FOR”** THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

Required Vote

Approval requires an affirmative vote of the majority of the votes properly cast at the Annual Meeting. Proxies marked “ABSTAIN” and broker non-votes will not be considered as votes cast for or against Proposal 3 and will have no effect on the outcome of the proposal .

DELINQUENT SECTION 16(a) REPORTS

Under Section 16(a) of the Exchange Act, our executive officers, directors, and persons who own greater than 10% of our common stock (the “Section 16 Reporting Persons”) of the Company must file a Form 4 reporting the acquisition or disposition of the Company’s equity securities with the SEC no later than the end of the second business day after the day the transaction occurred unless certain exceptions apply. Transactions not reported on Form 4 must be reported on Form 5 within 45 days after the end of the Company’s fiscal year. Such persons must also file initial reports of ownership on Form 3 upon becoming an executive officer, director, or greater-than-10% stockholder. Based solely on our review of the copies of such reports and representations that no other reports were required, we believe that all Section 16 filing requirements applicable to our Section 16 Reporting Persons were timely complied with during 2022.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT²

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock as of the Record Date, by:

- Each person (or group of affiliated persons) known by us to beneficially own more than 5% of our common stock;
- Each of our directors and named executive officers; and
- All of our current directors and executive officers as a group.

The number and percentages of shares beneficially owned are based on 10,303,738 common shares outstanding as of the Record Date. Information with respect to beneficial ownership has been furnished by each director, executive officer and beneficial owner of more than 5% of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC and requires that such persons have voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person listed below and the percentage ownership of such person, shares of common stock underlying warrants, options and RSUs held by each such person that are exercisable or vest within 60 days of the Record Date are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Except as otherwise noted below, and subject to applicable community property laws, the persons named have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Except as otherwise indicated below, the address for each beneficial owner is c/o FG Financial Group, Inc., 104 S. Walnut Street, Unit 1A, Itasca, IL, 60143.

Name and Address of Beneficial Owner	Beneficially Owned	
	Number of Shares	Percentage of Shares
5% Beneficial Owners		
Fundamental Global GP, LLC ⁽¹⁾		
108 Gateway Blvd., Suite 204, Mooresville, NC 28117	5,666,111	55%
Named Executive Officers and Directors		
Larry G. Swets, Jr., President, Chief Executive Officer and Director ⁽³⁾	80,597	*
Hassan R. Baqar, Executive Vice President, Chief Financial Officer ⁽³⁾	102,349	*
D. Kyle Cerminara, Chairman of the Board ⁽¹⁾⁽²⁾⁽³⁾	5,761,073	55.8%
Rita Hayes, Director ⁽³⁾	36,291	*
E. Gray Payne, Director ⁽³⁾	41,130	*
Scott D. Wollney, Director ⁽³⁾	44,727	*
Richard E. Govignon, Jr., Director ⁽³⁾	19,862	*
Current Executive Officers and Directors as a Group (8 individuals) ⁽²⁾⁽³⁾	6,086,031	62.7%

* Less than 1.0%

1. Fundamental Global GP, LLC (referred to therein as “FG”) shares voting and dispositive power with respect to 5,666,111 shares of common stock. FG Financial Holdings LLC (“FGFH”), which is managed by Fundamental Global GP, LLC shares voting and disposition power with respect to 5,666,111 shares of common stock. Information regarding beneficial ownership of our common stock by FG and its affiliates is included herein in reliance on a Form 4 filed with the SEC on June 3, 2023. Mr. Cerminara is Chief Executive Officer of FG and manager of FGFH. Due to his positions with FG and affiliated entities, Mr. Cerminara may be deemed to be beneficial owner of the shares of the Company’s common stock disclosed as directly owned by FGFH. The business address for Mr. Cerminara is 108 Gateway Blvd., Suite 204, Mooresville, North Carolina 28117.
2. Includes 5,666,111 shares reported as beneficially owned by FG and its affiliates, of which Mr. Cerminara is deemed to have beneficial ownership by virtue of his positions with FG, as discussed in footnote 1.
3. Includes 31,378 vested but unissued RSU as of Record Date for Larry G. Swets, Jr. Includes 30,789 vested but unissued RSU as of Record Date for Hassan R. Baqar. Includes 69,376 vested but unissued RSU as of Record Date for D. Kyle Cerminara. Includes 25,542 vested but unissued RSU as of Record Date for E. Gray Payne. Includes 20,955 vested but unissued RSU as of Record Date for Rita Hayes. Includes 17,679 vested but unissued RSU as of Record Date for Richard E. Govignon.

TRANSACTIONS WITH RELATED PERSONS

It is the responsibility of the Audit Committee or, on a case-by-case basis, another Board committee constituted solely by independent directors, to review and oversee proposed transactions with “related persons” as defined in Item 404(a) of the SEC’s Regulation S-K. These include transactions and series of similar transactions to which we were a party or will be a party, in which

- the amounts involved exceeded or will exceed lessor of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years; and
- any of our directors, director nominees, executive officers or beneficial owners of more than 5% of any class of our voting stock, or any immediate family members thereof, had or will have a direct or indirect material interest.

Below is a summary of our related party transactions between January 1, 2021 and October 16, 2023.

Investment in Metrolina

The Company had previously invested \$4.0 million as a limited partner in FGI Metrolina Property Income Fund, LP (“Metrolina”) which invested in real estate through a real estate investment trust wholly owned by Metrolina. The general partner of Metrolina, FGI Metrolina GP, LLC, was managed, in part, by Mr. Cerminara, the Chairman of the Board of Directors of the Company. Metrolina’s investment program was managed by FGI Funds Management LLC, an affiliate of FG, which, with its affiliates, is the largest stockholder of the Company. In the fourth quarter 2021, we received approximately \$5.0 million in cash from Metrolina, representing our initial investment of \$4.0 million plus approximately \$1.0 million in distributed earnings. As a result, our investment in Metrolina was fully liquidated as of December 31, 2021.

Joint Venture Agreement

On March 31, 2020, the Company and FG entered into the limited liability company agreement with Fundamental Global Asset Management, LLC (“FGAM”), a joint venture owned 50% by each party. The purpose of FGAM is to sponsor, capitalize and provide strategic advice to investment managers in connection with the launch and/or growth of their asset management business and the investment products they sponsor.

FGAM is governed by a Board of Managers consisting of four managers, two of which are appointed by each Member. The Company has appointed two of its independent directors to the FGAM Board of Managers. Certain major actions, including any decision to sponsor a new investment manager, require the prior consent of both Members.

FG Merchant Partners

FG Merchant Partners (“FGMP”) was formed to allocate capital to merchant banking, SPACs and SPAC sponsor-related business. The Company holds a limited partner interest in FGMP. Certain of our directors and officers also hold limited partner interests in FGMP. Mr. Swets holds a limited partner interest through Itasca Financial LLC, an advisory and investment firm for which Mr. Swets is managing member. Mr. Baqar also holds a limited partner interest through Sequoia Financial LLC, an advisory firm for which Mr. Baqar is managing member. Mr. Cerminara also holds a limited partner interest through Fundamental Global, LLC, a holding company for which Mr. Cerminara is the manager and one of the members.

FGMP has invested in the founder shares and warrants of Aldel Financial Inc. (“Aldel”), FG Merger Corp. (“FG Merger”), FG Acquisition Corp, FG Communities Inc. (“FGC”) and Craveworthy LLC. Certain of our directors and officers are affiliated with these SPACs and their sponsor companies as previously described.

FG Communities, Inc.

In October of 2022, the Company invested \$2.0 million into FGC. The Company also holds an interest through its ownership in FGMP. FGC is a self-managed real estate company focused on a growing portfolio of manufactured housing communities which are owned and operated by FGC. Mr. Cerminara is the President and a director of FGC.

Craveworthy LLC

On March 16, 2023, the Company invested \$200,000 in a senior unsecured loan to Craveworthy LLC. Subsequently the senior note was rolled into a convertible secured promissory note effective October 17, 2023. Mr. Swets has an indirect interest in Craveworthy LLC, independent from the interests held by the Company through its ownership in FGMP. Mr. Baqar and Mr. Cerminara are the Managers of Craveworthy LLC.

Think Financial Group Holdings Limited

On September 29, 2023, the Company invested \$250,000 in a convertible promissory note to support the business combination of Think Financial Group Holdings Limited and FG Acquisition Corp. (“FGAC”). Mr. Swets and Mr. Baqar are the executive officers of FGAC.

Shared Services Agreement

On March 31, 2020, the Company entered into a Shared Services Agreement (the “Shared Services Agreement”) with Fundamental Global Management, LLC (“FGM”), an affiliate of FG, pursuant to which FGM provides the Company with certain services related to the day-to-day management of the Company, including assisting with regulatory compliance, evaluating the Company’s financial and operational performance, providing a management team to supplement the executive officers of the Company, and such other services consistent with those customarily performed by executive officers and employees of a public company. In exchange for these services, the Company pays FGM a fee of \$456,000 per quarter (the “Shared Services Fee”), plus reimbursement of expenses incurred by FGM in connection with the performance of the Services, subject to certain limitations approved by the Company’s Board of Directors or Compensation Committee from time to time.

The Shared Services Agreement has an initial term of three years, and thereafter renews automatically for successive one-year terms unless terminated in accordance with its terms. The Shared Services Agreement may be terminated by FGM or by the Company, by a vote of the Company’s independent directors, at the end of the initial or automatic renewal term upon 120 days’ notice, subject to payment by the Company of certain costs incurred by FGM to wind down the provision of services and, in the case of a termination by the Company without cause, payment of a termination fee equal to the Shared Services Fee paid for the two quarters preceding termination.

In the third quarter of 2022, the Shared Services Agreement was amended to eliminate termination fees and to increase the termination notice from 120 days to 365 days. The Company paid \$1,825,000 to FGM under the Shared Services Agreement for each of the twelve months ended December 31, 2022, and 2021, respectively.

Participation in the Offering

On June 21, 2022, we completed the closing of an underwritten public offering of 2,750,000 shares of our common stock, at a public offering price of \$1.58 per share, for gross proceeds of \$4.345 million, before deducting underwriting commissions and offering expenses. Mr. Swets, our Director and Chief Executive Officer, Mr. Baqar, our Executive Vice President and Chief Financial Officer, purchased 30,000 and 63,290 shares, respectively, in the offering. Fundamental Activist Fund I LP (“FAFI”) and FGH purchased 632,911 and 1,265,822 shares, respectively, in the offering. FG and its affiliated entities, including FAFI and FGH, collectively beneficially own an aggregate 58.5% of our common stock. Mr. Cerminara, our Chairman, may be deemed the beneficial owner of shares owned beneficially by FG. At the public offering price of \$1.58 per share, Mr. Swets, Mr. Baqar, FAFI and FGH purchased shares of common stock at a total price each of \$47,400, \$99,998, \$999,999, and \$1,999,999, respectively.

Other Transactions

We have entered into indemnification agreements with each of our directors and executive officers. These agreements provide that we will, among other things, indemnify and advance expenses to our directors and executive officers for certain expenses, including attorneys’ fees, judgments, fines, and settlement amounts incurred by any such person in any action or proceeding, including any action by us arising out of such person’s services as our director or executive officer, or any other company or enterprise to which the person provides services at our request. We believe that these agreements are necessary to attract and retain qualified persons as directors and executive officers.

As discussed above, FG, together with its affiliates, is the largest stockholder of the Company. Mr. Cerminara, Chairman of our Board, is Chief Executive Officer, Partner, and Manager of FG. The partnership managed by FG, including the funds that directly own shares of our common stock and Series A Preferred Stock, have agreed to indemnify FG, the principals of FG, including Mr. Cerminara, or any other person designated by FG for claims arising from Mr. Cerminara’s service on our Board, provided that a fund’s indemnity obligations are secondary to any obligations we may have with respect to Mr. Cerminara’s service on our Board.

OTHER MATTERS

The Board of Directors does not currently know of any other matters to be presented at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is intended that the shares represented by proxies will be voted as recommended by the Board of Directors or, if no recommendation is given, in the discretion of the proxy holders using their best judgement.

HOUSEHOLDING

The SEC has adopted a rule concerning the delivery of annual reports and proxy statements. It permits the Company, with your permission, to send a single copy of this Proxy Statement and our 2022 Annual Report to any household at which two or more of the Company's stockholders reside. This rule is called "householding," and its purpose is to help reduce printing and mailing costs of proxy materials. We do not "household" proxy materials to stockholders of record. However, some banks, brokers and other nominees may be participating in the practice of "householding."

We will promptly deliver, upon oral or written request, a separate copy of this Proxy Statement and our 2022 Annual Report to any stockholders residing at an address to which only one copy of this Proxy Statement and our 2022 Annual Report was mailed. Requests for additional copies should be directed in writing to a stockholder's broker, bank or other nominee holding shares of our common stock for such stockholder or to the attention of our Corporate Secretary at (847) 791-6817 or in writing at 104 S. Walnut Street, Unit 1A, Itasca, IL 60143. In the future, stockholders wishing to receive separate copies of our proxy statements and annual reports in the future, and stockholders sharing an address that wish to receive a single copy of our proxy statement and annual report if they are receiving multiple copies of those documents, should contact their bank, broker, or other nominee record holder, or may contact our Corporate Secretary as described above.

STOCKHOLDER PROPOSALS FOR PRESENTATION AT THE 2024 ANNUAL MEETING

Stockholder proposals intended to be considered for inclusion in next year's proxy statement and form of proxy for presentation at the 2024 Annual Meeting of Stockholders must comply with Exchange Act Rule 14a-8. The deadline for submitting such proposals is September 7, 2024 unless the date of the 2024 Annual Meeting is more than 30 days before or after the one-year anniversary date of the Annual Meeting, in which case proposals must be submitted a reasonable time before we print our proxy materials for the 2024 Annual Meeting. The submission of a stockholder proposal does not guarantee that it will be included in our proxy statement.

Stockholders wishing to submit proposals for the 2024 Annual Meeting outside the process of Exchange Act Rule 14a-8 or to nominate individuals to our Board of Directors must comply with the advance notice and other provisions of Article I, Section 4 of our By-Laws. To be timely, notice of the proposal must be received by the Secretary of the Company between August 8, 2024 and September 7, 2024 provided, however, that in the event the date of the 2024 Annual Meeting is advanced by more than 30 days before or delayed by more than 60 days after the anniversary date of our Annual Meeting, to be timely, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to the 2024 Annual Meeting and not later than the close of business on the later of (i) the 90th day prior to the 2024 Annual Meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made.

Stockholder proposals should be addressed to FG Financial Group, Inc., 104 S. Walnut Street, Unit 1A, Itasca, IL 60143. The specific requirements for submitting stockholder proposals are set forth in Article I, Section 4 of our By-Laws.

By Order of the Board of Directors,

/s/ D. Kyle Cerminara

D. Kyle Cerminara

Chairman of the Board

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, is available without charge upon written request to: FG Financial Group, Inc., Corporate Secretary, 104 S. Walnut Street, Unit 1A, Itasca, IL 60143. You may also access this Annual Report, along with all our filings made electronically with the SEC, including on Forms 10-Q and 8-K, on our website at www.fgfinancial.com.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

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

For the fiscal year ended December 31, 2022

or

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

For the transition period from _____ to _____

Commission file number 001-36366

FG Financial Group, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State of incorporation)

46-1119100

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

104 S. Walnut Street, Unit 1A, Itasca, IL

(Address of principal executive offices)

60143

(Zip Code)

(847)-773-1665

(Registrant's telephone number)

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

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

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

None

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

On June 30, 2022, the aggregate market value of the Registrant's common stock held by non-affiliates was \$5,350,642, computed on the basis of the closing sale price of the Registrant's common stock on that date.

As of March 24, 2023, the total number of shares outstanding of the Registrant's common stock was 9,437,659.

DOCUMENTS INCORPORATED BY REFERENCE

None.

FG FINANCIAL GROUP, INC.

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FG FINANCIAL GROUP, INC.

PART I

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

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

FG FINANCIAL GROUP, INC.

ITEM 1. BUSINESS

Overview

FG Financial Group, Inc. (“FGF”, the “Company”, “we”, or “us”) is a reinsurance, merchant banking and asset management holding company. We focus on opportunistic collateralized and loss capped reinsurance, while allocating capital in partnership with Fundamental Global®, and from time to time, other strategic investors, to merchant banking activities. The Company’s principal business operations are conducted through its subsidiaries and affiliates. The Company also provides asset management services. From our inception in October 2012 through December 2019, we operated as an insurance holding company, writing property and casualty insurance throughout the states of Louisiana, Florida, and Texas. On December 2, 2019, we sold our three former insurance subsidiaries, and embarked upon our current strategy focused on reinsurance, merchant banking and asset management.

As of December 31, 2022, Fundamental Global GP, LLC (“FG”), a private partnership focused on long-term strategic holdings, and its affiliated entity, collectively beneficially owned approximately 60.0% of our common stock. D. Kyle Cerminara, Chairman of our Board of Directors, serves as Chief Executive Officer, Co-Founder and Partner of FG.

Reincorporation

Effective at 5:01 p.m. ET on December 9, 2022, the Company completed its reincorporation from a Delaware corporation to a Nevada corporation (the “Reincorporation”). The Reincorporation was accomplished by means of a merger by and between the Company and its former wholly owned subsidiary FG Financial Group, Inc., a Nevada corporation. As of December 9, 2022, the rights of the Company’s stockholders began to be governed by the Nevada corporation laws, our Amended and Restated Nevada Articles of Incorporation and our Nevada Bylaws. The Reincorporation was approved by the Company’s stockholders at a special meeting held on December 6, 2022.

Other than the change in the state of incorporation, the Reincorporation did not result in any change in the business, physical location, management, assets, liabilities or net worth of the Company, nor did it result in any change in location of the Company’s employees, including the Company’s management.

The Reincorporation did not alter any stockholder’s percentage ownership interest or number of shares owned in the Company and the Company’s common stock continues to be quoted on the Nasdaq Global Market under the same symbol “FGF” and the 8.00% Cumulative Preferred Stock, Series A of the Company continues to be quoted on the Nasdaq Global Market under the same symbol, “FGFPP.”

Sale of the Insurance Business

On December 2, 2019, we completed the sale of our insurance subsidiaries to FedNat Holding Company for a combination of cash and FedNat common stock (the “Asset Sale”). The Company sold the remaining FedNat common stock shares held in October 2022.

Current Business

Our strategy has evolved to focus on opportunistic collateralized and loss-capped reinsurance, with capital allocation to merchant banking activities with asymmetrical risk/reward opportunities. As part of our refined focus, we have adopted the following capital allocation philosophy:

“Grow intrinsic value per share with a long-term focus using fundamental research, allocating capital to asymmetric risk/reward opportunities.”

Currently, the business operates as a diversified holding company of insurance, reinsurance, asset management, our Special Purpose Acquisition Corporation (“SPAC”) Platform businesses, and merchant banking division.

Insurance

Sponsor Protection Coverage and Risk, Inc. is being formed as a special purpose captive in South Carolina to provide reinsurance coverage for Sides A, B, & C Directors and Officers Liability insurance coverage for related and unrelated entities of Fundamental Global Reinsurance Ltd. (“FGR”). These will include SPAC entities engaged in the services or business of taking companies public, as well as small cap businesses performing an initial public offering.

Reinsurance

The Company’s wholly owned reinsurance subsidiary, FGR, a Cayman Islands limited liability company, provides specialty property and casualty reinsurance. FGR has been granted a Class B (iii) insurer license in accordance with the terms of The Insurance Act (as revised) of the Cayman Islands and underlying regulations thereto and is subject to regulation by the Cayman Islands Monetary Authority (the “Authority”). The terms of the license require advance approval from the Authority should FGR wish to enter into any reinsurance agreements which are not fully collateralized. FGR participates in a Funds at Lloyds (“FAL”) syndicate covering risks written by the syndicate during the 2021 and 2022 calendar years, and on December 10, 2022 agreed to cover risks written by the syndicate during the calendar year 2023. On April 1, 2021, FGR entered its second reinsurance contract with a leading insurtech company that provides automotive insurance utilizing driver monitoring to predictively segment and price drivers. The Company added a second agreement with the automotive insurance provider as of April 1, 2022. Beginning January 1, 2022, FGR participates in a quota share reinsurance contract with a startup homeowners’ insurance company. On April 1, 2022, FGR entered a homeowners’ property catastrophe excess of loss reinsurance contract with a specialty insurance company covering loss occurrences from named tropical storms arising out of the Atlantic. On July 1, 2022, FGR entered a contract with a specialty insurance company that provides hired and non-owned automotive insurance. These agreements limit exposure by loss-caps stipulated within the reinsurance contracts.

Asset Management

FG Strategic Consulting, LLC (“FGSC”), a wholly-owned subsidiary of the Company, provides investment advisory services, including identifying, analyzing and recommending potential investments, advising as to existing investments and investment optimization, recommending investment dispositions, and providing advice regarding macro-economic conditions.

SPAC Platform

On December 21, 2020, we formed FG Management Solutions LLC (“FGMS”), formerly known as FG SPAC Solutions, LLC, a Delaware company, to facilitate the launch of our “SPAC Platform”. Under the SPAC Platform, we provide various strategic, administrative, and regulatory support services to newly formed SPACs for a monthly fee. Additionally, the Company co-founded a partnership, FG Merchant Partners, LP (“FGMP”), formerly known as FG SPAC Partners, LP, to participate as a co-sponsor for newly formed SPACs. The Company also participates in the risk capital investments associated with the launch of such SPACs through its Asset Management business, specifically FG Special Situations Fund, LP (“Fund”). As discussed in Note 4, the Company had consolidated the results of the Fund through November 30, 2021; however, effective December 1, 2021, the Company began accounting for its investment in the Fund under the equity method. The first transaction entered under the SPAC Platform occurred on January 11, 2021, by and among FGMS and Aldel Investors, LLC, the sponsor of Aldel Financial, Inc. (“Aldel”), a special purpose acquisition company which completed its business combination with Hagerty (NYSE: HGTY) on December 2, 2021. Under the services agreement between FGMS and Aldel Investors, LLC (the “Agreement”), FGMS provided accounting, regulatory, strategic advisory, and other administrative services to Aldel, which included assistance with negotiations with potential merger targets for the SPAC as well as assistance with the de-SPAC process.

In March and April 2022, the Company continued to build upon its SPAC Platform strategy. On March 3, 2022, FG Merger Corp. (“FG Merger”) (Nasdaq: FGMCU) announced the closing of an \$80.5 million IPO in the United States, including the exercise of the over-allotment option granted to the underwriters in the offering. Similarly, on April 5, 2022, FG Acquisition Corp. (“FG Acquisition”) (TSX:FGAA.V), announced the closing of a \$115 million IPO in Canada, including the exercise of the over-allotment option granted to the underwriters in the offering. The Company participated in the risk capital associated with the launch of the SPACs through its asset management business, specifically FG Special Situations Fund, LP. Mr. Cerminara, our Chairman, Larry G. Swets, Jr., our Director and Chief Executive Officer, and Hassan R. Baqar, our Executive Vice President and Chief Financial Officer, also hold financial interests in the SPACs and/or their sponsor companies. Additionally, Messrs. Cerminara, Swets, and Baqar are managers of the sponsor companies of FG Merger and FG Acquisition. Mr. Swets serves as Chairman of FG Merger, while Messrs. Baqar and Cerminara serve as Director and Senior Advisor of FG Merger, respectively. Mr. Swets serves as Chief Executive Officer and Director of FG Acquisition. Mr. Baqar serves as Chief Financial Officer, Secretary and Director of FG Acquisition. Mr. Cerminara serves as Chairman of FG Acquisition.

In the aggregate, the Company's indirect exposure to FG Merger through its subsidiaries represents potential beneficial ownership of approximately 820,000 shares of FG Merger's common stock, approximately 989,000 warrants with an \$11.50 exercise price and 5-year expiration, and approximately 85,000 warrants with a \$15.00 exercise price and 10-year expiration. The Company has invested approximately \$2.6 million in FG Merger through its subsidiaries. The Company's indirect exposure in FG Acquisition through its subsidiaries represents potential beneficial ownership of approximately 819,000 shares of FG Acquisition's common stock, approximately 1,400,000 warrants with an \$11.50 exercise price and 5-year expiration (the "FGAC Warrants"), approximately 440,000 warrants with a \$15 exercise price and 10-year expiration, and either (i) up to approximately an additional 1,600,000 FGAC Warrants, or (ii) up to approximately \$2 million in cash, or (iii) a pro-rata combination of such FGAC Warrants and cash, based on certain adjustment provisions and the level of redemptions of FG Acquisition's publicly traded warrants at the time of a business combination. The Company has invested approximately \$3.4 million in FG Acquisition through its subsidiaries.

Merchant Banking

In Q3 2022, the Company announced the expansion of its growth strategy through the formation of a merchant banking division. The Company invested \$2.0 million into its first project launched under the platform, FG Communities, Inc ("FGC"). FGC is a self-managed real estate company focused on a growing portfolio of manufactured housing communities which are owned and operated by FGC. As discussed further in Note 4, the Company will hold this investment at cost, subject to any adjustment from time to time due to impairment or observable price changes in orderly transactions.

Employees

As of December 31, 2022, we had seven employees. We are not a party to any collective bargaining agreement and believe that relations with our employees are satisfactory. Each of our employees has entered into confidentiality agreements with us.

Website

Our corporate website is www.fgfinancial.com. A copy of our Code of Ethics can be found in the Governance Documents section of our website. Information contained at the website is not a part of this report.

ITEM 1A. RISK FACTORS

Risks Relating to Our Industry, Business and Operations

We have had limited operations upon which to predict our future performance, since the sale of our former insurance business.

Since we sold our former insurance business, at the end of 2019, we have transitioned to operate as a reinsurance, merchant banking and asset management holding company, with allocation of capital to merchant banking activities. Accordingly, our historical financial statements provide little basis upon which to predict our future performance. Our revenue has been reduced, as we have limited assets with which to generate revenue. Our failure to secure additional sources of revenue may have a material impact on our results of operations and financial condition. In addition, the uncertainty surrounding our future operations and business prospects may negatively impact the value and liquidity of our stock. If we are unable to implement our business plans successfully, our financial condition and results of operations will be impaired, and your investment in our Company will be at risk.

We intend to participate in a risk retention group which will provide director's and officer's insurance to special purpose acquisition companies and represents a line of insurance for which we do not have previous experience.

Risk retention groups ("RRG") are mutual companies, or companies owned by the members of the group that allow businesses with similar insurance needs to pool their risks and form an insurance company that operates under state regulated guidelines. Risk retention groups are treated differently from traditional insurance companies in that they are exempted from having to obtain a license in every state in which they write insurance and are also exempt from other various state laws that regulate insurance. As a result, a RRG may not be adequately capitalized and able to remain solvent if faced with continuing losses. While we intend to mitigate this risk through the purchase of reinsurance, there can be no guarantee that we will be able to purchase adequate reinsurance on favorable terms. Due to our inexperience in providing director's and officer's insurance, we run the risk of underwriting our coverage at levels that do not provide adequate returns for our shareholders. Furthermore, we run the risk of not generating external interest in our RRG after incurring significant start-up and regulatory costs associated with the formation of the group.

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

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

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

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

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

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

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

Through our SPAC sponsorships, we may be subject to lock-up agreements, and our ability to access the capital used to sponsor SPACs may be limited for a defined period, which may increase a risk of loss of all or a significant portion of value. Our investments may also become concentrated. A significant decline in the values of these investments may produce a large decrease in our consolidated shareholders' equity and can have a material adverse effect on our consolidated book value per share and earnings.

The insurance and reinsurance businesses are highly competitive, and we may not be able to compete successfully in those industries.

The reinsurance business, in which we participate, and the insurance business that we plan to enter are highly competitive. We compete and will compete with major U.S. and non-U.S. reinsurers and insurers, many of which have greater financial, marketing and management resources than we do. There has been significant consolidation in the insurance and reinsurance sector in recent years, and we may experience increased competition as a result of that consolidation, with consolidated entities having enhanced market power. These consolidated entities may use their enhanced market power and broader capital base to negotiate price reductions for products and services that compete with ours, and we may experience rate declines and possibly write less business. Any failure by us to effectively compete could adversely affect our financial condition and results of operations.

The insurance and reinsurance industries are highly cyclical, and we may at times experience periods characterized by excess underwriting capacity and unfavorable premium rates.

Historically, insurers and reinsurers have experienced significant fluctuations in operating results due to competition, frequency of occurrence or severity of catastrophic events, levels of capacity, general economic conditions, changes in equity, debt and other investment markets, changes in legislation, case law and prevailing concepts of liability, and other factors. Demand for reinsurance is influenced significantly by the underwriting results of primary insurers and prevailing general economic conditions. The supply of insurance and reinsurance is related to prevailing prices and levels of surplus capacity that, in turn, may fluctuate in response to changes in rates of return on both underwriting and investment sides. As a result, the insurance and reinsurance businesses historically have been cyclical, characterized by periods of intense price competition, due to excessive underwriting capacity, as well as periods when shortages of capacity permitted favorable premium levels and changes in terms and conditions. Until recently, the supply of insurance and reinsurance had increased over the past several years, and may again in the future, either as a result of capital provided by new entrants or by the commitment of additional capital by existing insurers or reinsurers. Continued increases in the supply of insurance and reinsurance may have consequences for us, including fewer contracts written, lower premium rates, increased expenses for customer acquisition and retention, and less favorable policy terms and conditions.

Climate change, as well as increasing regulation in the area of climate change, may adversely affect our insurance and reinsurance business, financial condition and results of operations.

Changing weather patterns and climatic conditions, such as global warming, may have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposures. Although the loss experience of catastrophe insurers and reinsurers has historically been characterized as low frequency, there is a growing concern today that climate change increases the frequency and severity of extreme weather events, and, in recent years, the frequency of major catastrophes appears to have resumed historical levels or increased and may continue to increase in the future.

Claims for catastrophic events, or an unusual frequency of smaller losses in a particular period, could expose us to large losses, cause substantial volatility in our results of operations and could have a material adverse effect on our ability to write new business if we are not able to adequately assess and reserve for the increased frequency and severity of catastrophes resulting from these environmental factors. Additionally, catastrophic events could result in declines in the value of investments we hold and significant disruptions to our physical infrastructure, systems, and operations. Climate change-related risks may also specifically adversely impact the value of the securities that we hold.

Changes in security asset prices may impact the value of our investments, resulting in realized or unrealized losses on our invested assets. These risks are not limited to but can include: (i) changes in supply/demand characteristics for fossil fuels (e.g., coal, oil, natural gas); (ii) advances in low-carbon technology and renewable energy development; and (iii) effects of extreme weather events on the physical and operational exposure of industries and issuers, and the transition that these companies make towards addressing climate risk in their own businesses.

We cannot predict how legal, regulatory and/or social responses to concerns around global climate change may impact our business. There can be no assurance that our reinsurance coverage and other measures taken will be sufficient to mitigate losses resulting from one or more catastrophic events. As a result, the occurrence of one or more catastrophic events and the continuation and worsening of recent trends could have an adverse effect on our results of operations and financial condition.

We are also subject to complex and changing laws, regulation and public policy debates relating to climate change which are difficult to predict and quantify and may have an adverse impact on our business. Changes in regulations relating to climate change or our own leadership decisions implemented as a result of assessing the impact of climate change on our business may result in an increase in the cost of doing business or a decrease in premiums in certain lines of business.

Underwriting risks and reserving for losses are based on probabilities and related modeling, which are subject to inherent uncertainties.

Our success is dependent upon our ability to assess accurately the risks associated with the businesses that we insure and reinsure. We establish reserves for losses and loss adjustment expenses which represent estimates based on actuarial and statistical projections, at a given point in time, of our and our cedent's expectations of the ultimate future settlement and administration costs of losses incurred. We utilize actuarial models as well as available historical insurance industry loss ratio experience and loss development patterns to assist in the establishment of loss reserves. Most or all of these factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact our ability to accurately assess the risks of the policies that we write. Changes in the assumptions used by these models or by management could lead to an increase in our estimate of ultimate losses in the future. In addition, there may be significant reporting lags between the occurrence of the insured event and the time it is reported to the insurer and additional lags between the time of reporting and final settlement of claims. In addition, the estimation of loss reserves is more difficult during times of adverse economic and market conditions due to unexpected changes in behavior of claimants and policyholders, including an increase in fraudulent reporting of exposures and/or losses, reduced maintenance of insured properties or increased frequency of small claims. Changes in the level of inflation also result in an increased level of uncertainty in our estimation of loss reserves. As a result, actual losses and loss adjustment expenses paid can deviate, perhaps substantially, from the reserve estimates reflected in our financial statements.

If our loss reserves are determined to be inadequate, we will be required to increase loss reserves at the time of such determination with a corresponding reduction in our net income in the period when the deficiency becomes known. It is possible that claims in respect of events that have occurred could exceed our claim reserves and have a material adverse effect on our results of operations, in a particular period, or our financial condition in general. As a compounding factor, although most insurance contracts have policy limits, the nature of property and casualty insurance and reinsurance is such that losses and the associated expenses can exceed policy limits for a variety of reasons and could significantly exceed the premiums received on the underlying policies, thereby further adversely affecting our financial condition.

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

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

Changes in the value of the investments we directly own, or indirectly own through our ownership of equity method investees, could materially affect our income and increase the volatility of our earnings.

As of December 31, 2022, our consolidated balance sheet includes approximately \$20.1 million related to investments held directly or indirectly in FG New America Acquisition Corp., Aldel Financial Inc., FG Merger Corp., and FG Acquisition Corp., all of which were originally launched as special purpose acquisition companies. FG New America Acquisition Corp. completed its business combination in July 2021 and now operates as OppFi, Inc. (NYSE: OPFI). Our investment consists of approximately 860,000 common shares of OPFI as well as approximately 358,000 warrants to purchase common shares of OPFI at a price of \$11.50 per share. Aldel Financial Inc. completed its business combination in December 2021 and now operates as Hagerty, Inc. (NYSE: HGTY). Our investment consists of approximately 231,000 common shares of HGTY as well as approximately 299,000 warrants to purchase common shares of HGTY at a price of \$15.00 per share.

As of December 31, 2022, FG Merger Corp. and FG Acquisition Corp. had not yet entered into a definitive business combination agreement. On January 5, 2023, FG Merger Corp. entered into a Merger Agreement and Plan of Reorganization with iCoreConnect Inc. Our investment in FG Merger Corp. consists of approximately 820,000 shares of FG Merger's common stock, approximately 989,000 warrants with an \$11.50 exercise price and 5-year expiration, and approximately 85,000 warrants with a \$15.00 exercise price and 10-year expiration. Our investment in FG Acquisition Corp. consists of approximately 819,000 shares of FG Acquisition's common stock, approximately 1,400,000 warrants with an \$11.50 exercise price and 5-year expiration (the "FGAC Warrants"), approximately 440,000 warrants with a \$15 exercise price and 10-year expiration, and either (i) up to approximately an additional 1,600,000 FGAC Warrants, or (ii) up to approximately \$2 million in cash, or (iii) a pro-rata combination of such FGAC Warrants and cash, based on certain adjustment provisions and the level of redemptions of FG Acquisition's publicly traded warrants at the time of a business combination.

The change in value of any of the investments noted above could significantly impact our reported results and shareholders' equity.

Adverse developments in the financial markets could have a material adverse effect on our results of operations, financial position and our businesses, and may also limit our access to capital.

Adverse developments in the financial markets, such as disruptions, uncertainty or volatility in the capital and credit markets, may result in realized and unrealized capital losses that could have a material adverse effect on our results of operations, financial position and our businesses, and may also limit our access to capital required to operate our business. Depending on market conditions, we could incur additional realized and unrealized losses on our investment portfolio in future periods, which could have a material adverse effect on our results of operations, financial condition and business. Economic conditions could also have a material impact on the frequency and severity of claims and therefore could negatively impact our underwriting returns. The volatility in the financial markets could continue to significantly affect our investment returns, reported results, and shareholders' equity.

The capital requirements of our businesses depend on many factors, including regulatory requirements, the performance of our investment portfolio, our ability to write new business successfully, the frequency and severity of catastrophe events and our ability to establish premium rates and reserves at levels sufficient to cover losses.

Our investments in special purpose acquisition companies as well as the sponsors of special purpose acquisition companies involve a high degree of risk.

We have invested in initial public offerings ("IPOs") of special purpose acquisition companies, including SPACs that are sponsored by our affiliates. In general, a SPAC is a special purpose vehicle that is formed to raise capital from the public through an IPO with the purpose, usually, of using the proceeds to acquire a single unspecified business or assets to be identified after the IPO. The IPO proceeds are held in a trust account until released to fund a business combination or used to redeem shares sold in the IPO. SPACs are required to either consummate a business combination or liquidate within a set period of time following their IPO. Because, at the time of the IPO, the SPAC has no operating history or any plans, arrangements or understandings with any prospective investment targets, we will have no basis upon which to evaluate the SPAC's ability to achieve its business objectives. If a SPAC fails to complete its initial business transaction within the required time period, it will never generate any operating revenues and our SPAC investment may receive only a fixed dollar amount per share upon redemption, or less than such fixed amount in certain circumstances which could significantly affect our operating results and shareholders' equity.

Additionally, as of December 31, 2022, we have invested approximately \$6.0 million to acquire equity interests in various sponsors of SPACs ("Sponsor") and expect to acquire additional interests in sponsors of SPACs in the future. By investing in a Sponsor, we have provided at-risk capital which allows the Sponsor to launch the IPO of the SPAC. In exchange for this investment, we own interests in the Sponsor that entitle us to receive distributions of shares and warrants in the SPAC after the lock-up period following the SPACs IPO has expired or any other applicable conditions. These Sponsor interests do not have redemption rights to receive any portion of our original investment back from the trust account of the SPAC, as is normally associated with an IPO investment directly into a SPAC. Accordingly, an investment in a Sponsor is subject to a much higher degree of risk than an investment directly in a SPAC's IPO because the entire investment may be lost if the SPAC is not successful in consummating a business combination. Such potential loss could have a material effect on our financial results and shareholders' equity.

As the number of SPACs evaluating targets increases, attractive targets may become more scarce, and there may be increased competition for attractive targets. This could increase the cost of an initial business combination and it could even result in an inability to find a target or to consummate an initial business combination.

In recent years, the number of SPACs that have been formed has increased substantially. Many potential targets for special purpose acquisition companies have already entered into an initial business combination, and there are still many SPACs preparing for an initial public offering, as well as many such companies currently in registration. As a result, at times, fewer attractive targets may be available to consummate an initial business combination.

In addition, because there are more SPACs seeking to enter into an initial business combination with available targets, the competition for available targets with attractive fundamentals or business models may increase, which could cause targets companies to demand improved financial terms. Attractive deals could also become more scarce for other reasons, such as economic or industry sector downturns, geopolitical tensions, or increases in the cost of additional capital needed to close business combinations or operate targets post-business combination. Together, this could increase the cost of, delay or otherwise complicate or frustrate the ability of a SPAC to find and consummate an initial business combination, and may result in an inability to consummate an initial business combination on terms favorable to investors altogether.

Furthermore, the strength of the market for SPAC IPOs has fluctuated substantially from year to year and has experienced cycles of relative strength and weakness. There can be no assurance that the SPAC market will be strong in the future.

Risks Relating to Sale of our Former Insurance Business

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

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

Legal and Regulatory Risks

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

FGRe has a Class B (iii) insurer license in accordance with the terms of The Insurance Law, 2010 and is subject to regulation by the Cayman Islands Monetary Authority. Failure to comply with the laws, regulations and requirements applicable to a Cayman Islands-domiciled reinsurance subsidiary could result in consequences which may have a material adverse effect on our business and results of operations. Our future business plans may also require advance approval of our insurance operations. Failure to receive or maintain the licenses necessary to execute on our strategy or receive necessary approvals may have a material adverse effect on our future business.

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

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

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

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

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

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

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

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

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

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

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

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

Until such time that we lose smaller reporting company status, it is unclear if investors will find our stock less attractive because we may rely on certain disclosure exemptions. If some investors find our stock less attractive as a result, there may be a less active trading market for the stock, and our stock price may be more volatile and could cause our stock price to decline. Even if we remain a smaller reporting company, if our public float exceeds \$75 million and we report \$100 million or more in annual revenues in a fiscal year, we will become subject to the provisions of Section 404(b) of the Sarbanes-Oxley Act, requiring our independent registered public accounting firm to provide an attestation report on the effectiveness of our internal control over financial reporting, making the public reporting process more costly.

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

As of December 31, 2022, we have issued and outstanding 894,580 shares of preferred stock designated as 8.00% Cumulative Preferred Stock, Series A, par value \$25.00 per share (the "Series A Preferred Stock"). The aggregate liquidation preference with respect to the outstanding shares of Series A Preferred Stock is approximately \$22.4 million, and annual dividends on the outstanding shares of Series A Preferred Stock are approximately \$1.8 million. Holders of our Series A Preferred Stock are entitled to receive, when, as and if declared by our Board of Directors cumulative cash dividends from and including the original issue date at the rate of 8.00% of the \$25.00 per share liquidation preference per annum (equivalent to \$2.00 per annum per share). Upon our voluntary or involuntary liquidation, dissolution or winding up, before any payment is made to holders of our common shares, holders of these preferred shares are entitled to receive, for each share held, an amount equal to the \$25.00 liquidation preference and unpaid dividends. This would reduce the remaining amount of our assets, if any, available to distribute to holders of our common shares.

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

We may fail to satisfy the continued listing standards of Nasdaq, in which case our stock might be delisted.

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

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

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

Technology and Operational Risks

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

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

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

Risks Related to Our Significant Shareholder

Fundamental Global GP, LLC ("FG") and its affiliated entity control a substantial interest in us and thus may exert substantial influence on actions requiring a stockholder vote, potentially in a manner that you do not support.

As of December 31, 2022, FG and its affiliates own approximately 60.0% of our issued and outstanding common stock. Accordingly, they may exert a substantial influence on actions requiring a stockholder vote, including election of directors, potentially in a manner that you do not support. D. Kyle Cerminara, Chairman of our Board of Directors, serves as Chief Executive Officer, Co-Founder and Partner of FG. Due to his position as a member of our Board of Directors as well as his positions at FG, he has considerable influence on actions requiring a stockholder vote.

Risks Related to Human Capital

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

The successful implementation of our business and growth strategy depends in large part upon the ability and experience of members of our management and other personnel. Our performance will be dependent on our ability to identify, hire, train, motivate and retain qualified management and personnel with experience in the reinsurance industry, investment advisory services, and in real estate investments. We may not be able to attract and retain such personnel on acceptable terms, or at all. If we lose the service of qualified management or other personnel or are unable to attract and retain the necessary members of management or personnel, we may not be able to successfully execute on our business strategy, which could have an adverse effect on our business.

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

Our Chairman, D. Kyle Cerminara, serves as an executive officer of FG and its affiliated entity, which together, as of December 31, 2022, beneficially owned approximately 60.0% of our outstanding shares of common stock. Additionally, Mr. Cerminara also currently serves as Director of FG Group Holdings, Inc. (NYSE American: FGH) (formerly Ballantyne Strong, Inc.) and BK Technologies Corporation (NYSE American: BKT). Mr. Cerminara is also the Chairman of FG Acquisition Corp (TSX:FGAA.U). One of our directors serves as an executive officer and director of Atlas Financial Holdings, Inc. (Nasdaq: AFH) (“Atlas”), a commercial automobile managing general agency. Our chief executive officer and director, Mr. Swets, serves as director of GreenFirst Forest Products Inc. (TSXV: FGP), Harbor Custom Development, Inc. (Nasdaq: HCDI), FG Group Holdings, Inc (NYSE American: FGH), FG Merger Corp (Nasdaq: FGMC) and FG Acquisition Corp. (TSX: FGAA.U). He also serves as Chief Executive Officer and Director of FG Acquisition Corp. (TSX: FGAA.U). Our Executive Vice President and Chief Financial Officer, Hassan R. Baqar, also serves as Director and Chief Financial Officer of FG Acquisition Corp. (TSX: FGAA.U) and Director of FG Merger Corp. (Nasdaq: FGMC).

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

Our executive officers and directors will allocate their time to our and other businesses in which they are involved, at their discretion, potentially to the detriment of the Company.

Our executive officers and directors are not required to, and will not, commit their full time to our affairs, which may result in conflicts of interest in allocating their time between our operations and those other businesses in which they are involved. Our chief executive officer is engaged in other business endeavors for which he may be entitled to substantial compensation, and our executive officers are not obligated to contribute any specific amount of time to our affairs. Our directors also serve as officers and board members for other entities. If our executive officers’ and directors’ elect to devote substantial amounts of time to the affairs of other businesses, in excess of current levels, they might not assign sufficient attention to the Company, potentially impairing our results of operations, financial condition, and prospects and the value of our securities.

Members of our management and companies with which they are affiliated in the past have been, and may in the future be, involved in civil disputes and litigation and governmental investigations relating to their business affairs unrelated to our company. Any such claims or investigations may divert management’s attention from our business or be detrimental to our reputation, resulting in adverse effects upon our results of operations, financial condition, and prospects and the value of our securities held by investors.

General Risk Factors

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

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

In the event of a major disruption caused by the pandemic, we may lose the services of our employees, experience system interruptions or face challenges accessing the capital or credit markets, which could lead to diminishment of our business operations. Any of the foregoing could harm our business and delay the implementation of our business strategy.

The U.S. economy is being negatively impacted by historically significant inflation, a looming recession and disruptions in supply and the workforce; recent global socioeconomic trends, including the war in Ukraine and U.S. relations with certain foreign powers including China may have a further adverse effect on the U.S. economy and our businesses.

The U.S. and larger global economies are experiencing historically high inflation during 2022 and 2023. The Federal Reserve and other Central Banks already have raised interest rates more aggressively and to their highest levels in the last four to five decades. As a result, the prospect for a recession is high and considered by many to be likely. Some sources have declared that the U.S. already is in a recession. Consumer prices, including basic costs of food, fuel, utilities, healthcare, mortgage and personal loan rates, and other non-discretionary and discretionary consumer items are up by high single digits. Wages are up, however, increases in wages lag price inflation resulting in a net decline in real personal incomes relative to consumer spending. Volatility continues to exist in the workforce making it more difficult and costly for employers to recruit, hire and/or retain workers. U.S. unemployment remains relatively low, however the labor utilization rate and ratio of workers to the total population also remain low. Shortages in the workforce are a significant factor in supply shortages relative to demand and also help fuel inflation. On the global stage, the invasion of Ukraine by Russia and escalation of overtures by China over Taiwan and the South China Sea, also add instability to the uncertainty driving socioeconomic forces, which in turn, impact the Company's and its subsidiaries' operations.

The present conditions and state of our U.S. and global economies make it difficult to predict whether and/or when and to what extent a recession has occurred or will occur in the near future. In the event of an occurring or worsening recession, as the case may be, in which the U.S. economy contracts, our businesses could be negatively impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located at 104 S Walnut, Unit 1A, Itasca, IL 60189. Our lease term expires in December 2025. Total minimum rent over the next twelve months is expected to be \$21,000.

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

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2022, the Company was not a party to any legal proceedings and was not aware of any material claims or actions pending or threatened against us. From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. Currently, it is not possible to predict legal outcomes and their impact on the future development of claims. Any such development will be affected by future court decisions and interpretations. Because of these uncertainties, additional liabilities may arise for amounts in excess of the Company's current reserves.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market for Registrant's Common Stock

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

Number of Common Stockholders

As of December 31, 2022, we had 9,410,473 shares of common stock outstanding, which were held by 13 stockholders of record, including Cede & Co., which holds shares on behalf of the beneficial owners of the Company's common stock. Because brokers and other institutions hold many of our shares on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

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

Holders of our Series A Preferred Stock are entitled to receive quarterly cash dividends at a rate of 8.00% per annum of the \$25.00 per share liquidation preference (equivalent to \$2.00 per annum per share). We intend to declare regular quarterly dividends on the shares of Series A Preferred Stock.

Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12.

ITEM 6. [RESERVED]

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

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

Unless context denotes otherwise, the terms "Company," "FGF," "we," "us," and "our," refer to FG Financial Group, Inc., and its subsidiaries.

Overview

FG Financial Group, Inc. ("FGF", the "Company", "we", or "us") is a reinsurance, merchant banking and asset management holding company. We focus on opportunistic collateralized and loss-capped reinsurance, while allocating capital in partnership with Fundamental Global®, and from time to time, other strategic investors, to merchant banking activities. The Company's principal business operations are conducted through its subsidiaries and affiliates. The Company also provides asset management services. From our inception in October 2012 through December 2019, we operated as an insurance holding company, writing property and casualty insurance throughout the states of Louisiana, Florida, and Texas. On December 2, 2019, we sold our three former insurance subsidiaries, and embarked upon our current strategy focused on reinsurance, merchant banking and asset management.

As of December 31, 2022, Fundamental Global GP, LLC (“FG”), a private partnership focused on long-term strategic holdings, and its affiliated entity collectively beneficially owned approximately 60.0% of our common stock. D. Kyle Cerminara, Chairman of our Board of Directors, serves as Chief Executive Officer, Co-Founder and Partner of FG.

Sale of Insurance Business

On December 2, 2019, we completed the sale (“Asset Sale”) of our insurance subsidiaries to FedNat Holding Company for a combination of cash and FedNat common stock. The Company sold its remaining FedNat common stock shares held in October 2022.

Critical Accounting Estimates

Critical accounting estimates are those estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. Actual results may differ materially from these estimates. The business and economic uncertainty resulting from the coronavirus (COVID-19) pandemic has made such estimates and assumptions difficult to calculate. Set forth below is qualitative and quantitative information necessary to understand the estimation uncertainty and the impact the critical accounting estimate has had or is reasonably likely to have on financial condition or results of operations, to the extent the information is material and reasonably available.

Other Investments

Other investments consist, in part, of equity investments made in privately held companies accounted for under the equity method. As discussed further in Note 4, certain investments held by our equity method investees are valued using Monte-Carlo simulation and option pricing models. Inherent in Monte-Carlo simulation and option pricing models are assumptions related to expected volatility and discount for lack of marketability of the underlying investment. Our investees estimate the volatility of these investments based on the historical performance of various broad market indices blended with various peer companies which they consider as having similar characteristics to the underlying investment, as well as consideration of price and volatility of relevant publicly traded securities such as SPAC warrants. Our investees also consider the probability of a successful merger when valuing SPAC equity.

Valuation of Net Deferred Income Taxes

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

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

Premium Revenue Recognition

The Company participates in reinsurance quota-share contracts and estimates the ultimate premiums for the contract period. These estimates are based on information received from the ceding companies, whereby premiums are recorded as written in the same periods in which the underlying insurance contracts are written and are based on cession statements from cedents. These statements are received quarterly and in arrears, and thus, for any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Premium estimates are reviewed by management periodically. Such review includes a comparison of actual reported premiums to expected ultimate premiums. Based on management's review, the appropriateness of the premium estimates is evaluated, and any adjustments to these estimates are recorded in the period in which they are determined. Changes in premium estimates, including premiums receivable, are not unusual and may result in significant adjustments in any period. A significant portion of amounts included in the caption "Reinsurance balances receivable" in the Company's consolidated balance sheets represent estimated premiums written, net of commissions, brokerage, and loss and loss adjustment expense, and are not currently due based on the terms of the underlying contracts.

Premiums written are generally recognized as earned over the contract period in proportion to the risk covered. Additional premiums due on a contract that has no remaining coverage period are earned in full when written. Unearned premiums represent the unexpired portion of reinsurance provided.

Deferred Policy Acquisition Costs

Policy acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal reinsurance business, and consist principally of commissions, taxes, and brokerage expenses. If the sum of a contract's expected losses and loss expenses and deferred acquisition costs exceeds associated unearned premiums and expected investment income, a premium deficiency is determined to exist. In this event, deferred acquisition costs are written off to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs, then a liability is accrued for the excess deficiency. There were no premium deficiency adjustments recognized during the periods presented herein.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense reserve estimates are based on estimates derived from reports received from ceding companies. These estimates are periodically reviewed by the Company's management and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined.

Loss estimates may also be based upon actuarial and statistical projections, an assessment of currently available data, predictions of future developments, estimates of future trends and other factors. Significant assumptions used by the Company's management and third-party actuarial specialists include loss development factor selections, initial expected loss ratio selections, and weighting of methods used. The final settlement of losses may vary, perhaps materially, from the reserves recorded. All adjustments to the estimates are recorded in the period in which they are determined. U.S. GAAP does not permit establishing loss reserves, which include case reserves and IBNR loss reserves, until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date are established, with no allowance for the establishment of loss reserves to account for expected future loss events.

Generally, the Company obtains regular updates of premium and loss related information for the current and historical periods, which are utilized to update the initial expected loss ratio. We also experience lag between (i) claims being reported by the underlying insured to the Company's cedent and (ii) claims being reported by the Company's cedent to the Company. This lag may impact the Company's loss reserve estimates. Cedent reports have pre-determined due dates (for example, thirty days after each month end). As a result, the lag depends in part upon the terms of the specific contract. The timing of the reporting requirements is designed so that the Company receives premium and loss information as soon as practicable once the cedent has closed its books. Accordingly, there should be a short lag in such reporting. Additionally, most of the contracts that have the potential for large single event losses have provisions that such loss notifications are provided to the Company immediately upon the occurrence of an event.

Stock-Based Compensation Expense

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

Recent Accounting Pronouncements

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

Analysis of Financial Condition

As of December 31, 2022 compared to December 31, 2021

Investments

The table below summarizes, by type, the Company’s investments held at fair value as of December 31, 2022 and 2021.

(\$ in thousands)

As of December 31, 2022	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount
Hagerty common stock	\$ 889	\$ –	\$ 48	\$ 841
Total investments	\$ 889	\$ –	\$ 48	\$ 841

As of December 31, 2021	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount
FedNat common stock	\$ 14,495	\$ –	\$ 13,074	\$ 1,421
Total investments	\$ 14,495	\$ –	\$ 13,074	\$ 1,421

Hagerty Common Stock

On December 15, 2022, FG Merchant Partners, LP (“FGMP”) distributed 99,999 common shares of Hagerty to the Company, which it now owns directly. On the date of distribution, the common shares had an aggregate fair value of approximately \$889,000.

FedNat Common Stock

The Company sold its remaining FedNat common stock shares held in October 2022.

Deconsolidation of Subsidiary

At the time of the Company’s initial investment into FG Special Situations Fund, LP (“Fund”), in September 2020, the Company had determined that its investment represented an investment in a variable interest entity (“VIE”), in which the Company was the primary beneficiary, and, as such, had consolidated the financial results of the Fund through November 30, 2021. At each reporting date, the Company evaluates whether it remains the primary beneficiary and continuously reconsiders that conclusion. On December 1, 2021, the Company’s investment became that of a limited partner, and it no longer had the power to govern the financial and operating policies of the Fund and accordingly derecognized the related assets, liabilities, and noncontrolling interests of the Fund as of that date. The Company did not receive any consideration in the deconsolidation of the Fund, nor did it record any gain, or loss upon deconsolidation. The assets and liabilities of the Fund, over which the Company lost control are as follows:

As of December 1, 2021 (in thousands)	
Cash and cash equivalents	\$ 100
Investments in private placements	15,734
Investments in public SPACs	22
Other assets	18
Other liabilities	(34)
Net assets deconsolidated	<u>\$ 15,840</u>

While the Company’s investments in the Fund are no longer consolidated, the Company has retained its interest in all of the investments held at the Fund. Accordingly, the Company has not presented its investment in the Fund as a discontinued operation. Effective December 1, 2021, the Company began accounting for its investment in the Fund under the equity method of accounting.

Equity Method Investments

Other investments on the Company's Consolidated Balance Sheets consists of equity method investments, which as of December 31, 2022, includes our investment in FGMP and the Fund.

On January 4, 2021, FGMP was formed as a Delaware limited partnership to co-sponsor newly formed SPACs with their founders or partners, as well as other merchant banking interests. The Company is the sole managing member of the general partner of FGMP and holds a limited partner interest in FGMP directly and through its subsidiaries. FGMP participates as a co-sponsor of the SPACs launched under our SPAC Platform as well as merchant banking initiatives. For the twelve months ended December 31, 2022, the Company has contributed \$0.1 million into FGMP, and has received distributions in the approximate amount of \$2.2 million. The Company has recorded equity method gains from FGMP of approximately \$4.0 million for the twelve months ended December 31, 2022. The carrying value of our investment in FGMP as of December 31, 2022, was approximately \$5.7 million, compared to \$3.8 million as of December 31, 2021. Of the \$5.7 million carrying value of our investment in FGMP at December 31, 2022, the Company may allocate up to approximately \$1.0 million to incentivize and compensate individuals and entities for the successful merger of SPAC's launched under our platform.

Equity method investments also include our investment in the Fund as of December 31, 2022. Until December 1, 2021, we had consolidated the Fund as a variable interest entity, however, effective December 1, 2021, we began accounting for this investment under the equity method of accounting. For the twelve months ended December 31, 2022, the Company has contributed \$6.7 million into the Fund, and has received cash distributions in the approximate amount of \$3.2 million. The Company has recorded equity method gains from the Fund of approximately \$3.6 million for the twelve months ended December 31, 2022. As of December 31, 2022, the carrying value of our investment in the Fund was approximately \$16.8 million, compared to \$9.7 million as of December 31, 2021.

Certain investments held by our equity method investees are valued using Monte-Carlo simulation and option pricing models. Inherent in Monte-Carlo simulation and option pricing models are assumptions related to expected volatility and discount for lack of marketability of the underlying investment. Our investees estimate the volatility of these investments based on the historical performance of various broad market indices blended with various peer companies which they consider as having similar characteristics to the underlying investment, as well as consideration of price and volatility of relevant publicly traded securities such as SPAC warrants. Our investees also consider the probability of a successful merger when valuing SPAC equity.

Investments without Readily Determinable Fair Value

In addition to our equity method investments, other investments, as listed on our balance sheet, consist of equity we have purchased in companies for which there do not exist readily determinable fair values. This includes the Company's \$2.0 million direct investment in FGC. The Company accounts for these investments at their cost, subject to any adjustment from time to time due to impairment or observable price changes in orderly transactions. Any profit distributions the Company receives on these investments are included in net investment income. The Company's total investment in companies without a readily determinable fair value was approximately \$2.3 million and \$0.5 million as of December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022, and 2021, the Company has received distributions of \$230,000 and \$101,000 on these investments, respectively.

Funds Deposited with Reinsured Companies

"Funds Deposited with Reinsured Companies" on the Company's consolidated balance sheets includes amounts held by cedents provided to support our reinsurance contracts. On November 12, 2020, Fundamental Global Reinsurance Ltd. ("FGR"), our Cayman Islands based reinsurance subsidiary, initially funded a trust account at Lloyd's with approximately \$2.4 million cash, to collateralize its obligations under a quota-share agreement with a Funds at Lloyd syndicate. The initial contract covered our quota share percentage of all risks written by the syndicate for the 2021 calendar year. On November 30, 2021, we entered into an agreement with the same syndicate, slightly increasing our quota-share percentage of the risks the syndicate writes for the 2022 calendar year. This resulted in FGR's depositing additional collateral of approximately \$1.0 million into the account. In June 2022, FGR received approximately \$0.4 million in a partial return of initial collateral. In December 2022, we entered into another agreement with the syndicate, slightly increasing our quota-share percentage of the risks the syndicate writes for the 2023 calendar year. This resulted in FGR depositing additional collateral of approximately \$2.4 million in cash to the account.

During 2021, we also deposited cash collateral in the approximate amount of \$1.0 million, to support our automotive insurance quota-share agreement entered on April 1, 2021. We entered into an additional agreement with the same automotive insurance company on April 1, 2022, and in the third quarter of 2022, we deposited additional collateral of approximately \$0.2 million.

In the third quarter of 2022, FGRe deposited cash collateral of approximately \$1.1 million and deposited approximately \$1.4 million in premiums received from the cedent, to support the homeowners' property catastrophe excess of loss reinsurance contract that became effective April 1, 2022. The cash is held in a segregated account until such time that the Company's liability for losses ascribed have been commuted, or all losses have been closed or settled for this contract. The named tropical storm season started on June 1, 2022 and ended on November 30, 2022.

During 2022, the Company also deposited collateral of approximately \$0.1 million to support the startup homeowners insurance quota-share agreement, and deposited additional collateral of approximately \$0.1 million to support the specialty insurance company that provides hired and non-owned automotive insurance quota share-agreement.

As of December 31, 2022, and December 31, 2021, the total cash collateral on deposit to support all our reinsurance treaties was approximately \$9.3 million and \$4.4 million, respectively.

In January 2023, the losses ascribed were commuted for the homeowners' property catastrophe excess of loss reinsurance contract that became effective April 1, 2022. This resulted in \$2.5 million of collateral being returned to the Company.

Current Income Taxes Recoverable

Current income taxes recoverable were \$0 as of December 31, 2022 and December 31, 2021, representing the estimate of both the Company's state and federal income taxes receivable as of each date. In the third quarter of 2021, we received a refund on our federal taxes in the amount of approximately \$1.5 million associated with a carryback refund request filed for our 2018, 2017 and 2014 tax years.

Reinsurance Balances Receivable

Reinsurance balances receivable were \$9.3 million as of December 31, 2022, compared to \$3.9 million as of December 31, 2021, representing net amounts due to the Company under our quota-share agreements. As the Company estimates the ultimate premiums, loss expenses and other costs associated with some of these contracts, based on information received by us from the ceding companies, a significant portion of this balance is based on estimates and, ultimately, may not be collected by the Company.

Net Deferred Taxes

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes, as compared to the amounts used for income tax purposes. The Company's gross deferred tax assets and liabilities are \$9.1 million and \$3.6 million, respectively, as of December 31, 2022. The Company has recorded a valuation allowance against its deferred tax assets of \$5.5 million, as of December 31, 2022, due to the uncertain nature surrounding our ability to realize these tax benefits in the future. Significant components of the Company's net deferred taxes are as follows:

(\$ in thousands)

	As of December 31,	
	2022	2021
Deferred income tax assets:		
Net operating loss carryforward	\$ 4,171	\$ 3,010
Loss and loss adjustment expense reserve.....	39	25
Unearned premium reserves	287	152
Capital loss carryforward	4,313	1,114
Share-based compensation	242	253
Investments	5	1,692
Other	9	3
Deferred income tax assets	\$ 9,066	\$ 6,249
Less: Valuation allowance	(5,463)	(5,715)
Deferred income tax assets net of valuation allowance	\$ 3,603	\$ 534
Deferred income tax liabilities:		
Investments	\$ 3,282	\$ 369
Deferred policy acquisition costs	321	165
Deferred income tax liabilities.....	\$ 3,603	\$ 534
Net deferred income tax asset (liability)	\$ —	\$ —

As of December 31, 2022, the Company had net operating loss carryforwards (“NOLs”) for federal income tax purposes of approximately \$19.9 million, which will be available to offset future taxable income. Approximately \$0.5 million will expire on December 31, 2039, \$0.2 million will expire on December 31, 2040, and \$1.6 million of the Company’s NOLs will expire on December 31, 2041. The remaining \$17.6 million of the Company’s NOLs do not expire under current tax law. Additionally, the Company has approximately \$20.5 million of capital loss carryforward that can only be used to offset capital gains, and which will expire in December 2026 if not used prior.

Loss and Loss Adjustment Expense Reserves

A significant degree of judgment is required to determine amounts recorded in the consolidated financial statements for the provision for loss and loss adjustment expense (“LAE”) reserves. The process for establishing this provision reflects the uncertainties and significant judgmental factors inherent in predicting future results of both known and unknown loss events. The process of establishing the provision for loss and LAE reserves relies on the judgment and opinions of many individuals, including the opinions of the Company’s management, Company’s outside actuaries, as well as the management of ceding companies and their actuaries.

In estimating losses, the Company may assess any of the following:

- a review of in-force treaties that may provide coverage and incur losses;
- general forecasts, catastrophe and scenario modelling analyses and results shared by cedents;
- reviews of industry insured loss estimates and market share analyses; and
- management’s judgment.

Assumptions which served as the basis for the Company’s estimates of reserves for the COVID-19 pandemic losses and LAE include:

- Loss development factor selections, initial expected loss ratio selections, and weighting of methods used;
- the scope of coverage provided by the underlying policies, particularly those that provide for business interruption coverage;
- the regulatory, legislative, and judicial actions that could influence contract interpretations across the insurance industry;
- the extent of economic contraction caused by the COVID-19 pandemic and associated actions; and
- the ability of the cedents and insured to mitigate some or all of their losses.

Under the terms of certain of our quota-share agreements, and due to the nature of claims and premium reporting, a lag exists between (i) claims being reported by the underlying insured to the Company’s cedent and (ii) claims being reported by the Company’s cedent to the Company. This lag may impact the Company’s loss and LAE reserve estimates. The reports we receive from our cedents have pre-determined due dates. In the case of the Company’s FAL contract, fourth quarter 2022 premium and loss information was not made available to the Company in a manner that allowed for the timely filing of this annual report. Thus, our fourth quarter results, including the loss and LAE reserves presented herein, have been based upon a combination of first, second, and third quarter actual results as well as full-year forecasts reported to us by the ceding companies, which we used to approximate fourth quarter results. The Company obtains regular updates of premium and loss related information for the current and historical periods, which we use to update the initial expected loss ratios on our reinsurance contracts.

While the Company believes its estimate of loss and LAE reserves are adequate as of December 31, 2022, based on available information, actual losses may ultimately differ materially from the Company’s current estimates. The Company will continue to monitor the appropriateness of its assumptions as new information is provided.

A summary of changes in outstanding loss and LAE reserves for the twelve months ended December 31, 2022, and 2021, is as follows:

(in thousands)	Twelve months ended December 31,	
	2022	2021
Balance, beginning of period	\$ 2,133	\$ —
Incurred related to:	—	—
Current year	6,628	4,338
Prior year	856	—
Paid related to:		
Current year	(3,822)	(2,205)
Prior years	(1,386)	—
Balance, December 31	\$ 4,409	\$ 2,133

Off Balance Sheet Arrangements

None.

Shareholders' Equity

8.00% Cumulative Preferred Stock, Series A

On May 21, 2021, we completed the underwritten public offering of an additional 194,580 shares of our preferred stock designated as 8.00% Cumulative Preferred Stock, Series A, par value \$25.00 per share (the "Series A Preferred Stock"), for net proceeds of approximately \$4.2 million. As of December 31, 2022, the total number of Series A Preferred Stock shares outstanding was 894,580.

Dividends on the Series A Preferred Stock are cumulative from the date of original issue and are payable quarterly on the 15th day of March, June, September and December of each year, when, as and if declared by our Board of Directors. Dividends are payable out of amounts legally available therefor at a rate equal to 8.00% per annum per \$25.00 of stated liquidation preference per share, or \$2.00 per share of Series A Preferred Stock per year. Our Board of Directors declared the first quarter 2023 dividend on the shares of Series A Preferred Stock on February 1, 2023. The Series A Preferred Stock shares trade on the Nasdaq Stock Market under the symbol "FGFPP".

Common Stock

In the fourth quarter of 2021, we sold a total of 750,000 shares of our common stock, at a price of \$4.00 per share, for net proceeds of approximately \$2.5 million. Also in the fourth quarter, the Company completed a rights' offering to holders of its common stock. Pursuant to the rights offering, 691,735 shares were subscribed for, for net proceeds of approximately \$2.7 million. The Company intends to use the net proceeds from the issuance of its common shares for working capital and other general corporate purposes.

In June 2022, we sold a total of 2,750,000 shares of our common stock in an underwritten public offering, at a price of \$1.58 per share, for net proceeds of approximately \$3.8 million. On August 2, 2022, ThinkEquity, the underwriter with respect to the public offering, partially exercised its overallotment option and we sold an additional 71,770 shares of our common stock, at a price of \$1.58 per share, for net proceeds of \$0.1 million. The Company intends to use the net proceeds from the underwritten public offering for working capital and other general corporate purposes.

On November 3, 2022, the Company entered into a Sales Agreement with ThinkEquity LLC, pursuant to which the Company may offer and sell, from time to time through ThinkEquity LLC, shares of the Company's common stock, having an aggregate offering price of up to \$2,575,976, subject to the terms and conditions of the Sales Agreement. The Company filed a prospectus supplement to its registration statement on Form S-3. Under the Sales Agreement, the ThinkEquity LLC may sell the Shares in sales deemed to be an "at-the-market offering" as defined in Rule 415(a)(4) promulgated under the Securities Act of 1933. The Company is not obligated to make any sales of the shares under the Sales Agreement. As of December 31, 2022, the Company had not yet sold any shares under this Sales Agreement.

Retirement of Treasury Stock

On August 19, 2021, the Board approved the retirement of all 1,281,511 common stock treasury shares owned by the Company. Accordingly, these shares have been classified as authorized, but unissued shares on the Company's balance sheet, as of December 31, 2021.

Change in Shareholders' Equity

The table below presents the primary components of changes to total shareholders' equity for the years ended December 31, 2022 and 2021:

	Preferred Shares Outstanding	Common Shares Outstanding	Treasury Shares	Total Shareholders' Equity.
Balance, January 1, 2021	700,000	4,988,310	1,281,511	\$ 34,193
Retirement of Treasury Stock	—	—	(1,281,511)	—
Stock compensation	—	67,160	—	559
Series A Preferred Share issuance ..	194,580	—	—	4,217
Dividends declared on Series A Preferred Stock	—	—	—	(1,692)
Issuance of common stock	—	1,441,735	—	5,246
Net loss	—	—	—	(8,514)
Balance, December 31, 2021	894,580	6,497,205	—	\$ 34,009
Balance, January 1, 2022	894,580	6,497,205	—	\$ 34,009
Stock compensation	—	91,498	—	255
Dividends declared on Series A Preferred Stock	—	—	—	(1,789)
Issuance of common stock	—	2,821,770	—	3,732
Net income	—	—	—	1,088
Balance, December 31, 2022	894,580	9,410,473	—	\$ 37,295

Results of Operations

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Net Premiums Earned

Net premiums earned represent actual premiums earned on our reinsurance agreements as well as estimated premiums earned on our FAL agreement as disclosed previously. All actual and estimated premiums earned are the result of property and casualty assumed premium. For the twelve months ended December 31, 2022 and 2021, earned premiums are approximately \$13.0 million and \$4.9 million, respectively. The increase in reinsurance premiums was due primarily to the additional reinsurance agreements signed during the current year.

Net Investment Income

Net investment income for the years ended December 31, 2022 and 2021 is as follows:

(in thousands)

	Year Ended December 31,	
	2022	2021
Investment income (loss):		
Realized loss on FedNat common stock	\$ (13,797)	\$ (5,452)
Unrealized holding loss on Hagerty common stock	(48)	-
Unrealized holding gain on private placement investments.....	-	5,267
Change in unrealized holding loss on FedNat common stock	13,074	(865)
Equity method earnings	7,618	3,448
Other (loss) income.....	(70)	147
Net investment income	\$ 6,777	\$ 2,545

Other Income

Other income was approximately \$320,000, compared to \$186,000, for the years ended December 31, 2022, and 2021, respectively, and is comprised of fees earned under the investment advisory and transition services agreements between the Company and FedNat. Also included in other income for the twelve months ended December 31, 2022 and 2021 is service fee revenue we have earned under our SPAC Platform, whereby we provide certain accounting, regulatory, strategic, advisory, and other administrative services.

Net Losses and Loss Adjustment Expenses

Net losses and LAE for the twelve months ended December 31, 2022 and 2021, were \$7.5 million and \$4.3 million, respectively. The increase in net losses and loss adjustment expenses was due primarily to the additional reinsurance agreements signed during the current year. As discussed under Note 5, Loss and Loss Adjustment Expense Reserves, a portion of this charge represents an estimate based upon a full calendar year forecast of results provided to us by the ceding companies under our FAL arrangements.

General and Administrative Expenses

General and administrative expenses decreased by \$0.8 million to \$8.4 million for the twelve months ended December 31, 2022, compared to \$9.2 million for the twelve months ended December 31, 2021. The decrease was primarily due to lower legal and professional fees, stock compensation expense and salaries and benefits for the year ended December 31, 2022.

Also included in general and administrative expenses are payments to Fundamental Global Management, LLC (“FGM”), pursuant to a shared services agreement entered into on March 31, 2020. Under the agreement, FGM provides the Company with certain services related to the day-to-day management of the Company, including assisting with regulatory compliance, evaluating the Company’s financial and operational performance, providing a management team to supplement the executive officers of the Company, and such other services consistent with those customarily performed by executive officers and employees of a public company. In exchange for these services, the Company pays FGM a fee of approximately \$456,000 per quarter, plus reimbursement of expenses incurred by FGM in connection with the performance of the services, subject to certain limitations approved by the Company’s Board of Directors or Compensation Committee, from time to time. The Company paid \$1.8 million and \$1.8 million to FGM under the agreement, for the years ended December 31, 2022 and 2021, respectively. FGM is an affiliate of FG, the Company’s largest shareholder.

Income Tax Expense (Benefit)

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

(\$ in thousands)

	Year Ended December 31,			
	2022		2021	
	Amount	%	Amount	%
Provision for taxes at U.S. statutory marginal income tax rate of 21%.....	\$ 229	21.0%	\$ (1,540)	21.0%
Valuation allowance for deferred tax assets deemed unrealizable.....	(252)	(23.1)%	1,782	(24.3)%
State income tax (net of federal benefit).....	—	—%	(114)	1.6%
Minority Interest.....	—	—%	(279)	3.8%
Other.....	23	2.1%	6	(0.1)%
Income tax benefit.....	\$ —	—%	\$ (145)	2.0%
Income tax benefit – from continuing operations.....	\$ —	—%	\$ —	—%
Income tax benefit – from discontinued operations.....	\$ —	—%	\$ (145)	2.0%

Due to the sale of our former insurance business, these operations have been classified as discontinued operations in the Company’s financial statements presented herein. For the year ended December 31, 2021, we recognized a gain from the sale of these operations of approximately \$145,000, related to a final true-up and settlement for income taxes due to the Company under the sale agreement.

We have also recorded a benefit of \$252,000 and a charge of \$1.8 million for the years ended December 31, 2022 and 2021, respectively, as a valuation allowance against all of our net deferred tax assets, due to uncertainty regarding our ability to realize these tax benefits in the future, reducing the net deferred income tax asset to \$0, as of December 31, 2022.

Net Loss

Information regarding our net loss and loss per share for the years ended December 31, 2022 and 2021 is as shown in the following table:

(\$ in thousands)	Year Ended December 31,	
	2022	2021
Basic and diluted:		
Net income (loss) from continuing operations.....	\$ 1,088	\$ (7,333)
Loss attributable to noncontrolling interest	-	(1,326)
Dividends declared on Series A Preferred Shares.....	(1,789)	(1,692)
Loss attributable to FG Financial Group, Inc. common shareholders.....	(701)	(10,351)
Weighted average common shares.....	8,030,106	5,212,772
Loss per common share from continuing operations	\$ (0.09)	\$ (1.99)
Gain on sale of former insurance business.....	\$ -	\$ (145)
Weighted average common shares outstanding	8,030,106	5,212,772
Income per common share from discontinued operations	\$ -	\$ 0.03
Loss per share attributable to common shareholders	\$ (0.09)	\$ (1.96)

Liquidity and Capital Resources

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

Cash Flows

The following table summarizes the Company's consolidated cash flows for the years ended December 31, 2022 and 2021:

(\$ in thousands)	Year ended December 31,	
	2022	2021
Summary of Cash Flows		
Cash and cash equivalents – beginning of period	\$ 15,542	\$ 12,132
Net cash used by operating activities.....	(11,022)	(14,406)
Net cash (used) provided by investing activities	(3,453)	5,898
Net cash provided by financing activities	1,943	11,918
Net (decrease) increase in cash and cash equivalents	(12,532)	3,410
Cash and cash equivalents – end of period	\$ 3,010	\$ 15,542

For the year ended December 31, 2022, the Company's net cash used by operating activities was approximately \$11.0 million, the major drivers of which were as follows:

- Our net income of approximately \$1.1 million for the year.
- Approximately \$13.0 million for a non-cash charge related to the change in unrealized holding loss on our equity investments, and approximately \$7.6 for a non-cash charge related to income from equity method investments, offset by \$13.9 million in realized loss on sale associated with our shares of FedNat common stock.
- A cash outflow of approximately \$5.4 million representing cash placed in trust as collateral, pursuant to our quota-share agreements.

For the year ended December 31, 2022, the Company's net cash used by investing activities primarily consists of approximately \$8.8 million from the purchase of other investments, offset by sales of other investments in the amount of \$4.7 million and \$0.7 million from the sale of equity securities.

For the year ended December 31, 2022, the Company's net cash provided by financing activities consist of proceeds of approximately \$3.7 million from the issuance of common stock, offset by the payments of dividends in the amount of \$1.8 million on our Series A Preferred Shares.

For the year ended December 31, 2021, the Company's net cash used by operating activities was approximately \$14.4 million, the major drivers of which were as follows:

- Our net loss of approximately \$7.2 million for the year.
- Approximately \$7.8 million for a non-cash charge related to the unrealized holding gains on our various investments, offset by \$5.5 million in realized loss on sale associated with our shares of FedNat common stock.
- A cash outflow of approximately \$2.0 million representing cash placed in trust as collateral, pursuant to our quota-share agreements.
- A cash outflow of approximately \$6.5 million for our investment in our SPAC sponsorships through the Fund. As this investment was made by our former investment company subsidiary, we are required to show these cash outflows as operating activities.

For the year ended December 31, 2021, the Company's net cash provided by investing activities consist primarily of proceeds of approximately \$5.9 million from the sale of a portion of our FedNat shares as well as the complete liquidation of our Metrolina investment.

For the year ended December 31, 2021, the Company's net cash used by financing activities consist of was approximately \$11.9 million, the major drivers of which were as follows:

- The payments of dividends in the amount of \$1.7 million on our Series A Preferred Shares.
- Net proceeds from the issuance of our Series A Preferred Shares in the amount of approximately \$4.2 million.
- Net proceeds from the issuance of our common stock in the amount of approximately \$5.2 million.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

FG FINANCIAL GROUP, INC.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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FG FINANCIAL GROUP, INC.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
FG Financial Group, Inc.
Itasca, Illinois

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of FG Financial Group, Inc. (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations, shareholders’ equity, and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Loss and Loss Adjustment Expense Reserves (Loss Reserves)

As described in Note 2 and Note 5 to the Company’s consolidated financial statements, loss and loss adjustment reserve estimates are based primarily on estimates derived from reports the Company has received from ceding companies and their actuarial teams. As of December 31, 2022, the Company’s loss and loss adjustment expense reserve was \$4.4 million. The Company also engages independent actuarial specialists in order to assist management in establishing appropriate reserves. The estimate of loss reserves relies on several key judgments, including (1) the types of exposures and projected ultimate premium to be written by cedents; (2) expected loss ratios by type of business; (3) actuarial methodologies which analyze loss reporting and payment experience, reports from ceding companies and historical trends; and (4) general economic conditions.

We identified the actuarial methodologies and significant assumptions used in the estimation of the Company's loss and loss adjustment expense reserves as a critical audit matter. The principal considerations for this determination were (i) the significant judgment by management when developing their estimate, (ii) the significant auditor subjectivity and judgment involved in evaluating the audit evidence related to the actuarial methodologies used, and (iii) the extent of specialized skills and knowledge needed from our actuarial specialists.

The primary procedures we performed to address this critical audit matter included:

- Testing the completeness and accuracy of the source information used by the Company's management and independent actuarial specialists to calculate loss reserves.
- Utilizing personnel with specialized knowledge and skill in actuarial methods to assist in (i) evaluating the appropriateness of methodologies used, and (ii) evaluating the reasonableness of significant assumptions used by Company's management and independent actuarial specialists, specifically the loss development factor selections, initial expected loss ratio selections, and weighting of methods used.
- Comparing the results of the reserve study prepared by independent actuarial specialists to management's best estimate and evaluating the differences.

Valuation of Equity Method Investments

As described in Note 4 to the consolidated financial statements, the Company's equity method investments include private placement investments held in sponsor shares and warrants for special purpose acquisition companies (SPAC), which are estimated using complex valuation methods (Monte-Carlo simulation and option pricing models) and involves significant assumptions.

We identified the valuation methodologies and significant assumptions utilized in the estimation of the fair value of these private placement investments as a critical audit matter. The principal considerations for this determination were the subjective and complex auditor judgment, including the involvement of our valuation specialists in evaluating the (i) relevant valuation methodologies and (ii) significant assumptions used in determining the fair value of these investments.

The primary procedures we performed to address this critical audit matter included:

- Testing the completeness and accuracy of the source information used to value the equity method investments.
- Utilizing personnel with specialized knowledge and skill in valuation techniques to assist in (i) evaluating the appropriateness of management's valuation methodologies, and (ii) evaluating the reasonableness of the significant assumptions, specifically the estimate of the volatility of the common stock based on the selection of historical performance of various broad market indices blended with various peer companies, the discount for lack of marketability, and the probability of a successful merger.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2012.

Grand Rapids, Michigan

March 24, 2023

FG FINANCIAL GROUP, INC.
Consolidated Balance Sheets
(\$ in thousands, except per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Equity securities, at fair value (cost basis of \$889 and \$14,495, respectively).....	\$ 841	\$ 1,421
Other investments	24,839	14,040
Cash and cash equivalents	3,010	15,542
Deferred policy acquisition costs	1,527	786
Reinsurance balances receivable.....	9,269	3,853
Funds deposited with reinsured companies	9,277	4,442
Other assets	712	745
Total assets	\$ 49,475	\$ 40,829
LIABILITIES		
Loss and loss adjustment expense reserves.....	\$ 4,409	\$ 2,133
Unearned premium reserves	6,823	3,610
Accounts payable	723	502
Other liabilities	225	575
Total liabilities	\$ 12,180	\$ 6,820
Commitments and contingencies (Note 12)		
SHAREHOLDERS' EQUITY		
Series A Preferred Shares, \$25.00 par and liquidation value, 1,000,000 shares authorized; 894,580 and 894,580 shares issued and outstanding as of December 31, 2022 and 2021, respectively	\$ 22,365	\$ 22,365
Common stock, \$0.001 par value; 100,000,000 and 10,000,000 shares authorized; 9,410,473 and 6,497,205 shares issued as of December 31, 2022 and 2021, respectively, and, 9,410,473 and 6,497,205 shares outstanding as of December 31, 2022 and 2021, respectively	9	6
Additional paid-in capital	50,021	46,037
Accumulated deficit.....	(35,100)	(34,399)
Total shareholders' equity	37,295	34,009
Total liabilities and shareholders' equity	\$ 49,475	\$ 40,829

See accompanying notes to consolidated financial statements.

FG FINANCIAL GROUP, INC.
Consolidated Statements of Operations
(\$ in thousands, except per share data)

	Year ended December 31,	
	2022	2021
Revenue:		
Net premiums earned.....	\$ 12,998	\$ 4,864
Net investment income	6,777	2,545
Other income	320	186
Total revenue	<u>20,095</u>	<u>7,595</u>
Expenses:		
Net losses and loss adjustment expenses	7,484	4,338
Amortization of deferred policy acquisition costs	3,169	1,407
General and administrative expenses.....	8,354	9,183
Total expenses	<u>19,007</u>	<u>14,928</u>
Net income (loss) from continuing operations.....	1,088	(7,333)
Discontinued operations (Note 2):		
Gain from sale of former insurance business.....	-	(145)
Net income from discontinued operations	-	(145)
Net income (loss).....	<u>\$ 1,088</u>	<u>\$ (7,188)</u>
Income attributable to noncontrolling interest.....	-	1,326
Dividends declared on Series A Preferred Shares.....	1,789	1,692
Loss attributable to common shareholders.....	<u>\$ (701)</u>	<u>\$ (10,206)</u>
Basic and diluted net earnings (loss) per common share:		
Continuing operations.....	\$ (0.09)	\$ (1.99)
Discontinued operations	-	0.03
Loss per share attributable to common shareholders	<u>\$ (0.09)</u>	<u>\$ (1.96)</u>
Weighted average common shares outstanding:		
Basic and diluted.....	8,030,106	5,212,772

See accompanying notes to consolidated financial statements.

FG FINANCIAL GROUP, INC.
Consolidated Statements of Shareholders' Equity
(\$ in thousands)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Paid-in</u>	<u>Accumulated</u>	<u>Total</u>	<u>Non-</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Deficit</u>	<u>Shareholders'</u>	<u>controlling</u>
	<u>Outstanding</u>		<u>Outstanding</u>		<u>Outstanding</u>				<u>Equity</u>	<u>Interests</u>
									<u>Attributable</u>	
									<u>to FG</u>	
									<u>Financial</u>	
									<u>Group</u>	
									<u>Inc.</u>	
Balance,										
January 1, 2021	700,000	\$ 17,500	4,988,310	\$ 6	1,281,511	\$ (6,185)	\$ 47,065	\$ (24,193)	\$ 34,193	\$ -
Stock based compensation...	-	-	67,160	-	-	-	559	-	559	-
Interests issued for contributed cash	-	-	-	-	-	-	-	-	-	4,147
Deconsolidation of variable interest entity ...	-	-	-	-	-	-	-	-	-	(5,473)
Issuance of Series A Preferred shares	194,580	4,865	-	-	-	-	(648)	-	4,217	-
Retirement of treasury shares .	-	-	-	(1)	(1,281,511)	6,185	(6,184)	-	-	-
Issuance of common stock..	-	-	1,441,735	1	-	-	5,245	-	5,246	-
Dividends declared on Series A Preferred Shares (\$2.00 per share)	-	-	-	-	-	-	-	(1,692)	(1,692)	-
Net loss	-	-	-	-	-	-	-	(8,514)	(8,514)	1,326
Balance,										
December 31, 2021	894,580	\$ 22,365	6,497,205	\$ 6	-	\$ -	\$ 46,037	\$ (34,399)	\$ 34,009	\$ -
Stock based compensation...	-	-	91,498	1	-	-	254	-	255	-
Issuance of common stock..	-	-	2,821,770	2	-	-	3,730	-	3,732	-
Dividends declared on Series A Preferred Shares (\$2.00 per share)	-	-	-	-	-	-	-	(1,789)	(1,789)	-
Net income.....	-	-	-	-	-	-	-	1,088	1,088	-
Balance,										
December 31, 2022	894,580	\$ 22,365	9,410,473	\$ 9	-	\$ -	\$ 50,021	\$ (35,100)	\$ 37,295	\$ -

FG FINANCIAL GROUP, INC.
Consolidated Statements of Cash Flows
(\$ in thousands)

	Year ended December 31,	
	2022	2021
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ 1,088	\$ (7,188)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Change in unrealized holding loss on equity investments	(13,026)	(6,783)
(Income) loss from equity method investments	(7,618)	(1,068)
Net realized loss on sale of investments	13,797	5,456
Stock compensation expense	255	559
Purchases of investments by consolidated investment company subsidiary		(6,479)
Cash relinquished upon deconsolidation of investment company subsidiary		(100)
Changes in operating assets and liabilities:		
Funds deposited with reinsured companies	(4,835)	(1,998)
Reinsurance balances receivable	(5,416)	(3,853)
Deferred policy acquisition costs	(741)	(786)
Other assets	114	(233)
Current income taxes recoverable	-	1,724
Loss and loss adjustment expense reserves	2,276	2,133
Unearned premium reserves	3,213	3,610
Accounts payable and other liabilities	(129)	600
Net cash used by operating activities	(11,022)	(14,406)
Investing activities:		
Purchases of furniture and equipment	(81)	(14)
Proceeds from sales of equity securities	698	803
Proceeds from sales of other investments	4,774	5,109
Purchases of other investments	(8,844)	-
Net cash (used) provided by investing activities	(3,453)	5,898
Financing activities:		
Payment of dividends on preferred shares	(1,789)	(1,692)
Proceeds from issuance preferred stock, net	-	4,217
Proceeds from issuance common stock, net	3,732	5,246
Capital contribution from non-controlling interest	-	4,147
Net cash provided by financing activities	1,943	11,918
Net (decrease) increase in cash and cash equivalents	(12,532)	3,410
Cash and cash equivalents at beginning of period	15,542	12,132
Cash and cash equivalents at end of period	\$ 3,010	\$ 15,542
Supplemental disclosure of cash flow information:		
Net refunds received during the period for income taxes	\$ -	\$ 1,471

See accompanying notes to consolidated financial statements.

Note 1. Nature of Business

FG Financial Group, Inc. (“FGF”, the “Company”, “we”, or “us”) is a reinsurance, merchant banking and asset management holding company. We focus on opportunistic collateralized and loss capped reinsurance, while allocating capital in partnership with Fundamental Global®, and from time to time, other strategic investors, to merchant banking activities. The Company’s principal business operations are conducted through its subsidiaries and affiliates. The Company also provides asset management services. From our inception in October 2012 through December 2019, we operated as an insurance holding company, writing property and casualty insurance throughout the states of Louisiana, Florida, and Texas. On December 2, 2019, we sold our three former insurance subsidiaries, and embarked upon our current strategy focused on reinsurance, merchant banking and asset management.

As of December 31, 2022, Fundamental Global GP, LLC (“FG”), a private partnership focused on long-term strategic holdings, and its affiliated entity, collectively beneficially owned approximately 60.0% of our common stock. D. Kyle Cerminara, Chairman of our Board of Directors, serves as Chief Executive Officer, Co-Founder and Partner of FG.

Sale of the Insurance Business

On December 2, 2019, we completed the sale (“Asset Sale”) of our insurance subsidiaries to FedNat Holding Company for a combination of cash and FedNat common stock. The Company sold its remaining FedNat common stock shares held in October 2022.

Reincorporation

Effective at 5:01 p.m. ET on December 9, 2022, the Company completed its reincorporation from a Delaware corporation to a Nevada corporation (the “Reincorporation”). The Reincorporation was accomplished by means of a merger by and between the Company and its former wholly owned subsidiary FG Financial Group, Inc., a Nevada corporation. As of December 9, 2022, the rights of the Company’s stockholders began to be governed by the Nevada corporation laws, our Amended and Restated Nevada Articles of Incorporation and our Nevada Bylaws. The Reincorporation was approved by the Company’s stockholders at a special meeting held on December 6, 2022.

Other than the change in the state of incorporation, the Reincorporation did not result in any change in the business, physical location, management, assets, liabilities or net worth of the Company, nor did it result in any change in location of the Company’s employees, including the Company’s management.

The Reincorporation did not alter any stockholder’s percentage ownership interest or number of shares owned in the Company and the Company’s common stock continues to be quoted on the Nasdaq Global Market under the same symbol “FGF” and the 8.00% Cumulative Preferred Stock, Series A of the Company continues to be quoted on the Nasdaq Global Market under the same symbol, “FGFPP.”

Current Business

Our strategy has evolved to focus on opportunistic collateralized and loss capped reinsurance, with capital allocation to merchant banking activities with asymmetrical risk/reward opportunities. As part of our refined focus, we have adopted the following capital allocation philosophy:

“Grow intrinsic value per share with a ***long-term focus*** using ***fundamental research***, allocating capital to ***asymmetric risk/reward*** opportunities.”

Currently, the business operates as a diversified holding company of insurance, reinsurance, asset management, our Special purpose acquisition corporation “SPAC” Platform businesses, and our merchant banking division.

Insurance

Sponsor Protection Coverage and Risk, Inc. is being formed as a special purpose captive in South Carolina to provide reinsurance coverage for Sides A, B, & C Directors and Officers Liability insurance coverage for related and unrelated entities of Fundamental Global Reinsurance Ltd (“FGRe”). These will include SPAC entities engaged in the services or business of taking companies public, as well as small cap businesses performing an initial public offering.

Reinsurance

The Company's wholly owned reinsurance subsidiary, FGRe, a Cayman Islands limited liability company, provides specialty property and casualty reinsurance. FGRe has been granted a Class B (iii) insurer license in accordance with the terms of The Insurance Act (as revised) of the Cayman Islands and underlying regulations thereto and is subject to regulation by the Cayman Islands Monetary Authority (the "Authority"). The terms of the license require advance approval from the Authority should FGRe wish to enter into any reinsurance agreements which are not fully collateralized. FGRe participates in a Funds at Lloyds ("FAL") syndicate covering risks written by the syndicate during the 2021 and 2022 calendar years, and on December 10, 2022 agreed to cover risks written by the syndicate during the calendar year 2023. On April 1, 2021, FGRe entered its second reinsurance contract with a leading insurtech company that provides automotive insurance utilizing driver monitoring to predictively segment and price drivers. The Company added a second agreement with the automotive insurance provider as of April 1, 2022. Beginning January 1, 2022, FGRe participates in a quota share reinsurance contract with a startup homeowners' insurance company. On April 1, 2022, FGRe entered a homeowners' property catastrophe excess of loss reinsurance contract with a specialty insurance company covering loss occurrences from named tropical storms arising out of the Atlantic. On July 1, 2022, FGRe entered a contract with a specialty insurance company that provides hired and non-owned automotive insurance. These agreements limit exposure by loss-caps stipulated within the reinsurance contracts.

Asset Management

FG Strategic Consulting, LLC, ("FGSC") a wholly-owned subsidiary of the Company, looks to provide investment advisory services, including identifying, analyzing and recommending potential investments, advising as to existing investments and investment optimization, recommending investment dispositions, and providing advice regarding macro-economic conditions.

SPAC Platform

On December 21, 2020, we formed FG Management Solutions LLC ("FGMS"), formerly known as FG SPAC Solutions, LLC, a Delaware company, to facilitate the launch of our "SPAC Platform". Under the SPAC Platform, we provide various strategic, administrative, and regulatory support services to newly formed SPACs for a monthly fee. Additionally, the Company co-founded a partnership, FG Merchant Partners, LP ("FGMP"), formerly known as FG SPAC Partners, LP, to participate as a co-sponsor for newly formed SPACs. The Company also participates in the risk capital investments associated with the launch of such SPACs through its Asset Management business, specifically FG Special Situations Fund, LP ("Fund"). As discussed in Note 4, the Company had consolidated the results of the Fund through November 30, 2021; however, effective December 1, 2021, the Company began accounting for its investment in the Fund under the equity method. The first transaction entered under the SPAC Platform occurred on January 11, 2021, by and among FGMS and Aldel Investors, LLC, the sponsor of Aldel Financial, Inc. ("Aldel"), a special purpose acquisition company which completed its business combination with Hagerty (NYSE: HGTY) on December 2, 2021. Under the services agreement between FGMS and Aldel Investors, LLC (the "Agreement"), FGMS provided accounting, regulatory, strategic advisory, and other administrative services to Aldel, which included assistance with negotiations with potential merger targets for the SPAC as well as assistance with the de-SPAC process.

In March and April 2022, the Company continued to build upon its SPAC Platform strategy. On March 3, 2022, FG Merger Corp. ("FG Merger") (Nasdaq: FGMCU) announced the closing of an \$80.5 million IPO in the United States, including the exercise of the over-allotment option granted to the underwriters in the offering. Similarly, on April 5, 2022, FG Acquisition Corp. ("FG Acquisition") (TSX:FGAA.V), announced the closing of a \$115 million IPO in Canada, including the exercise of the over-allotment option granted to the underwriters in the offering. The Company participated in the risk capital associated with the launch of the SPACs through its asset management business, specifically FG Special Situations Fund, LP. Mr. Cerminara, our Chairman, Larry G. Swets, Jr., our Director and Chief Executive Officer, and Hassan R. Baqar, our Executive Vice President and Chief Financial Officer, also hold financial interests in the SPACs and/or their sponsor companies. Additionally, Messrs. Cerminara, Swets, and Baqar are managers of the sponsor companies of FG Merger and FG Acquisition. Mr. Swets serves as Chairman of FG Merger, while Messrs. Baqar and Cerminara serve as Director and Senior Advisor of FG Merger, respectively. Mr. Swets serves as Chief Executive Officer and Director of FG Acquisition. Mr. Baqar serves as Chief Financial Officer, Secretary and Director of FG Acquisition. Mr. Cerminara serves as Chairman of FG Acquisition.

In the aggregate, the Company's indirect exposure to FG Merger through its subsidiaries represents potential beneficial ownership of approximately 820,000 shares of FG Merger's common stock, approximately 989,000 warrants with an \$11.50 exercise price and 5-year expiration, and approximately 85,000 warrants with a \$15.00 exercise price and 10-year expiration. The Company has invested approximately \$2.6 million in FG Merger through its subsidiaries. The Company's indirect exposure in FG Acquisition through its subsidiaries represents potential beneficial ownership of approximately 819,000 shares of FG Acquisition's common stock, approximately 1,400,000 warrants with an \$11.50 exercise price and 5-year expiration (the "FGAC Warrants"), approximately 440,000 warrants with a \$15 exercise price and 10-year expiration, and either (i) up to approximately an additional 1,600,000 FGAC Warrants, or (ii) up to approximately \$2 million in cash, or (iii) a pro-rata combination of such FGAC Warrants and cash, based on certain adjustment provisions and the level of redemptions of FG Acquisition's publicly traded warrants at the time of a business combination. The Company has invested approximately \$3.4 million in FG Acquisition through its subsidiaries.

Merchant Banking

In Q3 2022, the Company announced the expansion of its growth strategy through the formation of a merchant banking division. The Company invested \$2.0 million into its first project launched under the platform, FG Communities, Inc ("FGC"). FGC is a self-managed real estate company focused on a growing portfolio of manufactured housing communities which are owned and operated by FGC. As discussed further in Note 4, the Company will hold this investment at cost, subject to any adjustment from time to time due to impairment or observable price changes in orderly transactions.

Note 2. Significant Accounting Policies

Basis of Presentation

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

Consolidation Policies

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

The consolidated financial statements include the accounts of the Company and entities in which it is required to consolidate under either the Variable Interest Entity ("VIE") or Voting Interest Entity ("VOE") models. Both models require the reporting entity to identify whether it has a controlling financial interest in a legal entity and is therefore required to consolidate the legal entity. Under the VOE model, a reporting entity with ownership of a majority of the voting interest of a legal entity is generally considered to have a controlling financial interest. The VIE model was established for situations in which control may be demonstrated other than by the possession of voting rights in a legal entity and instead focuses on the power to direct the activities that most significantly impact the legal entity's economic performance, as well as the rights to receive benefits and obligations to absorb losses that could potentially be significant to the legal entity.

The determination of whether or not to consolidate a variable interest entity under GAAP requires a significant amount of judgment concerning the degree of control over an entity by its holders of variable interests. To make these judgments, management has conducted an analysis, on a case-by-case basis, of whether we are the primary beneficiary and are therefore required to consolidate the entity. Upon the occurrence of certain events, such as modifications to organizational documents and investment management agreements, management will reconsider its conclusion regarding the status of an entity as a variable interest entity.

In September 2020, the Company invested approximately \$5.0 million to sponsor the launch of the Fund. The Fund, a VIE which the Company was required to consolidate through November 30, 2021, is considered an investment company for GAAP purposes and follows the accounting and reporting guidance in the Financial Accounting Standards Codification ("ASC") Topic 946, *Financial Services-Investment Companies*, which includes the presentation of its investments at fair value. On December 1, 2021, the Company's investment became that of a limited partner, and it no longer had the power to govern the financial and operating policies of the Fund, and thus, began to account for its investment in the Fund under the equity method of accounting.

In October of 2022, the Company invested \$2.0 million into FGC, which the Company has determined meets the criteria of a VIE. The Company holds this investment at cost, subject to any adjustment from time to time due to impairment or observable price changes in orderly transactions. Due to its minority interest and inability to govern the financial and operating policies of FGC, the Company has determined it is not the primary beneficiary of FGC, and thus does not consolidate FGC.

The Company's risk of loss associated with its non-consolidated VIEs is limited. As of December 31, 2022, and December 31, 2021, the carrying value and maximum loss exposure of the Company's non-consolidated VIE's was \$18.8 million and \$9.7 million, respectively.

See Note 4 for additional information regarding the Company's investments.

Discontinued Operations

Due to the sale of all of the issued and outstanding equity of our previous insurance business on December 2, 2019, these operations have been classified as discontinued operations in the Company's financial statements presented herein. For the year ended December 31, 2021, we recognized a gain from the sale of this business for approximately \$145,000. This was related to a final true-up and settlement in the first quarter of 2021, for income taxes due to the Company under the sale agreement. The following table presents a reconciliation of the major classes of line items constituting discontinued operations that are presented in the Company's consolidated Statements of Operations for the years ended December 31, 2022 and 2021:

(in thousands)	Year ended December 31,	
	2022	2021
Gain from sale of former insurance business	-	(145)
Net income from discontinued operations	\$ -	\$ (145)

The Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recorded in the accounting period in which they are determined. The critical accounting estimates and assumptions in the accompanying consolidated financial statements include the valuation of our investments, the valuation of net deferred income taxes and deferred policy acquisition costs, premium revenue recognition, reserves for loss and loss adjustment expenses, and stock-based compensation expense.

Investments in Equity Securities

Investments in equity securities are carried at fair value with subsequent changes in fair value recorded to the Consolidated Statements of Operations as a component of net investment income.

Other Investments

Other investments consist, in part, of equity investments made in privately held companies accounted for under the equity method. We utilize the equity method to account for investments when we possess the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when the investor possesses more than 20% of the voting interests of the investee. This presumption may be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted. We apply the equity method to investments in common stock and to other investments when such other investments possess substantially identical subordinated interests to common stock.

In applying the equity method, we record the investment at cost and subsequently increase or decrease the carrying amount of the investment by our proportionate share of the net earnings or losses and other comprehensive income of the investee. We record dividends or other equity distributions as reductions in the carrying value of the investment. Should net losses of the investee reduce the carrying amount of the investment to zero, additional net losses may be recorded if other investments in the investee are at-risk, even if we have not committed to provide financial support to the investee. Such additional equity method losses, if any, are based upon the change in our claim on the investee's book value.

When we receive distributions from our equity method investments, we utilize the cumulative earnings approach. When classifying the related cash flows under this approach, the Company compares the cumulative distributions received, less distributions received in prior periods, with the Company's cumulative equity in earnings. Cumulative distributions that do not exceed cumulative equity in earnings represent returns on investment and are classified as cash inflows from operating activities. Cumulative distributions in excess of cumulative equity in earnings represent returns on investment and are classified as cash inflows from investing activities.

Other investments also consist of equity we have purchased in a limited partnership, limited liability company, and a corporation for which there does not exist a readily determinable fair value. The Company accounts for these investments at their cost, subject to any adjustment from time to time due to impairment or observable price changes in orderly transactions. Any profit distributions the Company receives on these investments are included in net investment income.

Cash and Cash Equivalents

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

Pursuant to the Company's insurance license, the Cayman Islands Monetary Authority ("Authority") has required that FGRe hold a minimum capital requirement of \$200,000 in cash in a bank in the Cayman Islands which holds an "A" license issued under the Banks and Trust Companies Act (2020 Revision).

Income Taxes

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

Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk include investments, cash, and deposits with reinsured companies. The Company maintains its cash with a major U.S. domestic banking institution which is insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000. As of December 31, 2022, the Company held funds in excess of these FDIC insured amounts. The terms of these deposits are on demand to mitigate some of the associated risk. The Company has not incurred losses related to these deposits.

Premium Revenue Recognition

The Company participates in reinsurance quota-share contracts and estimates the ultimate premiums for the contract period. These estimates are based on information received from the ceding companies, whereby premiums are recorded as written in the same periods in which the underlying insurance contracts are written and are based on cession statements from cedents. These statements are received quarterly and in arrears, and thus for any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Premium estimates are reviewed by management periodically. Such review includes a comparison of actual reported premiums to expected ultimate premiums. Based on management's review, the appropriateness of the premium estimates is evaluated, and any adjustments to these estimates are recorded in the period in which they are determined. Changes in premium estimates, including premiums receivable, are not unusual and may result in significant adjustments in any period. A significant portion of amounts included in the caption "Reinsurance balances receivable" in the Company's consolidated balance sheets represent estimated premiums written, net of commissions, brokerage, and loss and loss adjustment expense, and are not currently due based on the terms of the underlying contracts. Additional premiums due on a contract that has no remaining coverage period are earned in full when written.

Premiums written are generally recognized as earned over the contract period in proportion to the risk covered. Unearned premiums represent the unexpired portion of reinsurance provided.

Deferred Policy Acquisition Costs

Policy acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal reinsurance business, and consist principally of commissions, taxes and brokerage expenses. If the sum of a contract's expected losses and loss expenses and deferred acquisition costs exceeds associated unearned premiums and expected investment income, a premium deficiency is determined to exist. In this event, deferred acquisition costs are written off to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs then a liability is accrued for the excess deficiency. There were no premium deficiency adjustments recognized during the periods presented herein.

Funds Deposited with Reinsured Companies

"Funds Deposited with Reinsured Companies" on the Company's consolidated balance sheets includes amounts held by cedents provided to support our reinsurance contracts. On November 12, 2020, Fundamental Global Reinsurance Ltd. ("FGR"), our Cayman Islands based reinsurance subsidiary, initially funded a trust account at Lloyd's with approximately \$2.4 million cash, to collateralize its obligations under a quota-share agreement with a Funds at Lloyd syndicate. The initial contract covered our quota share percentage of all risks written by the syndicate for the 2021 calendar year. On November 30, 2021, we entered into an agreement with the same syndicate, slightly increasing our quota-share percentage of the risks the syndicate writes for the 2022 calendar year. This resulted in FGR's depositing additional collateral of approximately \$1.0 million into the account. In June 2022, FGR received approximately \$0.4 million in a partial return of initial collateral. In December 2022, we entered into another agreement with the syndicate, slightly increasing our quota-share percentage of the risks the syndicate writes for the 2023 calendar year. This resulted in FGR depositing additional collateral of approximately \$2.4 million in cash to the account.

During 2021, we also deposited cash collateral in the approximate amount of \$1.0 million, to support our automotive insurance quota-share agreement entered on April 1, 2021. We entered into an additional agreement with the same automotive insurance company on April 1, 2022, and in the third quarter of 2022, we deposited additional collateral of approximately \$0.2 million.

In the third quarter of 2022, FGR deposited cash collateral of approximately \$1.1 million and deposited approximately \$1.4 million in premiums received from the cedent, to support the homeowners' property catastrophe excess of loss reinsurance contract that became effective April 1, 2022. The cash is held in a segregated account until such time that the Company's liability for losses ascribed have been commuted, or all losses have been closed or settled for this contract. The named tropical storm season started on June 1, 2022 and ended on November 30, 2022.

During 2022, the Company also deposited collateral of approximately \$0.1 million to support the startup homeowners insurance quota-share agreement, and deposited additional collateral of approximately \$0.1 million to support the specialty insurance company that provides hired and non-owned automotive insurance quota share-agreement.

As of December 31, 2022, and December 31, 2021, the total cash collateral on deposit to support all of our reinsurance treaties was approximately \$9.3 million and \$4.4 million, respectively.

In January 2023, the losses ascribed were commuted for the homeowners' property catastrophe excess of loss reinsurance contract that became effective April 1, 2022. This resulted in \$2.5 million of collateral being returned to the Company.

Loss and Loss Adjustment Expense Reserves

The Company maintains reserves equal to our estimated ultimate liability for losses and loss adjustment expense for reported and unreported claims from our reinsurance business. Loss and loss adjustment reserve estimates are based primarily on estimates derived from reports the Company has received from ceding companies and their actuarial teams. The Company then uses a variety of statistical and actuarial techniques to monitor reserve adequacy. When setting reserves, the Company considers many factors including: (1) the types of exposures and projected ultimate premium to be written by our cedents; (2) expected loss ratios by type of business; (3) actuarial methodologies which analyze loss reporting and payment experience, reports from ceding companies and historical trends; and (4) general economic conditions. The Company also engages independent actuarial specialists in order to assist management in establishing appropriate reserves. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined. The final settlement of losses may vary, perhaps materially, from the reserves recorded.

U.S. GAAP does not permit establishing loss reserves, which include case reserves and IBNR loss reserves, until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date are established, with no allowance for the establishment of loss reserves to account for expected future loss events.

Generally, the Company obtains regular updates of premium and loss related information for the current and historical periods, which are utilized to update the initial expected loss ratio. We also experience a lag between (i) claims being reported by the underlying insured to the Company's cedent and (ii) claims being reported by the Company's cedent to the Company. This lag may impact the Company's loss reserve estimates. Cedent reports have pre-determined due dates (for example, thirty days after each month end). As a result, the lag depends in part upon the terms of the specific contract. The timing of the reporting requirements is designed so that the Company receives premium and loss information as soon as practicable once the cedent has closed its books. Accordingly, there should be a short lag in such reporting. Additionally, most of the contracts that have the potential for large single event losses have provisions that such loss notifications are provided to the Company immediately upon the occurrence of an event.

Stock-Based Compensation

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

The Company has also issued restricted stock units ("RSUs") to certain of its employees and directors which have been accounted for as equity-based awards since, upon vesting, they are required to be settled in the Company's common shares. We have used the fair value of the Company's common stock on the date the RSUs were issued to estimate the grant date fair value of those RSUs which vest solely based upon the passage of time. The fair value of each RSU is recorded as compensation expense over the requisite service period, which is generally the expected period over which the awards will vest.

Based upon the Company's historical forfeiture rates relating to stock options and RSUs, the Company has not made any adjustment to stock compensation expense for expected forfeitures as of December 31, 2022.

Fair Value of Financial Instruments

The carrying values of certain financial instruments, including cash, short-term investments, deposits held, accounts payable, and other accrued expenses approximate fair value due to their short-term nature. The Company measures the fair value of financial instruments in accordance with GAAP which defines fair value as the exchange price that would be received for an asset (or paid to transfer a liability) in the principal or most advantageous market for the asset (or liability) in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. See Note 4 for further information on the fair value of the Company's financial instruments.

Earnings (Loss) Per Common Share

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

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

Note 3. Recently Adopted and Issued Accounting Standards

Accounting Standards Pending Adoption

ASU 2016-13: Financial Instruments – Credit Losses

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

The Company has evaluated their position by pooling contracts with shared risk characteristics, evaluating credit worthiness of the counterparties, and defining exposure through contract length, total reinsurance exposure, and collateralized position. The estimated allowance to be recorded upon adoption in January 2023 by the Company is expected to be immaterial.

Note 4. Investments and Fair Value Disclosures

The following table summarizes the Company's investments held at fair value as of December 31, 2022 and 2021.

(\$ in thousands)

As of December 31, 2022	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount
Hagerty common stock	\$ 889	\$ –	\$ 48	\$ 841
Total investments	\$ 889	\$ –	\$ 48	\$ 841

As of December 31, 2021	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount
FedNat common stock	\$ 14,495	\$ –	\$ 13,074	\$ 1,421
Total investments	\$ 14,495	\$ –	\$ 13,074	\$ 1,421

Hagerty Common Stock

On December 15, 2022, FGMP distributed 99,999 common shares of Hagerty to the Company, which it now owns directly. On the date of distribution, the common shares had an aggregate fair value of approximately \$889,000.

FedNat Common Stock

During the fourth quarter of 2022, the Company sold its remaining shares held of FedNat Holding Company. For the years ended December 31, 2022 and 2021, the Company had gross realized losses of \$13.8 million and \$5.5 million, respectively, associated with the sale of its FedNat shares. During the year ended December 2022, the Company recorded a \$13.1 million change in unrealized holding loss on FedNat shares, and a change in unrealized holding loss of \$0.9 million for the year ended December 2021.

Deconsolidation of Subsidiary

The Company's original investment in the Fund, a Delaware limited partnership, consisted of an investment as both a limited and general partner. At the time of the Company's initial investment into the Fund, in September 2020, the Company had determined that its investment represented an investment in a variable interest entity ("VIE") in which the Company was the primary beneficiary and as such, had consolidated the financial results of the Fund through November 30, 2021. At each reporting date, the Company evaluates whether it remains the primary beneficiary and continuously reconsiders that conclusion. On December 1, 2021, the Company no longer had the power to govern the financial and operating policies of the Fund, and accordingly derecognized the related assets, liabilities, and noncontrolling interests of the Fund as of that date. The Company did not receive any consideration in the deconsolidation of the Fund, nor did it record any gain or loss upon deconsolidation as the Company carried its investment at fair value. The assets and liabilities of the Fund, over which the Company lost control, were as follows:

As of December 1, 2021 (in thousands)	
Cash and cash equivalents	\$ 100
Investments in private placements	15,734
Investments in public SPACs	22
Other assets	18
Other liabilities	(34)
Net assets deconsolidated	<u>\$ 15,840</u>

While the Company's investments in the Fund are no longer consolidated, the Company has retained its interest in all of the investments held at the Fund. Accordingly, the Company has not presented its investment in the Fund as a discontinued operation. Effective December 1, 2021, the Company began accounting for its investment in the Fund under the equity method of accounting.

Equity Method Investments

Other investments on the Company's Consolidated Balance Sheets consists of equity method investments, which as of December 31, 2022 includes our investment in FGMP and the Fund.

On January 4, 2021, FGMP was formed as a Delaware limited partnership to co-sponsor newly formed SPACs with their founders or partners, as well as other merchant banking interests. The Company is the sole managing member of the general partner of FGMP and holds a limited partner interest of approximately 48% in FGMP directly and through its subsidiaries. FGMP participates as a co-sponsor of the SPACs launched under our SPAC Platform as well as merchant banking initiatives. For the twelve months ended December 31, 2022, the Company has contributed \$0.1 million into FGMP, and has received distributions in the approximate amount of \$2.2 million. The Company has recorded equity method gains from FGMP of approximately \$4.0 million for the twelve months ended December 31, 2022. The carrying value of our investment in FGMP as of December 31, 2022 was approximately \$5.7 million compared to \$3.8 million as of December 31, 2021. Of the \$5.7 million carrying value of our investment in FGMP at December 31, 2022, the Company may allocate up to approximately \$1.0 million to incentivize and compensate individuals and entities for the successful merger of SPAC's launched under our platform.

Equity method investments also include our investment in the Fund, in which we hold an approximately 61% limited partner interest as of December 31, 2022. Until December 1, 2021, we had consolidated the Fund as a variable interest entity, however, effective December 1, 2021, we began accounting for this investment under the equity method of accounting. For the twelve months ended December 31, 2022, the Company has contributed \$6.7 million into the Fund, and has received cash distributions in the approximate amount of \$3.2 million. The Company has recorded equity method gains from the Fund of approximately \$3.6 million for the twelve months ended December 31, 2022. As of December 31, 2022, the carrying value of our investment in the Fund was approximately \$16.8 million, compared to \$9.7 million as of December 31, 2021.

During the year ended December 2021, equity method investments included our investment of \$4.0 million in FGI Metrolina Property Income Fund, LP ("Metrolina"), which invested in real estate through a real estate investment trust which was wholly owned by Metrolina. We have recorded equity method earnings from our investment in Metrolina of approximately zero and \$326,000 for the years ended December 31, 2022 and 2021, respectively. In the third quarter of 2021, Metrolina indicated that it would be liquidating and returning investor capital. Accordingly, in the fourth quarter of 2021, we received approximately \$5.0 million in cash back from the Fund, representing our initial investment of \$4.0 million plus approximately \$1.0 million in distributed earnings. As a result, our investment in Metrolina was fully liquidated as of December 31, 2021.

Financial information for our investments accounted for under the equity method, in the aggregate, is as follows:

(in thousands)	As of December 31,	
	2022	2021
Other investments	\$ 35,366	\$ 25,936
Cash	113	72
Other assets	165	16
Total assets	35,644	26,024
Accounts payable.....	\$ 65	\$ 19
Total liabilities	65	19
For the year ended December 31,		
	2022	2021
Net investment income	\$ 11,959	\$ 15,312
General and administrative expenses.....	(154)	(273)
Net income.....	11,805	15,039

Certain investments held by our equity method investees are valued using Monte-Carlo simulation and option pricing models. Inherent in Monte-Carlo simulation and option pricing models are assumptions related to expected volatility and discount for lack of marketability of the underlying investment. Our investees estimate the volatility of these investments based on the historical performance of various broad market indices blended with various peer companies which they consider as having similar characteristics to the underlying investment, as well as consideration of price and volatility of relevant publicly traded securities such as SPAC warrants. Our investees also consider the probability of a successful merger when valuing SPAC equity.

Investments without Readily Determinable Fair Value

In addition to our equity method investments, other investments, as listed on our balance sheet, consists of equity we have purchased in companies for which there does not exist a readily determinable fair value. This includes the Company's \$2.0 million direct investment in FGC. The Company accounts for these investments at their cost, subject to any adjustment from time to time due to impairment or observable price changes in orderly transactions. Any profit distributions the Company receives on these investments are included in net investment income. The Company's total investment in companies without a readily determinable fair value was approximately \$2.3 million and \$0.5 million as of December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022, and 2021, the Company has received distributions of \$230,000 and \$101,000 on these investments, respectively.

Impairment

For equity securities without readily determinable fair values, impairment is determined via a qualitative assessment which considers indicators to evaluate whether the investment is impaired. Some of these indicators include a significant deterioration in the earnings performance or asset quality of the investee, a significant adverse change in regulatory, economic or general market conditions in which the investee operates, or doubt over an investee's ability to continue as a going concern. If the investment is deemed to be impaired after conducting this analysis, the Company would estimate the fair value of the investment to determine the amount of impairment loss.

For equity method investments, such as the Company's investments in FGMP and the Fund, evidence of a loss in value might include a series of operating losses of an investee, the absence of an ability to recover the carrying amount of the investment, or a deterioration in the value of the investee's underlying assets. If these, or other indicators lead to the conclusion that there is a decrease in the value of the investment that is other than temporary, the Company would recognize that decrease in value even though the decrease may be in excess of what would otherwise be recognized under the equity method of accounting.

The risks and uncertainties inherent in the assessment methodology used to determine impairment include, but may not be limited to, the following:

- the opinions of professional investment managers and appraisers could be incorrect;
- the past operating performance and cash flows generated from the investee's operations may not reflect their future performance; and
- the estimated fair values for investment for which observable market prices are not available are inherently imprecise.

We have not recorded an impairment on our investments for either of the years ended December 31, 2022 and 2021.

Net investment income (loss) for the years ended December 31, 2022 and 2021 is as follows:

(in thousands)	Year Ended December 31,	
	2022	2021
Investment income (loss):		
Realized loss on FedNat common stock	\$ (13,797)	\$ (5,452)
Unrealized holding loss on Hagerty common stock	(48)	
Unrealized holding gain on private placement investments.....	-	5,267
Change in unrealized holding loss on FedNat common stock	13,074	(865)
Equity method earnings	7,618	3,448
Other (loss) income.....	(70)	147
Net investment income	\$ 6,777	\$ 2,545

Fair Value Measurements

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

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

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets and other characteristics specific to the individual investment. In some cases, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the hierarchy based on the lowest level input that is significant to the fair value measurement. When determining fair value, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

We have valued our investment in Hagerty and FedNat at its last reported sales price as the common shares are traded on a national exchange. They have been characterized in Level 1 of the fair value hierarchy.

Financial instruments measured, on a recurring basis, at fair value as of December 31, 2022 and December 31, 2021 in accordance with the guidance promulgated by the FASB are as follows.

(in thousands)

As of December 31, 2022	Level 1	Level 2	Level 3	Total
Hagerty common stock	\$ 841	\$ —	\$ —	\$ 841
	\$ 841	\$ —	\$ —	\$ 841
As of December 31, 2021				
FedNat common stock	\$ 1,421	\$ —	\$ —	\$ 1,421
	\$ 1,421	\$ —	\$ —	\$ 1,421

Note 5. Loss and Loss Adjustment Expense Reserves

A significant degree of judgment is required to determine amounts recorded in the consolidated financial statements for the provision for loss and loss adjustment expense (“LAE”) reserves. The process for establishing this provision reflects the uncertainties and significant judgmental factors inherent in predicting future results of both known and unknown loss events. The process of establishing the provision for loss and LAE reserves relies on the judgment and opinions of many individuals, including the opinions of the Company’s management, as well as the management of ceding companies and their actuaries.

In estimating losses, the Company may assess any of the following:

- a review of in-force treaties that may provide coverage and incur losses;
- general forecasts, catastrophe and scenario modelling analyses and results shared by cedents;
- reviews of industry insured loss estimates and market share analyses; and
- management’s judgement.

Assumptions which served as the basis for the Company’s estimates of reserves for the COVID-19 pandemic losses and LAE include:

- Loss development factor selections, initial expected loss ratio selections, and weighting of methods used;
- the scope of coverage provided by the underlying policies, particularly those that provide for business interruption coverage;
- the regulatory, legislative, and judicial actions that could influence contract interpretations across the insurance industry;
- the extent of economic contraction caused by the COVID-19 pandemic and associated actions; and
- the ability of the cedents and insured to mitigate some or all of their losses.

Under the terms of certain of our quota-share agreements, and due to the nature of claims and premium reporting, a lag exists between (i) claims being reported by the underlying insured to the Company’s cedent and (ii) claims being reported by the Company’s cedent to the Company. This lag may impact the Company’s loss reserve estimates. The reports we receive from our cedents have pre-determined due dates. In the case of the Company’s FAL contract, fourth quarter 2022 premium and loss information was not made available to the Company in a manner that allowed for the timely filing of this annual report. Thus, our fourth quarter results, including the loss and LAE reserves presented herein, have been based upon a combination of first, second, and third quarter actual results as well as full-year forecasts reported to us by the ceding companies for which we used to approximate fourth quarter results. The Company obtains regular updates of premium and loss related information for the current and historical periods, which are utilized to update the initial expected loss ratios on our reinsurance contracts.

While the Company believes its estimate of loss and LAE reserves are adequate as of December 31, 2022, based on available information, actual losses may ultimately differ materially from the Company’s current estimates. The Company will continue to monitor the appropriateness of its assumptions as new information is provided.

The information about incurred and paid claims development for the year ended December 31, 2022 and 2021, is shown below. The tables also include IBNR reserves plus expected development on reported claims. The cumulative number of reported claims has not been reported as it is impracticable to provide this information. The ceding companies to which we provide reinsurance only report summary information to us via a bordereau statement. This summary information does not include the number of reported claims underlying the paid and reported losses. Therefore, it is not possible to provide this information. The information about incurred and paid claims development for the year ended December 31, 2021 is presented as unaudited supplementary information.

Cumulative Incurred Loss and Allocated LAE, net of reinsurance for the years ended December 31:

Accident Year	2021*	2022	Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2021	\$ 4,338	\$ 856	\$ 205	N/A
2022	-	6,628	3,336	N/A
Total – All Lines	\$ 4,338	\$ 7,484	\$ 3,541	N/A

**Unaudited*

Cumulative Paid Loss and Allocated LAE, net of reinsurance for the years ended December 31:

Accident Year	2021*	2022
2021	\$ 2,205	\$ 1,386
2022	-	3,822
Total – All Lines	\$ 2,205	\$ 5,208

**Unaudited*

A reconciliation of the net incurred and paid loss development tables to the liability for loss and loss adjustment expenses on the Company's consolidated balance sheets is as follows:

(in thousands)	As of December 31, 2022	As of December 31, 2021
Net Outstanding Liabilities		
Liability for unpaid loss and LAE	\$ 4,409	\$ 2,133
Total gross liability for unpaid claims and LAE	\$ 4,409	\$ 2,133

A summary of changes in outstanding loss and loss adjustment expense reserves for the year ended December 31, 2022 and 2021 is as follows:

(in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Balance, January 1	\$ 2,133	\$ -
Incurred related to:		
Current year	6,628	4,338
Prior years	856	-
Paid related to:		
Current year	(3,822)	(2,205)
Prior years	(1,386)	-
Balance, December 31	\$ 4,409	\$ 2,133

The following is unaudited supplementary information about average historical claims duration as of December 31, 2022:

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance						
(unaudited)						
Age of loss (in years).....	1	2	3	4	5	6
All Lines	51.0%	11.7%	-%	-%	-%	-%

Note 6. Income Taxes

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

(\$ in thousands)

	Year Ended December 31,	
	2022	2021
Total income tax benefit – from discontinued operations.....	\$ -	\$ (145)
Total income tax benefit	\$ -	\$ (145)

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

(\$ in thousands)

	Year Ended December 31,			
	2022		2021	
	Amount	%	Amount	%
Provision for taxes at U.S. statutory marginal income tax rate of 21%	\$ 229	21.0%	\$ (1,540)	21.0%
Valuation allowance for deferred tax assets deemed unrealizable	(252)	(23.1)%	1,782	(24.3)%
State income tax (net of federal benefit)	-	-%	(114)	1.6%
Non-controlling interest	-	-%	(279)	3.8%
Other	23	2.1%	6	(0.1)%
Income tax benefit	\$ -	-%	\$ (145)	2.0%

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes as compared to the amounts used for income tax purposes. The Company's gross deferred tax assets and liabilities are \$9.1 million and \$3.6 million as of December 31, 2022. The Company has recorded a valuation allowance against its deferred tax assets of \$5.5 million, as of December 31, 2022, due to the uncertain nature surrounding our ability to realize these tax benefits in the future. Significant components of the Company's net deferred tax assets are as follows:

(\$ in thousands)

	As of December 31,	
	2022	2021
Deferred income tax assets:		
Net operating loss carryforward	\$ 4,171	\$ 3,010
Loss and loss adjustment expense reserves	39	25
Unearned premium reserves	287	152
Capital loss carryforward	4,313	1,114
Share-based compensation	242	253
Investments	5	1,692
Other	9	3
Deferred income tax assets	\$ 9,066	\$ 6,249
Less: Valuation allowance	(5,463)	(5,715)
Deferred income tax assets net of valuation allowance	\$ 3,603	\$ 534
Deferred income tax liabilities:		
Investments	\$ 3,282	\$ 369
Deferred policy acquisition costs	321	165
Deferred income tax liabilities	\$ 3,603	\$ 534
Net deferred income tax asset (liability)	\$ -	\$ -

As of December 31, 2022, the Company had net operating loss carryforwards (“NOLs”) for federal income tax purposes of approximately \$19.9 million, which will be available to offset future taxable income. Approximately \$0.5 million expire on December 31, 2039, \$0.2 million expire on December 31, 2040, and \$1.6 million of the Company’s NOLs will expire on December 31, 2041. The remaining \$17.6 million of the Company’s NOLs do not expire under current tax law. Additionally, the Company has approximately \$20.5 million of capital loss carryforward that can only be used to offset capital gains and which will expire in December 2026 if not used prior.

As of December 31, 2022, the Company had no unrecognized tax benefits. The Company analyzed its tax positions in accordance with the provisions of Accounting Standards Codification Topic 740, *Income Taxes*, and has determined that there are currently no uncertain tax positions. The Company generally recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

The Company files federal income tax returns as well as multiple state and local tax returns. The Company’s consolidated federal and state income tax returns for years 2019 and forward are open for review by the Internal Revenue Service (“IRS”) and the various state taxing authorities.

Note 7. Equity Incentive Plans

On December 15, 2021, our shareholders approved the FG Financial Group, Inc. 2021 Equity Incentive Plan (the “2021 Plan”). The purpose of the 2021 Plan is to attract and retain directors, consultants, officers and other key employees of the Company and its subsidiaries and to provide to such persons incentives and rewards for superior performance. The 2021 Plan is administered by the Compensation and Management Resources Committee of the Board and has a term of ten years. The 2021 Plan awards may be in the form of stock options (which may be incentive stock options or nonqualified stock options), stock appreciation rights (or “SARs”), restricted shares, restricted stock units (“RSUs”, and other share-based awards, and provides for a maximum of 1,500,000 shares available for issuance.

As of December 31, 2022, the Company had 256,382 RSUs outstanding, 25,000 restricted shares, and 130,000 non-qualified stock options outstanding under its equity incentive plans.

RSUs Outstanding

The following table summarizes RSU activity for the years ended December 31, 2022 and 2021:

Restricted Stock Units	Number of Units	Weighted Average Grant Date Fair Value
Non-vested units, January 1, 2021	148,486	\$ 5.44
Granted	83,329	3.45
Vested	(67,160)	5.64
Forfeited.....	—	—
Non-vested units, December 31, 2021	164,655	\$ 4.35
Granted	158,225	1.58
Vested	(66,498)	4.63
Forfeited.....	—	—
Non-vested units, December 31, 2022	256,382	\$ 2.57

On December 17, 2021, we issued a total of 83,329 RSUs to our non-employee directors. The RSUs vest in five equal annual installments, beginning with the first anniversary of the grant date, other than those RSUs granted to a former director. As the former director made himself available to serve on the Board but was not elected to do so at the Company’s 2021 annual meeting of shareholders, the Board accelerated the vesting of his RSUs, such that they all vested on January 1, 2022. This included 14,492 RSUs granted on December 17, 2021, as well as an additional 15,224 RSUs previously granted.

On August 19, 2022, we issued a total of 158,225 RSUs to our non-employee directors. The RSUs vest in five equal annual installments, beginning with the first anniversary of the grant date.

Restricted Shares

On July 31, 2022, the Company issued 25,000 restricted shares under the 2021 Equity Incentive Plan to an employee of the Company. The restriction will be lifted on the first anniversary of the grant date.

Stock Options Outstanding

On January 12, 2021, in connection with Larry G. Swets, Jr.'s appointment as Chief Executive Officer, the Company entered into a Stock Option Agreement (the "Stock Option") with Mr. Swets. The Stock Option entitles Mr. Swets to purchase up to 130,000 shares of the Company's common stock at an exercise price of \$3.38 per share. The Stock Option becomes vested and fully exercisable in 20% increments on each anniversary of the grant date, provided that Mr. Swets remains in the continuous service of the Company through each applicable vesting date and that the Company's book value per share shall have increased by 15% or more as compared to the Company's book value per share as of the fiscal year end prior. The Stock Option expires on January 11, 2031.

The Stock Option contains performance and service conditions that affect vesting. Pursuant to ASC Topic 718- *Stock Compensation*, these conditions have not been reflected in estimating the fair value of the award upon its grant date; however, the Company employed a Monte-Carlo model to estimate the likelihood of satisfaction of the required performance and service conditions. This resulted in a derived service period of approximately 3.3 years under the grant.

In estimating the fair value of the Stock Option, the Company estimated volatility based on the historical volatility of our stock. The risk-free interest rate is based on the U.S. Treasury Constant Maturity similar to the expected remaining life of the Stock Option. The expected life of the Stock Option is assumed to be equivalent to its contractual term. The dividend rate is based on our historical rate, which the Company anticipates will remain at zero. The following assumptions were used to determine the estimated fair value of the Stock Option:

Expected volatility	45.60%
Expected life (years)	10.00
Risk-free interest rate	1.15%
Dividend yield	0.00%

The following table summarizes activity for stock options issued for the years ended December 31, 2022 and 2021:

Common Stock Options	Shares	Weighted Ave Exercise Price	Weighted Ave Remaining Contractual Term (yrs)	Weighted Ave Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding, January 1, 2022	130,000	\$ 3.38	9.04	\$ 1.88	\$ 49,400
Exercisable, January 1, 2022	—	\$ —	—	\$ —	\$ —
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Cancelled	—	—	—	—	—
Outstanding, December 31, 2022	130,000	\$ 3.38	8.04	\$ 1.88	\$ —
Exercisable, December 31, 2022	—	\$ —	—	\$ —	\$ —
Outstanding, January 1, 2021	—	\$ —	—	\$ —	\$ —
Exercisable, January 1, 2021	—	\$ —	—	\$ —	\$ —
Granted	130,000	3.38	10.00	1.88	—
Exercised	—	—	—	—	—
Cancelled	—	—	—	—	—
Outstanding, December 31, 2021	130,000	\$ 3.38	9.04	\$ 1.88	\$ 49,400
Exercisable, December 31, 2021	—	\$ —	—	\$ —	\$ —

On January 18, 2021, Company entered into an Equity Award Letter Agreement (the “Letter Agreement”) with Mr. Swets, pursuant to which the Company clarified its intention to grant an additional 370,000 stock options, restricted shares or restricted stock units pursuant to a future award (the “Future Award”), subject to the approval of an amended and/or new equity plan, among other conditions. Specifically, under the Letter Agreement, no such Future Award may be granted until there is a determination by the Compensation Committee of the specific vesting and other terms of the award, and an amended and/or new equity plan, in a form to be prepared and reviewed by the Board of Directors of the Company (the “Board”), has been approved by the Board and Company stockholders that authorizes a sufficient number of shares of common stock to make such Future Award.

Total stock-based compensation expense for the years ended December 31, 2022 and 2021 was approximately \$255,000 and \$559,000, respectively. As of December 31, 2022, total unrecognized stock compensation expense of \$644,000 remains, which will be recognized through December 31, 2026. Stock compensation expense has been reflected in the Company’s financial statements as part of general and administrative expense.

Warrants

No warrants were granted or exercised during the twelve months ended December 31, 2022 and 2021. On February 24, 2022, 1,500,000 warrants with an exercise price of \$15.00 expired. As of December 31, 2022, the Company did not have any warrants outstanding.

Note 8. Shareholders’ Equity

8.00% Cumulative Preferred Stock, Series A

On May 21, 2021, we completed the underwritten public offering of an additional 194,580 shares of our preferred stock designated as, 8.00% Cumulative Preferred Stock, Series A, par value \$25.00 per share (the “Series A Preferred Stock”), for net proceeds of approximately \$4.2 million, after deducting underwriting commissions and offering expenses. This included the exercise in full by the underwriters of their over-allotment option to purchase up to an additional 25,380 shares.

As of both December 31, 2022, and December 31, 2021, the Company had 894,580 of Series A Preferred Stock shares outstanding.

Dividends on the Series A Preferred Stock are cumulative from the date of original issue and are payable quarterly on the 15th day of March, June, September and December of each year, when, as and if declared by our Board of Directors or a duly authorized committee thereof. Dividends are payable out of amounts legally available therefor at a rate equal to 8.00% per annum per \$25.00 of stated liquidation preference per share, or \$2.00 per share of Series A Preferred Stock per year. Our Board of Directors declared the first quarter 2023 dividend on the shares of Series A Preferred Stock on February 1, 2023. The Series A Preferred Stock shares trade on the Nasdaq Stock Market under the symbol “FGFPP”.

Common Stock

In the fourth quarter of 2021, we sold a total of 750,000 shares of our common stock, at a price of \$4.00 per share, for net proceeds of approximately \$2.5 million. Also in the fourth quarter, the Company completed a rights offering to holders of its common stock. Pursuant to the rights offering, 691,735 shares were subscribed for, for net proceeds of approximately \$2.7 million. The Company intends to use the net proceeds from the issuance of its common shares for working capital and other general corporate purposes.

In June 2022, we sold a total of 2,750,000 shares of our common stock in an underwritten public offering, at a price of \$1.58 per share, for net proceeds of approximately \$3.8 million. On August 2, 2022, ThinkEquity, the underwriter with respect to the public offering, partially exercised its overallotment option and we sold an additional 71,770 shares of our common stock, at a price of \$1.58 per share, for net proceeds of \$0.1 million. The Company intends to use the net proceeds from the underwritten public offering for working capital and other general corporate purposes.

On November 3, 2022, the Company entered into a Sales Agreement with ThinkEquity LLC, pursuant to which the Company may offer and sell, from time to time through ThinkEquity LLC, shares of the Company’s common stock, having an aggregate offering price of up to \$2,575,976, subject to the terms and conditions of the Sales Agreement. The Company filed a prospectus supplement to its registration statement on Form S-3. Under the Sales Agreement, the ThinkEquity LLC may sell the Shares in sales deemed to be an “at-the-market offering” as defined in Rule 415(a)(4) promulgated under the Securities Act of 1933. The Company is not obligated to make any sales of the shares under the Sales Agreement. As of December 31, 2022, the Company had not yet sold any shares under this Sales Agreement.

Retirement of Treasury Stock

On August 19, 2021, the Board approved the retirement of all 1,281,511 common stock treasury shares owned by the Company.

Note 9. Related Party Transactions

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

Metrolina

The Company had previously invested \$4.0 million as a limited partner in Metrolina, which invested in real estate through a real estate investment trust wholly owned by Metrolina. The general partner of Metrolina, FGI Metrolina GP, LLC, was managed, in part, by Mr. Cerminara, the Chairman of the Board of Directors of the Company. Metrolina's investment program was managed by FG Funds Management LLC, an affiliate of FG, which, with its affiliate, is the largest stockholder of the Company. In the fourth quarter 2021, we received approximately \$5.0 million in cash from Metrolina, representing our initial investment of \$4.0 million plus approximately \$1.0 million in distributed earnings. As a result, our investment in Metrolina was fully liquidated as of December 31, 2021.

Joint Venture Agreement

On March 31, 2020, the Company entered into the Limited Liability Company Agreement with Fundamental Global Asset Management, LLC ("FGAM"), a newly-formed joint venture owned 50% by each of the Company and FG. The purpose of FGAM is to sponsor, capitalize and provide strategic advice to investment managers in connection with the launch and/or growth of their asset management business and the investment products they sponsor (each, a "Sponsored Fund").

FGAM is governed by a Board of Managers consisting of four managers, two of which have been appointed by each Member. The Company has appointed two of its independent directors to the Board of Managers of FGAM. Certain major actions, including any decision to sponsor a new investment manager, require the prior consent of both Members.

FG Special Situations Fund

As of December 31, 2022, the Company had invested \$12.1 million, net of redemptions at cost, as a limited partner in the Fund. The general partner of the Fund, and the investment advisor of the Fund are ultimately controlled by Mr. Cerminara, the Chairman of the Company's Board of Directors. Portions of the Company's investment into the Fund were used to sponsor the launch of SPACs affiliated with certain of our officers and directors.

Mr. Cerminara, our chairman, and Mr. Swets, our Chief Executive Officer and Director, are managers of the sponsor company of FG New America Acquisition Corp ("FGNA"). Mr. Cerminara, Mr. Swets and Mr. Baqar, our Executive Vice President and Chief Financial Officer, serve as managers of the sponsor companies of FG Merger and FG Acquisition. Until FGNA's business combination with OppFi (NYSE: OPFI), Mr. Swets was the Chief Executive Officer and a Director of FGNA, Mr. Cerminara was a Director of FGNA, and Mr. Baqar was the Chief Financial Officer of FGNA. Until Aldel's business combination with Hagerty, Mr. Swets served as Senior Advisor to Aldel, Mr. Baqar served as Chief Financial Officer of Aldel, and Mr. Cerminara served as a Director of Aldel. Messrs. Cerminara, Swets, and Baqar also hold financial interests in the SPACs and/or their sponsor companies. Mr. Swets serves as Chairman of FG Merger, while Messrs. Baqar and Cerminara serve as Director and Senior Advisor of FG Merger, respectively. Mr. Swets serves as Chief Executive Officer and Director of FG Acquisition. Mr. Baqar serves as Chief Financial Officer, Secretary and Director of FG Acquisition. Mr. Cerminara serves as Chairman of FG Acquisition.

FG Merchant Partners

FGMP was formed to co-sponsor newly formed SPACs with their founders or partners, as well as other merchant banking initiatives. The Company holds a limited partner interest in FGMP. Certain of our directors and officers also hold limited partner interests in FGMP. Mr. Swets holds a limited partner interest through Itasca Financial LLC, an advisory and investment firm for which Mr. Swets is managing member. Mr. Baqar also holds a limited partner interest through Sequoia Financial LLC, an advisory firm for which Mr. Baqar is managing member. Mr. Cerminara also holds a limited partner interest through Fundamental Global, LLC, a holding company for which Mr. Cerminara is the manager and one of the members.

FGMP has invested in the founder shares and warrants of Aldel, FG Merger, FG Acquisition and FGC. Certain of our directors and officers are affiliated with these SPACs and their sponsor companies as previously described.

FG Communities

In October of 2022, the Company directly invested \$2.0 million into FGC. The Company also holds an interest through its ownership in FGMP. FGC is a self-managed real estate company focused on a growing portfolio of manufactured housing communities which are owned and operated by FGC. Mr. Cerminara is the President and a director of FGC.

Shared Services Agreement

On March 31, 2020, the Company entered into a Shared Services Agreement (the “Shared Services Agreement”) with Fundamental Global Management, LLC (“FGM”), an affiliate of FG, pursuant to which FGM provides the Company with certain services related to the day-to-day management of the Company, including assisting with regulatory compliance, evaluating the Company’s financial and operational performance, providing a management team to supplement the executive officers of the Company, and such other services consistent with those customarily performed by executive officers and employees of a public company. In exchange for these services, the Company pays FGM a fee of \$456,000 per quarter (the “Shared Services Fee”), plus reimbursement of expenses incurred by FGM in connection with the performance of the Services, subject to certain limitations approved by the Company’s Board of Directors or Compensation Committee from time to time.

The Shared Services Agreement has an initial term of three years, and thereafter renews automatically for successive one-year terms unless terminated in accordance with its terms. The Shared Services Agreement may be terminated by FGM or by the Company, by a vote of the Company’s independent directors, at the end of the initial or automatic renewal term upon 120 days’ notice, subject to payment by the Company of certain costs incurred by FGM to wind down the provision of services and, in the case of a termination by the Company without cause, payment of a termination fee equal to the Shared Services Fee paid for the two quarters preceding termination.

In the third quarter of 2022, the Shared Services Agreement was amended to eliminate termination fees and to increase the termination notice from 120 days to 365 days. The Company paid \$1,825,000 to FGM under the Shared Services Agreement for each of the twelve months ended December 31, 2022 and 2021, respectively.

Note 10. Net Earnings Per Share

Net earnings per share is computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding during the periods presented. In calculating diluted earnings per share, those potential common shares that are found to be anti-dilutive are excluded from the calculation. The table below provides a summary of the calculations used in determining basic and diluted earnings per share for the years ended December 31, 2022 and 2021.

(\$ in thousands)	Year Ended December 31,	
	2022	2021
Basic and diluted:		
Net income (loss) from continuing operations.....	\$ 1,088	\$ (7,333)
Income attributable to noncontrolling interest.....	–	(1,326)
Dividends declared on Series A Preferred Shares.....	(1,789)	(1,692)
Loss attributable to FG Financial Group, Inc. common shareholders from continuing operations.....	(701)	(10,351)
Weighted average common shares.....	8,030,106	5,212,772
Loss per common share from continuing operations.....	\$ (0.09)	\$ (1.99)
Gain from sale of former insurance business.....	\$ –	\$ (145)
Weighted average common shares outstanding.....	8,030,106	5,212,772
Income per common share from discontinued operations	\$ –	\$ 0.03
Loss per share attributable to common shareholders	\$ (0.09)	\$ (1.96)

The following potentially dilutive securities outstanding as of December 31, 2022 and 2021 have been excluded from the computation of diluted weighted-average shares outstanding as their effect would be anti-dilutive.

	As of December 31,	
	2022	2021
Warrants to purchase common stock	-	1,500,000
Options to purchase common stock	130,000	130,000
Restricted shares	25,000	-
Restricted stock units	256,382	164,655
	411,382	1,794,655

Note 11. Retirement plans

The FG Financial Group, Inc. 401(k) Plan (the “Retirement Plan”) was established effective January 1, 2015, as a defined contribution plan. The Retirement Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”); eligible employees of the Company and its subsidiaries may participate in the plan. Employees who have completed one month of service are eligible to participate and are permitted to make annual pre and post-tax salary reduction contributions not to exceed the limits imposed by the Internal Revenue Code of 1986, as amended. Contributions are invested at the direction of the employee participant in various money market and mutual funds. The Company matches 100% of each participant’s initial contributions up to 3% of a participant’s eligible earnings and 50% of each participant’s contributions up to an additional 2% of a participant’s eligible earnings. The Company may also elect to make a profit-sharing contribution to the Retirement Plan based upon discretionary amounts and percentages authorized by the Company’s Board of Directors. For the years ended December 31, 2022 and 2021, the Company made matching contributions to the Retirement Plan in the amounts of approximately \$44,000 and \$42,000, respectively, but did not make any profit-sharing contributions to the Retirement Plan in either year.

Note 12. Commitments and Contingencies

Legal Proceedings:

As of December 31, 2022, the Company was not a party to any legal proceedings and was not aware of any material claims or actions pending or threatened against us. From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. Currently, it is not possible to predict legal outcomes and their impact on the future development of claims. Any such development will be affected by future court decisions and interpretations. Because of these uncertainties, additional liabilities may arise for amounts in excess of the Company’s current reserves.

Operating Lease Commitments:

In July 2021, the Company entered into a lease agreement for office space in St. Petersburg, FL. The lease had a term of 12 months and was not renewed upon expiration. Total minimum rent over the 12-month term was approximately \$17,000. Due to the short-term nature of the lease, the Company recognized lease expense on a straight-line basis over the term of the lease, with any variable lease payments recognized in the period in which the obligation for the payment occurred. Rent expense related to the St. Petersburg office was approximately \$10,000 for the twelve months ended December 31, 2022.

In April 2022, the Company entered into a lease agreement for office space in Itasca, IL. The lease has a term of 44 months beginning on May 1, 2022. Total minimum rent over the term of the lease is expected to be approximately \$77,000. The Company has accounted for the lease under ASC 842, *Leases*. The annual discount rate used for the Itasca office was 8%. As of December 31, 2022, the right of use asset and lease liability are approximately \$56,000, each, and held in “Other assets” and “Other liabilities” on the balance sheet, respectively. Rent expense related to the Itasca office was approximately \$17,000 for the twelve months ended December 31, 2022. Future minimum lease commitments are as follows:

Year ending December 31,	Minimum Commitment
2023	\$ 21,000
2024	21,000
2025	21,000
Imputed interest	(7,000)
Total lease liability	\$ 56,000

Total rent expense included in general and administrative expenses on the Company's Statements of Operations was approximately \$27,000 and \$19,000 for the years ended December 31, 2022, and 2021, respectively.

Note 13. Segment Reporting

The Company has two operating segments—insurance and asset management. The chief operating decision maker (“CODM”) is the Company's Chief Executive Officer. The measure of profit or loss used by the CODM to identify and measure the Company's reportable segments is income before income tax. Our insurance segment consists of the operations of our Cayman Islands-based reinsurance subsidiary, FGRe, which, as of December 31, 2022, included our seven reinsurance agreements, as well as the returns associated with the investments made by our reinsurance operations, which, up until the sale of its final shares held in October 2022, included the Company's FedNat common stock investment, as well as a portion of our investments in the SPACs which we have sponsored. Net premiums earned within this segment relates entirely to property and casualty assumed premium. Our asset management segment includes our investment in the Fund, as well as our investment advisory agreement with FedNat.

The following table presents the financial information for each segment that is specifically identifiable or based on allocations using internal methodology as of and for the twelve months ended December 31, 2022 and 2021. The ‘other’ category in the table below consists largely of corporate general and administrative expenses which have not been allocated to a specific segment. Segment assets for the “other” category primarily consist of unrestricted cash in the amounts of \$3.0 million and \$14.2 million as of December 31, 2022 and 2021, respectively.

(in thousands)

		Asset		
For the year ended December 31, 2022	Insurance	Management	Other	Total
Net premiums earned.....	\$ 12,998	\$ –	\$ –	\$ 12,998
Net investment income	3,160	3,617	–	6,777
Other income	–	195	125	320
Total revenue	16,158	3,812	125	20,095
Income (loss) before income tax.....	4,798	3,765	(7,475)	1,088
As of December 31, 2022				
Segment assets	\$ 27,086	\$ 19,070	\$ 3,319	\$ 49,475
For the year ended December 31, 2021				
Net premiums earned.....	\$ 4,864	\$ –	\$ –	\$ 4,864
Net investment (loss) income	(2,535)	5,080	–	2,545
Other income	–	186	–	186
Total revenue	2,329	5,266	–	7,595
Income (loss) before income tax.....	(4,173)	4,665	(7,825)	(7,333)
As of December 31, 2021				
Segment assets	\$ 14,657	\$ 11,413	\$ 14,759	\$ 40,829

Note 14. Subsequent Events

Effective February 17, 2023, the Company's compensation committee approved a total of 415,000 restricted stock units to be granted to various members of the Company's management, subject to vesting terms.

FG FINANCIAL GROUP, INC.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management performed an evaluation under the supervision and with the participation of the Company's principal executive officer and principal financial officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2022. Based upon this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based upon this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2022.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Directors and Executive Officers

Set forth below is information about each of the Company's directors and executive officers, including ages as of March 24, 2023.

Name	Age	Position
Directors:		
D. Kyle Cerminara	45	Chairman of the Board of Directors
Larry G. Swets, Jr.	48	Chief Executive Officer and Director
Richard E. Govignon, Jr.	46	Director
Rita Hayes	80	Director
E. Gray Payne	75	Director
Scott D. Wollney	54	Director
Executive Officers:		
Hassan R. Baqar	45	Executive Vice President and Chief Financial Officer

The Board currently consists of six directors, each serving for a term of one year and until his or her successor has been duly elected and qualified or until his or her earlier death, retirement, resignation, or removal.

D. Kyle Cerminara was appointed to our Board of Directors on December 27, 2016; he became Chairman of our Board of Directors on May 11, 2018; and he served as our Principal Executive Officer from March 2020 to June 2020. Mr. Cerminara has over 20 years' experience as an institutional investor, asset manager, director, chief executive, founder and operator of multiple financial services and technology businesses. Mr. Cerminara co-founded Fundamental Global in 2012 and serves as its Chief Executive Officer.

Mr. Cerminara is a member of the board of directors of a number of companies focused in the reinsurance, investment management, technology and communication sectors, including FG Group Holdings, Inc. (NYSE American: FGH) (formerly Ballantyne Strong, Inc.), a holding company with diverse business activities focused on serving the entertainment and retail markets, since February 2015; FG Financial Group, Inc. (NASDAQ: FGF) (formerly known as 1347 Property Insurance Holdings, Inc.), which operates as a reinsurance and asset management company, since December 2016; BK Technologies Corporation (NYSE American: BKT), a provider of two-way radio communications equipment, since July 2015; FG Communities, Inc., a privately owned land owner and property manager of manufactured housing communities; and Firefly Systems Inc., a venture-backed digital advertising company, since August 2020. Mr. Cerminara is President and will serve as a director of FG New America Acquisition II Corp., a special purpose acquisition company currently in the process of completing its initial public offering and which is focused on searching for a target company in the financial services and insurance industries, and he is also the chairperson of the board of directors of FG Acquisition Corp. (TSX: FGAA.U), a Canadian special purpose acquisition company that has completed its initial public offering and is focused on searching for a target company in the financial services sector. In addition, Mr. Cerminara has served as a Senior Advisor to FG Merger Corp. (NASDAQ: FGMC), a special purpose acquisition company, since February 2022.

Mr. Cerminara has served as the Chairman of BK Technologies Corporation since July 2022 and previously from March 2017 until April 2020. Mr. Cerminara has served as the Chairman and President of FG Communities, Inc. since its formation in July 2022. From April 2021 to December 2021, Mr. Cerminara served as a director of Aldel Financial Inc. (NYSE: ADF), a special purpose acquisition company co-sponsored by Fundamental Global, which merged with Hagerty, a leading specialty insurance provider focused on the global automotive enthusiast market. From July 2020 to July 2021, Mr. Cerminara served as Director and President of FG New America Acquisition Corp. (NYSE: FGNA), a special purpose acquisition company, which merged with OppFi Inc. (NYSE: OPFI), a leading financial technology platform that powers banks to help everyday consumers gain access to credit. He served on the board of directors of GreenFirst Forest Products Inc. (TSXV: GFP) (formerly Itasca Capital Ltd.), a public company focused on investments in the forest products industry, from June 2016 to October 2021 and was appointed Chairman from June 2018 to June 2021; Limbach Holdings, Inc. (NASDAQ: LMB), a company which provides building infrastructure services, from March 2019 to March 2020; Iteris, Inc. (NASDAQ: ITI), a publicly-traded, applied informatics company, from August 2016 to November 2017; Magnetek, Inc., a publicly-traded manufacturer, in 2015; and blueharbor bank, a community bank, from October 2013 to January 2020. He served as a Trustee and President of StrongVest ETF Trust, which was an open-end management investment company, from July 2016 to March 2021. Previously, Mr. Cerminara served as the Co-Chief Investment Officer of CWA Asset Management Group, LLC, a position he held from January 2013 to December 2020.

Prior to these roles, Mr. Cerminara was a Portfolio Manager at Sigma Capital Management, an independent financial adviser, from 2011 to 2012, a Director and Sector Head of the Financials Industry at Highside Capital Management from 2009 to 2011, and a Portfolio Manager and Director at CR Intrinsic Investors from 2007 to 2009. Before joining CR Intrinsic Investors, Mr. Cerminara was a Vice President, Associate Portfolio Manager and Analyst at T. Rowe Price (NASDAQ: TROW) from 2001 to 2007, where he was named amongst Institutional Investor's Best of the Buy Side Analysts in November 2006, and an Analyst at Legg Mason from 2000 to 2001.

Mr. Cerminara received an MBA degree from the Darden Graduate School of Business at the University of Virginia and a B.S. in Finance and Accounting from the Smith School of Business at the University of Maryland, where he was a member of Omicron Delta Kappa, an NCAA Academic All American and Co-Captain of the men's varsity tennis team. He also completed a China Executive Residency at the Cheung Kong Graduate School of Business in Beijing, China. Mr. Cerminara holds the Chartered Financial Analyst (CFA) designation.

We believe Mr. Cerminara is qualified to serve on our Board as he contributes his perspective as one of the Company's largest stockholders. He also offers to the Board valuable insights obtained through his management and operational experience and extensive experience in the financial industry, including investing, capital allocation, finance and financial analysis of public companies.

Larry G. Swets, Jr. has served as a member of our Board of Directors since November 2013 and served as our Chairman from March 2017 to May 2018. Mr. Swets has served as our Chief Executive Officer since November 2020 after serving as our interim Chief Executive Officer from June 2020 to November 2020, through a consulting agreement with Itasca Financial LLC.

Mr. Swets has over 25 years of experience within financial services encompassing both non-executive and executive roles. Mr. Swets founded Itasca Financial LLC, an advisory and investment firm, in 2005 and has served as its managing member since inception. Mr. Swets also founded and is the President of Itasca Golf Managers, Inc., a management services and advisory firm focused on the real estate and hospitality industries, in August 2018. Mr. Swets has also served as Chief Executive Officer of FG New America Acquisition II Corp., a special purpose acquisition company in the process of going public and focused on merging with a company in the InsureTech, FinTech, broader financial services and insurance sectors since February 2021. Mr. Swets is a member of the board of directors of FG Financial Group, Inc. (NASDAQ: FGF) since November 2013; GreenFirst Forest Products Inc. (TSXV: GFP), a public company focused on investments in the forest products industry since June 2016; Harbor Custom Development, Inc. (Nasdaq: HCDI) since February 2020; FG Group Holdings, Inc. (NYSE American: FGH) since October 2021; Ascension Illinois Foundation since March 2018; and Unbounded Media Corporation since June 2019. Mr. Swets is also the Chief Executive Officer and a member of the board of directors of FG Acquisition Corp. (TSX: FGAA.U), a Canadian special purpose acquisition company that has completed its initial public offering and is focused on searching for a target company in the financial services sector. In addition, Mr. Swets has served as chairman of the board of directors of FG Merger Corp. (NASDAQ: FGMC), a special purpose acquisition company, since February 2022.

Previously, Mr. Swets served as a Director and Chief Executive Officer of FG New America Acquisition Corp. (NYSE: FGNA), a special purpose acquisition company which merged with OppFi Inc. (NYSE: OPFI), a leading financial technology platform that powers banks to help everyday consumers gain access to credit, from July 2020 to July 2021. From April 2021 to December 2021, Mr. Swets also served as Senior Advisor to Aldel Financial Inc., a special purpose acquisition company, which merged with Hagerty, Inc. (NYSE: HGTY), a leading specialty insurance provider focused on the global automotive enthusiast market. Mr. Swets served as Chief Executive Officer of GreenFirst Forest Products Inc. (TSXV: GFP) (formerly Itasca Capital Ltd.) from June 2016 to June 2021. Mr. Swets served as the Chief Executive Officer of Kingsway Financial Services Inc. (NYSE: KFS) from July 2010 to September 2018, including as its President from July 2010 to March 2017. Mr. Swets served as a director of Insurance Income Strategies Ltd. from October 2017 to December 2021. He also previously served as a member of the board of directors of Limbach Holdings, Inc. (NASDAQ: LMB) from July 2016 to August 2021; Kingsway Financial Services Inc. (NYSE: KFS) from September 2013 to December 2018; Atlas Financial Holdings, Inc. (OTC: AFHIF) from December 2010 to January 2018; FMG Acquisition Corp. (Nasdaq: FMGQ) from May 2007 to September 2008; United Insurance Holdings Corp. from 2008 to March 2012; and Risk Enterprise Management Ltd. from November 2007 to May 2012.

Prior to founding Itasca Financial LLC, Mr. Swets served as an insurance company executive and advisor, including the role of director of investments and fixed income portfolio manager for Lumbermens Mutual Casualty Company, formerly known as Kemper Insurance Companies. Mr. Swets began his career in insurance as an intern in the Kemper Scholar program in 1994. Mr. Swets earned a Master's Degree in Finance from DePaul University in 1999 and a Bachelor's Degree from Valparaiso University in 1997. He is a member of the Young Presidents' Organization and holds the Chartered Financial Analyst (CFA) designation.

Dr. Richard E. Govignon, Jr. was elected to our Board of Directors on December 15, 2021. Dr. Govignon, 44, has been a Partner of Dnerus Financial, a family asset management company, since June 2021. Dr. Govignon has experience as a corporate director/trustee in the U.S. and Canada and has been an investor in numerous businesses and partnerships across various industries. Dr. Govignon is also a member of the board of directors of B-Scada, Inc. (OTC: SCDA), a company developing software and hardware products. Since January 2022, Dr. Govignon has served as a director of Strong Global Entertainment, Inc., a United States corporation in the process of going public focused on supplying screens and providing technical support services to the cinema exhibition industry, theme parks, and other entertainment-related markets. Dr. Govignon also serves as a member of the board of directors of FG Acquisition Corp (TSX: FGAA.U) since April 2022. Dr. Govignon served as a member of the board of directors of GreenFirst Forest Products, Inc. (TSXV: GFP) (formerly Itasca Capital Ltd.), a public company focused on investments in the forest products industry, from January 2019 to December 2021. During his tenure as a GreenFirst Forest Products, Inc. director, Dr. Govignon also served as a member of its audit committee. Previously, Dr. Govignon served as a Trustee of the StrongVest ETF Trust from 2017 to 2019. Dr. Govignon has worked in the healthcare and pharmaceutical industry in various management and pharmacy positions for over 20 years, most recently with ShopRite Pharmacy since 2022 and previously with CVS Health Corporation (2022-2019 and from 2013-2017), with Acme Markets Inc. (2017-2019) and Rite Aid Corporation (2001-2013). Dr. Govignon received a Doctor of Pharmacy from the University of the Sciences in Philadelphia and a Bachelor of Science in Pharmacy from the University of the Sciences in Philadelphia. We believe Dr. Govignon's managerial experience and his experience in investing and financial analysis make him qualified to serve on our Board of Directors.

Rita Hayes was appointed to our Board of Directors on January 11, 2019. Ms. Hayes has been Chair of Hayes International Advisors, LLC since 2013, where she counsels industry and institutional leaders on a range of economic, political and regulatory matters. She served as an expert for the International Chamber of Commerce's World Business Summit in 2008. Ms. Hayes served as Deputy U.S. Trade Representative and Ambassador to the World Trade Organization (WTO), a post to which she was nominated by President Bill Clinton and unanimously confirmed by the U.S. Senate, from November 1997 through August 2001, during which time she served as Acting U.S. Trade Representative from January through March 2001. From 2001 through December 2006, she held the position of Deputy Director General of the World Intellectual Property Organization (WIPO) to which she was approved by the 184 Member States. At the conclusion of her appointment at WIPO, she served as Senior Advisor in Hogan & Hartson LLP's Geneva, Switzerland office. Confirmed by the U.S. Senate in 1996, Ms. Hayes served from 1996 to 1997 as U.S. Chief Textile Negotiator in the Office of the U.S. Trade Representative (USTR) in Washington, D.C. From 1983 to 1992, Ms. Hayes served as Chief of Staff for two members of the U.S. Congress. Ms. Hayes received a Bachelor of Arts from the University of Georgia, an honorary degree as Doctor of Humane Letters from the College of Charleston and an honorary degree as Doctorate of Outstanding Public Service from the University of South Carolina. We believe Ms. Hayes' extensive record of public and private service uniquely qualifies her to serve on our Board of Directors.

E. Gray Payne was elected to our Board of Directors on May 31, 2018. General Payne served as Senior Vice President of The Columbia Group ("TCG") from September 2010 to September 2017, where he was responsible for managing the Marine Corps Programs Division (since September 2010) and the Navy Programs Division (since October 2013). TCG is a federal consulting firm working with the Department of Defense, the Department of Homeland Security, the National Oceanic and Atmospheric Administration, and private cedents. TCG consults in the areas of logistics, acquisitions, program management, information technology, training, marine architecture and engineering, and command and control systems. Since December 2011, General Payne has also provided consulting services to and served on the Advisory Council of Marstel-Day, LLC, located in Fredericksburg, Virginia, which consults in the areas of conservation, environmental compliance, and encroachment. Prior to September 2010, General Payne was on active duty with the Marine Corps for 10 years, retiring as a Major General. His three commands as a General Officer included the Marine Corps Mobilization Command, the Marine Corps Logistics Command, and the 4th Marine Logistics Group. Prior to March 2001, he worked with a number of companies in various capacities, including as a management consultant, Chief Financial Officer, Chief Operating Officer, and Chief Executive Officer. General Payne currently serves on the Board of Directors of BK Technologies Corporation (NYSE American: BKT), a provider of communications equipment, since January 2017. He is a prior chairman of the Board of the Marine Corps Association and Foundation and currently serves as a Director on the Boards of VetCV (since December 2017) and the National Wildlife Refuge Association (since June 2018). He received a B.S. in Economics from North Carolina State University and a M.S. in Strategic Studies from U.S. Army War College. A member of the National Association of Corporate Directors, he has also earned the Professional Director designation from the American College of Corporate Directors. We believe General Payne's 40 years of service in the Marine Corps, as well as over 25 years of experience in the private sector in the areas of financial management, operational improvement and strategic planning, qualify him to serve on our Board of Directors.

Scott D. Wollney was appointed to our Board of Directors on March 30, 2015. Since December 2010, Mr. Wollney has served as the President, Chief Executive Officer and Director of Atlas Financial Holdings, Inc. (“Atlas”) (OTC: AFHIF), a specialty commercial automobile insurance business, certain subsidiaries of which became subject to a liquidation order in the State of Illinois in August 2020, as previously disclosed by Atlas. From July 2009 until December 2010, Mr. Wollney was President and Chief Executive Officer of Kingsway America Inc. (KAI), a property and casualty holding company and subsidiary of Kingsway Financial Services Inc. From May 2008 to March 2009, he was the President and Chief Executive Officer of Lincoln General Insurance Company (a subsidiary of KAI), a property and casualty insurance company. Mr. Wollney co-founded Avalon Risk Management, Inc., an insurance broker, in 1998, and served as its President, from 2002 to 2008. Mr. Wollney has more than 30 years of experience in property and casualty insurance. During his tenure in the industry, Mr. Wollney has held executive positions at both insurance companies, as well as brokerage operations. Mr. Wollney is a MBA graduate of Northwestern University’s Kellogg School of Management with a concentration in finance and management strategy and holds a Bachelor of Arts degree from the University of Illinois. We believe Mr. Wollney’s qualifications to serve on our Board of Directors include his direct operating experience with respect to numerous disciplines which are critical to the insurance business.

Hassan R. Baqar has served as our Chief Financial Officer since August 2021 and Executive Vice President since December 2021, through Sequoia Financial LLC (“Sequoia”), an advisory firm for which Mr. Baqar is managing member.

Mr. Baqar has over 20 years of experience within financial services focused on corporate development, mergers & acquisitions, capital raising, investments and real estate transactions. Mr. Baqar has served as Chief Financial Officer of FG New America Acquisition II Corp., a special purpose acquisition company in the process of going public and focused on merging with a company in the InsureTech, FinTech, broader financial services and insurance sectors since February 2021, as a director of FG Merger Corp., a special purpose acquisition company focused on merging with a company in the financial services sector since December 2021, as Chief Financial Officer of Insurance Income Strategies Ltd., a former Bermuda based reinsurance company from October 2017 to December 2021, as a director of GreenFirst Forest Products Inc. (TSXV: GFP) (formerly Itasca Capital Ltd.), a public company focused on investments in the forest products industry from August 2019 to December 2021 and as Chief Financial Officer of GreenFirst Forest Products Inc. from June 2016 to December 2020, as a director of FG Reinsurance Ltd., a Cayman Islands reinsurance company since June 2020, as director, treasurer and secretary of Sponsor Protection Coverage and Risk, Inc., a South Carolina captive insurance company since October 2022, and as a director and Chief Financial Officer of Unbounded Media Corporation since June 2019. Since October 2021, Mr. Baqar has also served as the Chief Financial Officer and a member of the board of directors of FG Acquisition Corp. (TSX: FGAA.U), a Canadian special purpose acquisition company that has completed its initial public offering and is focused on searching for a target company in the financial services sector.

Mr. Baqar served as Chief Financial Officer for Aldel Financial Inc. (NYSE: ADF) from January 2021 to December 2021, a special purpose acquisition company which merged with Hagerty, Inc. (NYSE: HGTY), a leading specialty insurance provider focused on the global automotive enthusiast market. From July 2020 to July 2021, Mr. Baqar served as Chief Financial Officer of FG New America Acquisition Corp. (NYSE: FGNA), a special purpose acquisition company which merged with OppFi Inc. (NYSE: OPFI), a leading financial technology platform that powers banks to help everyday consumers gain access to credit. Previously, he served as Vice President of Kingsway Financial Services Inc. (NYSE: KFS) (“Kingsway”) from January 2014 to January 2019 and as a Vice President of Kingsway’s subsidiary Kingsway America Inc. from January 2010 to January 2019. Mr. Baqar also served as Chief Financial Officer and director of 1347 Capital Corp. from April 2014 to July 2016, a special purpose acquisition company which merged with Limbach Holdings, Inc. (NASDAQ: LMB). Mr. Baqar served as a member of the board of directors of FG Financial Group, Inc. (NASDAQ: FGF) from October 2012 to May 2015. He also served as the Chief Financial Officer of United Insurance Holdings Corp. (NASDAQ: UIHC), a property and casualty insurance holding company, from August 2011 to April 2012.

His previous experience also includes director of finance at Itasca Financial, LLC from 2008 to 2009 and positions held at Lumbermens Mutual Casualty Company (a Kemper Insurance company), a diversified mutual property-casualty insurance provider, from June 2000 to April 2008, where he most recently served as a senior analyst. Mr. Baqar earned a Master’s Degree in Business Administration from Northeastern Illinois University in 2009 and a Bachelor’s Degree in Accounting and Business Administration from Monmouth College in 2000. He also holds a Certified Public Accountant designation.

Board Diversity

Board Diversity Matrix as of March 24, 2023

Total Number of Directors	6			
	Female	Male	Non-Binary	Did not Disclose Gender
Directors	1	5	—	—
Demographic Information:	—	—	—	—
African American or Black	—	—	—	—
Alaskan or Native American	—	—	—	—
Asian	—	—	—	—
Hispanic or Latinx	—	—	—	—
Native Hawaiian or Pacific Islander	—	—	—	—
White	1	5	—	—
Two or More Races or Ethnicities	—	—	—	—
LGBTQ+	—	—	—	—
Persons with Disabilities	—	—	1	—

We recognize the value of diversity at the Board level and believe that our Board currently comprises an appropriate mix of background, diversity and expertise. In particular, we currently have a female director, and our directors, overall, have significant experience in a variety of industries and sectors, including, among others, the insurance industry, the financial industry, military operations and political and diplomatic operations. Although we have no formal separate written policy, our Nominating and Corporate Governance Committee is required under its charter to recommend nominees that ensure sufficient diversity of backgrounds on our Board. We believe that the diversity of our directors enriches our Board by encouraging fresh perspectives and bringing new and valuable insights to the Board.

Board Meetings

During the year ended December 31, 2022, the Board of Directors held eight meetings. In 2022, no director attended fewer than 75% of the total number of (i) meetings held by the Board of Directors during the period for which he or she was a director and (ii) meetings held by all committees of the Board of Directors on which he or she served (during the period that the director served). Independent members of our Board of Directors also meet in executive session without management present.

“Controlled Company” Status

As discussed under “Security Ownership of Certain Beneficial Owners and Management,” FG and affiliated entities beneficially own approximately 59.5% of our common stock as of March 24, 2023. As a result, we are a “controlled company,” or a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company, under The Nasdaq Stock Market (“Nasdaq”) rules. “Controlled companies” may elect not to comply with certain Nasdaq corporate governance requirements, including regarding independence of their directors and board committees. Currently, we have not elected to take advantage of these exemptions and are subject to the same governance standards as companies that are not “controlled companies.”

Board Leadership Structure

Mr. Cerminara serves as Chairman of the Board of Directors, and Mr. Swets is the Company’s principal executive officer.

The Chairman of the Board typically presides at all meetings of the Board. The Chairman’s role also includes providing feedback on the direction and performance of the Company, setting the agenda of meetings of the Board of Directors and leading the Board of Directors in anticipating and responding to changes in our business.

Our Board of Directors has not established a policy on whether the same person should serve as both the principal executive officer of the Company and the Chairman of the Board or, if the roles are separate, whether the Chairman should be selected from the non-employee directors or should be an employee. Our Board believes that it should have the flexibility to periodically determine the leadership structure that it believes is best for the Company. Given the specific characteristics and circumstances of the Company, the Board believes that its current leadership structure will enhance and facilitate the implementation of the Company's business strategy, including effective monitoring and objective evaluation of the Chief Executive Officer's performance. Mr. Cerminara has been closely involved in developing the Company's business strategy following the sale of our three insurance subsidiaries to FedNat Holding Company and has extensive management experience, including having served as Chairman of the Board since May 2018. The Board believes that these qualities uniquely qualify Mr. Cerminara to lead and facilitate informed Board discussions about the Company's policies and operations and enable him to communicate effectively with the Board on strategic developments and other critical matters facing the Company, while also providing oversight of the Chief Executive Officer. As Chief Executive Officer, Mr. Swets is also responsible for developing the Company's business strategy and managing its day-to-day leadership and performance.

The Board has not appointed a lead independent director at this time. Currently, the Board consists of six directors, four of whom are independent. All independent directors serve on one or more committees of the Board, are able to closely monitor the activities of the Company and meet in executive sessions without management present to discuss the Company's business strategy and operations. Given the active involvement of all of the independent directors in the Company's matters, the Board has determined that a lead independent director is not necessary at this time. Additionally, because the Company's Chairman is appointed annually by the Company's non-management directors, such directors are able to evaluate the leadership and performance of the Chairman each year.

Risk Oversight

Our Board is actively involved in oversight of risks that could affect the Company. This oversight is conducted primarily through the three standing committees of the Board, as disclosed in the descriptions of each of the committees herein, and in the charters of each of the committees, but the full Board has retained responsibility for overall supervision of risk management efforts as they relate to the key business risks we face. Management identifies, assesses and manages the risks most critical to our operations and routinely advises our Board regarding those matters. Areas of material risk may include operational, financial, legal and regulatory, human capital, information technology and security, and strategic and reputational risks. In addition, in connection with the COVID-19 coronavirus outbreak, the Board and management have focused on our efforts to mitigate associated financial and human capital management risk exposures. Our Board satisfies its oversight responsibility through full reports by each committee chair regarding the applicable committee's considerations and actions, as well as through regular reports directly from members of management responsible for oversight of particular risks within the Company. The Audit Committee considers and discusses financial risk exposures. The Compensation and Management Resources Committee assesses and monitors whether any of the Company's compensation policies and programs have the potential to encourage excessive risk-taking. The Nominating and Corporate Governance Committee monitors the effectiveness of the Company's corporate governance policies and the selection of prospective board members and their qualifications. In addition, General Payne, as the chair of the Nominating and Corporate Governance Committee, takes an active role in corporate governance matters. The Board believes that the leadership structure described above facilitates the Board's oversight of risks because it allows the Board, working through its committees, to participate actively in the oversight of management actions. The Board believes that its role in risk oversight does not affect the Board's leadership structure.

Like all businesses, we also face threats to our cybersecurity, as we are reliant upon information systems and the internet to conduct our business activities. In light of the pervasive and increasing threat from cyberattacks, the Audit Committee, with input from management, assesses the Company's cybersecurity and other information technology risks and threats and the measures implemented by the Company to mitigate and prevent cyberattacks, and the Board receives periodic reports on the Company's cybersecurity program.

Hedging and Pledging Policy

Under the Company's Insider Trading Policy, all directors, officers and employees of the Company and its subsidiaries are prohibited from engaging in any hedging transactions involving Company securities or equity securities of any subsidiaries of the Company, holding Company securities in a margin account or pledging Company securities as collateral.

Policy Concerning Director Attendance at Annual Stockholders' Meetings

There is no formal policy as to Director attendance at annual stockholders' meetings. Ms. Hayes, as well as Messrs. Cerminara, Payne, Swets, Wollney, and Govignon, attended the 2022 Annual Stockholders' Meeting held on August 23, 2022.

Code of Ethics

We have adopted a code of ethics applicable to all officers, employees and directors of the Company. Our code of ethics has been posted on our corporate website: www.fgfinancial.com under the heading "Governance Documents."

Board Committees and Committee Member Independence

Our Board of Directors has established an Audit Committee, a Compensation and Management Resources Committee, and a Nominating and Corporate Governance Committee. The composition of each committee is outlined in the table and footnote below. Our Board of Directors utilizes the Nasdaq rules and independence standards in determining whether its members are independent.

	<u>Audit Committee</u>	<u>Compensation and Management Resources Committee</u>	<u>Nominating and Corporate Governance Committee</u>
Scott D. Wollney	C	X	X
E. Gray Payne	X	C	C
Rita Hayes			X
Richard E. Govignon, Jr.	X		

C – Indicates committee chair.

The following is a summary of the respective responsibilities of the Audit Committee, the Compensation and Management Resources Committee, and the Nominating and Corporate Governance Committee. The Board of Directors has approved and adopted a written charter for each of the committees listed, copies of which are posted on the Company's website at www.fgfinancial.com, under the heading "Governance Documents." The Board of Directors may also establish from time to time any other committees that it deems necessary or desirable. Members serve on these committees until their resignation or until otherwise determined by the Board of Directors.

Audit Committee

The Audit Committee was appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities with respect to the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the external auditor's qualifications, independence, and performance, and the performance of the Company's internal audit function. The Audit Committee's primary duties and responsibilities are to:

- Oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.
- Identify and monitor the management of the principal risks that could impact the financial reporting of the Company.
- Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting appropriateness and compliance.
- Provide oversight of the qualifications, independence and performance of the Company's external auditors and the appointed actuary.
- Provide an avenue of communication among the external auditors, the appointed actuary, management and the Board.
- Review the annual audited and quarterly financial statements with management and the external auditors.

The Audit Committee is also responsible for discussing policies with respect to risk assessment and risk management, including regularly reviewing the Company's cybersecurity and other information technology risks, controls and procedures and the Company's plans to mitigate cybersecurity risks and respond to data breaches.

Audit committee members must meet the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the independence requirements of the Nasdaq listing standards and all other applicable rules and regulations. Each member of the Audit Committee is independent and satisfies the applicable requirements for Audit Committee membership under Rule 10A-3 under the Exchange Act and the Nasdaq rules. The Board of Directors has determined that Mr. Wollney is the "audit committee financial expert," as that term is defined in SEC regulations. The Audit Committee held six meetings during the year ended December 31, 2022.

Compensation and Management Resources Committee

The primary purpose of the Compensation and Management Resources Committee, (the "Compensation Committee") is to assist the Board of Directors in discharging its responsibilities with respect to compensation of the Company's executive officers and subsidiary presidents and to provide recommendations to the Board in connection with directors' compensation. The Compensation Committee's primary duties and responsibilities are to:

- Develop guidelines for and determine the compensation and performance of the executive officers of the Company (in the case of the Chief Executive Officer's compensation, without the Chief Executive Officer being present).
- Recommend to the Board incentive and equity-based plans and administer such plans, oversee compliance with the requirements under the Nasdaq listing standards that stockholders of the Company approve equity incentive plans (with limited exceptions under such standards), and approve grants of equity and equity-based awards.
- Review any recommendations from the Chief Executive Officer with respect to compensation for the other executive officers, including benefits and perquisites, incentive compensation plans and equity-based plans for recommendation to the Board.
- Oversee risks relating to the Company's compensation policies, practices and procedures.
- Review and discuss with management the proxy disclosures regarding executive compensation required to be included in the Company's proxy statement and periodic reports with the SEC, each in accordance with applicable rules and regulations of the SEC and other authority.
- Evaluate the results of the stockholder advisory vote on executive compensation when held.
- Review director compensation levels and practices, and recommend, from time to time, changes in such compensation levels and practices to Board with equity ownership in the Company encouraged.

The Compensation Committee receives input and recommendations from the Company's executive officers (except with respect to such executive officer's own compensation) but is not bound by such recommendations. These recommendations are generally based on each executive officer's individual performance as well as his knowledge of each executive officer's job responsibilities, seniority, expected contributions and his understanding of the competitive market for such executives. Each Compensation Committee member is independent and satisfies the applicable requirements for Compensation Committee membership under the Nasdaq rules and is a "non-employee director" as defined in Rule 16b-3 under the Exchange Act. The Compensation Committee held four meetings during the year ended December 31, 2022.

Nominating and Corporate Governance Committee

The purpose of the Nominating and Corporate Governance Committee (the "Nominating Committee") is to:

- Identify, evaluate and recommend individuals qualified to become members of the Board of Directors, consistent with criteria approved by the Board of Directors.
- Select, or recommend that the Board select the director nominees to stand for election at each annual or special meeting of stockholders of the Company in which directors will be elected or to fill vacancies on the Board.

- Develop and recommend to the Board a set of corporate governance principles applicable to the Company, as the Committee deems appropriate.
- Oversee the annual performance evaluation of the Board and its committees and management.
- Otherwise take a leadership role in shaping and providing oversight of the corporate governance of the Company, including recommending directors eligible to serve on all committees of the Board.

Each Nominating Committee member is independent under the Nasdaq rules. The Nominating Committee held one meeting during the year ended December 31, 2022.

Although the Nominating Committee has not formulated any specific minimum qualifications that the committee believes must be met by a director-nominee that the committee recommends to the Board, the factors it will take into account will include judgement, skill, diversity, experiences with businesses and other organizations of comparable size and scope, the interplay of the candidate's experience with the experience of other directors, and the extent to which the candidate would be a desirable addition to the Board of Directors and any committees of the Board. The Nominating Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees and may also seek referrals from other members of the Board, management, stockholders and other sources. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates, as appropriate. Upon selection of a qualified candidate, the Nominating Committee recommends the candidate for consideration by the full Board.

The Nominating Committee will consider recommendations for directorships submitted by stockholders. Stockholders wishing to propose director candidates for consideration by the Nominating Committee may do so by writing to the Corporate Secretary of the Company and providing the information concerning the nominee and his or her proponent(s) as required by the Company's By-Laws. The By-Laws set forth further requirements for stockholders wishing to nominate director candidates for consideration at a stockholders' meeting including, among other things, that a stockholder must give timely written notice of such a nomination to the Corporate Secretary of the Company. Candidates recommended by stockholders will be given the same consideration as all other candidates.

Stockholder Communications with the Board

Stockholders may communicate with the full Board or individual directors by submitting such communications in writing to FG Financial Group, Inc., 104 S. Walnut Street., Suite 1A, Itasca, IL 60143. The Company's management will forward such correspondence, as appropriate. Complaints or concerns relating to our financial reporting, accounting, internal accounting controls or auditing will be referred to the Chairman of our Audit Committee.

Delinquent Section 16(a) Reports

Under Section 16(a) of the Exchange Act, our executive officers, directors, and persons who own greater than 10% of our common stock (the "Section 16 Reporting Persons") of the Company must file a Form 4 reporting the acquisition or disposition of the Company's equity securities with the SEC no later than the end of the second business day after the day the transaction occurred unless certain exceptions apply. Transactions not reported on Form 4 must be reported on Form 5 within 45 days after the end of the Company's fiscal year. Such persons must also file initial reports of ownership on Form 3 upon becoming an executive officer, director, or greater-than-10% stockholder. Based solely on our review of the copies of such reports and representations that no other reports were required, we believe that all Section 16 filing requirements applicable to our Section 16 Reporting Persons were timely complied with during 2022.

ITEM 11. EXECUTIVE COMPENSATION

Our named executive officers for the fiscal year ended December 31, 2022 include Larry G. Swets, Jr., our President and Chief Executive Officer, Hassan R. Baqar, our Executive Vice President and Chief Financial Officer, and Brian D. Bottjer, our former Senior Vice President, Chief Accounting Officer, and Secretary.

With respect to executive compensation, the primary goal of the Compensation Committee is to retain and motivate highly skilled executives by aligning their pay with the Company's performance and stockholder returns. Our compensation consists primarily of five components: (i) base salary, (ii) a discretionary cash bonus, (iii) equity-based incentive awards, (iv) retirement benefits in the form of Company paid matching and profit sharing contributions to the Company's 401(k) retirement plan, and (v) premiums paid by the Company on the behalf of our employees for health, dental, life and other ancillary insurance coverage.

Summary Compensation Table

The following table summarizes the compensation for our named executive officers for the years shown.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)⁽²⁾	All Other Compensation (\$)	Total (\$)
Larry G. Swets, Jr. ⁽¹⁾	2022	550,000	384,000	54,768	624,768
President & Chief Executive Officer	2021	550,000	165,000	106,248	821,248
Hassan R Baqar ⁽³⁾	2022	—	384,000	480,000	500,000
Executive Vice President and Chief Financial Officer	2021	—	—	289,359	289,359
Brian D. Bottjer ⁽⁴⁾	2022	125,371	-	21,433	146,804
Senior Vice President, Chief Accounting Officer and Secretary	2021	221,212	30,000	32,780	283,992
John S. Hill ⁽⁵⁾	2022	-	—	-	-
Former Executive Vice President, & Chief Financial Officer	2021	172,260	—	342,385	514,645

- (1) All other compensation for Mr. Swets represents amounts paid by the Company for 401(k) matching contributions, as well as premiums for medical, dental, life and other ancillary insurance benefits provided to Mr. Swets.
- (2) Cash bonuses for 2022 represent performance bonuses approved by the Compensation Committee on February 17, 2023 in the amount of \$20,000 to both Mr. Swets and Mr. Baqar. As of the date of this filing, the Company had not yet paid cash bonuses related to 2022 performance. Effective February 17, 2023, the Company approved 130,000 restricted stock units to be granted to Mr. Swets and 130,000 restricted stock units to be granted to Mr. Baqar, based upon 2022 performance, subject to vesting terms. On the date of the grant, the units had a fair market value of \$364,000. As of the date of this filing, the Company had not yet issued the restricted stock units. Cash bonuses for 2021 represent performance bonuses approved by the Compensation Committee on December 17, 2021 and paid to Messrs. Swets and Bottjer on January 15, 2022.
- (3) Mr. Baqar has served as a consultant to the Company since February 2019, through Sequoia Financial LLC (“Sequoia”), an advisory firm for which Mr. Baqar is managing member, at a rate of \$10,833 per month, which also included a bonus of \$75,000 related to the successful completion of the licensing process for the Company’s insurance subsidiary. Effective August 11, 2021, the Company entered into the Second Amended and Restated Management Services Agreement (the “MSA”) between the Company and Sequoia. The MSA provides that Mr. Baqar will act as the Company’s Chief Financial Officer and will perform services and duties as required by the Company’s Board of Directors and Chief Executive Officer, to whom he shall report. In consideration for the services, the Company has agreed to pay Sequoia \$40,000 per month during the term of the MSA, included in the table as other compensation.
- (4) Effective May 26, 2022, Mr. Bottjer resigned from his positions as Senior Vice President, Chief Accounting Officer and Secretary of the Company. All other compensation for Mr. Bottjer represents amounts paid by the Company for 401(k) match, as well as premiums paid for medical, dental, life and other ancillary insurance benefits provided to Mr. Bottjer.
- (5) All other compensation for 2021 represents amounts paid by the Company for 401(k) match, medical, dental, life and other ancillary insurance benefits provided to Mr. Hill, and one private business membership to encourage entertainment of business colleagues and customers, interactions with others within professional, business, and local communities and holding business meetings at a convenient offsite location. For 2021, all other compensation is as follows: 401(k) match, medical, dental, life, and other ancillary insurance benefits, \$40,669; private business membership, \$1,716; and severance of \$300,000. Pursuant to a separation agreement and general release entered into between the Company and Mr. Hill, the Company agreed to pay severance to Mr. Hill in the amount of \$300,000, of which \$99,000 was paid bi-monthly from August 6, 2021, through December 31, 2021, with the remainder, or \$201,000 paid, in lump-sum on January 15, 2022.

Executive Officer Appointments and Employment Agreements

Effective December 2, 2019, the Board promoted Mr. Bottjer to Senior Vice President and Controller of the Company. The employment agreement provided for an annual base salary of \$250,000 to Mr. Bottjer, effective upon his appointment to Chief Accounting Officer on July 29, 2021. Pursuant to his employee agreement, Mr. Bottjer became eligible to receive an annual bonus, payable in cash and/or through awards based on the equity in the Company, and subject to the achievement of the performance criteria, as determined by the Compensation Committee. Mr. Bottjer is also eligible to participate in the Company's benefit programs available generally to executive employees of the Company.

In the event Mr. Bottjer is terminated by the Company without cause, the Company will pay him an amount equal to 12 months of his base salary in effect at the time of the termination or the original base salary set forth in the Employment Agreement, whichever is greater, over 12 months, in accordance with the Company's normal payroll practices. If Mr. Bottjer is terminated for cause or voluntarily resigns, he will not be entitled to any severance under the Employment Agreement. For purposes of his Employment Agreement, "cause" exists if Mr. Bottjer (i) acts dishonestly or engages in willful misconduct, (ii) breaches his fiduciary duties, (iii) intentionally fails to perform duties assigned to him, (iv) is convicted or enters a plea of guilty or nolo contendere with respect to any felony crime involving dishonesty or moral turpitude or (v) breaches his obligations under the Employment Agreement. The Employment Agreement contains customary non-competition and non-solicitation covenants.

Effective May 26, 2022, Mr. Bottjer resigned from his positions as Senior Vice President, Chief Accounting Officer and Secretary of the Company.

Effective August 6, 2021, Mr. Hill retired from all positions with the Company. Pursuant to a separation agreement and general release entered into between the Company and Mr. Hill, the Company agreed to pay severance to Mr. Hill in the amount of \$300,000, of which \$99,000 was paid bi-monthly from August 6, 2021 through December 31, 2021, with the remainder, or \$201,000 paid, in lump-sum on January 15, 2022. The Company also agreed to cover the cost of health insurance coverage for Mr. Hill through December 31, 2021. Also, on August 6, 2021, the Compensation Committee of the Board approved the immediate vesting of 17,400 RSUs previously granted to Mr. Hill. Furthermore, on August 13, 2021, the Company paid to Mr. Hill approximately \$16,000, representing the balance of his unused vacation time.

On June 18, 2020, the Company entered into a consulting agreement (the "Consulting Agreement") with Itasca Financial LLC ("Itasca Financial"), an advisory and investment firm founded by Mr. Swets in 2005, pursuant to which Mr. Swets would provide the services described on behalf of Itasca Financial. The Consulting Agreement provided that Mr. Swets act as the Company's Interim Chief Executive Officer. In consideration for the services, the Company paid Itasca Financial \$111,333 during the term of the Consulting Agreement. The Consulting Agreement was terminated on November 10, 2020, with Mr. Swets' appointment as CEO.

In connection with Mr. Swets' appointment as CEO, the Company entered into an executive employment agreement with Mr. Swets, dated and effective as of November 10, 2020 (the "Swets Agreement"). The Swets Agreement has a three-year term and is subject to automatic three-year renewals, unless either party provides 60 days' prior written notice of his or its intention, as applicable, not to renew such term. Under the Swets Agreement, Mr. Swets is entitled to an annual base salary of \$550,000 until such time as the Board determines future compensation based on Swets' performance or other merit-based criteria.

In the event that the Company terminates Mr. Swets without cause, subject to Mr. Swets' execution of a general release of waiver and claims in favor of the Company and such general release becoming fully irrevocable, Mr. Swets will be entitled to severance consisting of two years of annual base salary continuation and benefits continuation to the extent permitted by, and in accordance with, the Company's applicable health and welfare plans. In the event that the parties mutually agree to terminate Mr. Swets' employment regardless of the reason, subject to Mr. Swets' execution of a general release and such general release's becoming fully irrevocable, Mr. Swets will be entitled to severance consisting of one year of annual base salary continuation and benefits continuation to the extent permitted by, and in accordance with, the Company's applicable health and welfare plans. The Swets Agreement also provides that Mr. Swets is subject to post-termination confidentiality covenants.

On January 18, 2021, Company entered into an Equity Award Letter Agreement (the "Letter Agreement") with Mr. Swets, pursuant to which the Company clarified its intention to grant an additional 370,000 stock options, restricted shares or restricted stock units pursuant to a future award (the "Future Award"), subject to the approval of an amended and/or new equity plan, among other conditions. Specifically, under the Letter Agreement, no such Future Award may be granted until there is a determination by the Compensation Committee of the specific vesting and other terms of the award, and an amended and/or new equity plan, in a form to be prepared and reviewed by the Board, has been approved by the Board and stockholders of the Company that authorizes a sufficient number of shares of common stock to make such Future Award.

Mr. Swets will remain a director of the Company if he is continued to be elected by its stockholders and will forgo the compensation of board fees while serving as CEO.

Mr. Baqar had served as a consultant to the Company since February 2019 through Sequoia, an advisory firm for which Mr. Baqar is managing member, at a rate of \$10,833 per month. Effective August 6, 2021, Mr. Baqar, was appointed our Chief Financial Officer pursuant to the MSA agreement. In consideration for these services, the Company has agreed to pay Sequoia \$40,000 per month during the term of the MSA. The initial term of the MSA is twelve months unless terminated earlier as described below. Unless either party to the MSA provides the other with ninety days written notice, the MSA will renew for a subsequent twelve-month period. If the MSA is terminated by Mr. Baqar for “Good Reason,” payment for the remainder of the full term will be provided in lump sum to Mr. Baqar at the time of termination. The Company may terminate the MSA for “Cause,” at any time upon fifteen days’ prior written notice. Upon termination by the Company for Cause, payment will stop immediately upon the effective date of termination. If the Agreement is terminated by either party without Cause or Good Reason prior to the end of the term, payment for the remainder of the term will be provided to Mr. Baqar subject to a maximum of three months.

In addition, the Company shall pay all of Mr. Baqar’s reasonable expenses associated with the performance of the duties as Chief Financial Officer.

The MSA contains a customary confidentiality provision and a six-month post-termination of the MSA restriction against both soliciting employees and independent contractors of the Company and inducing them to terminate their relationship with the Company.

Cash Bonuses

On January 15, 2022, the Company paid bonuses in the amount of \$165,000 to Mr. Swets and \$30,000 to Mr. Bottjer based upon performance in 2021. The bonuses were approved by the Compensation Committee on December 17, 2021. On February 17, 2023 the Compensation Committee approved cash bonuses in the amount of \$20,000 to both Mr. Swets and Mr. Baqar, based upon performance in 2022. As of the date of this filing, the Company had not yet paid the cash bonuses to Mr. Swets or Mr. Baqar.

Share Bonuses

Effective February 17, 2023, the Company approved 130,000 restricted stock units to be granted to Mr. Swets and 130,000 restricted stock units to be granted to Mr. Baqar, based upon 2022 performance, subject to vesting terms. On the date of the grant, the units had a fair market value of \$364,000. As of the date of this filing, the Company had not yet issued the restricted stock units.

Retirement Benefits

The Company matches the contributions of each of its employees to the Company’s 401(k) Plan. Matching contributions equal 100% of the first 3% of pay and 50% of the next 2% of pay to the extent such contributions are not in excess of the Internal Revenue Code limits on contributions to Section 401(k) plans. Under the 401(k) Plan, the Company may make additional matching contributions or other profit-sharing contributions at its discretion. There were no discretionary contributions in 2021 or 2022.

2021 Equity Incentive Plan

On December 15, 2021, our stockholders approved the FG Financial Group, Inc. 2021 Equity Incentive Plan (the “2021 Plan”). The 2021 Plan replaced the 2018 Equity Incentive Plan (the “2018 Plan”). No new awards will be granted under the 2018 Plan.

The purpose of the 2021 Plan is to attract and retain directors, consultants, officers and other key employees of the Company and its subsidiaries and to provide to such persons incentives and rewards for superior performance. The 2021 Plan is administered by the Compensation Committee and has a term of ten years. All non-employee directors of the Company and employees and consultants of the Company and its subsidiaries designated by the Compensation Committee are eligible to participate in the 2021 Plan and to receive awards, including stock options (which may be incentive stock options or nonqualified stock options), stock appreciation rights (SARs), restricted shares, restricted share units and other share-based awards.

The maximum number of shares that may be issued or transferred with respect to awards under the 2021 Plan is 1,500,000 shares, subject to adjustment in certain circumstances as described below. Shares issued under the 2021 Plan may include authorized but unissued shares, treasury shares, shares purchased in the open market, or a combination of the foregoing.

Shares underlying awards that are settled in cash or that terminate or are forfeited, cancelled, or surrendered without the issuance of shares generally will again be available for issuance under the 2021 Plan. However, shares used to pay the exercise price of stock options, shares repurchased by the Company with stock option proceeds, and shares used to pay withholding taxes upon exercise, vesting or payment of an award, will not be added back to the share reserve under the 2021 Plan. In addition, when a SAR is exercised and settled in shares, all of the shares underlying the SAR will be counted against the share limit of the 2021 Plan, regardless of the number of shares used to settle the SAR.

Shares subject to awards that are granted in assumption of, or in substitution or exchange for, outstanding awards previously granted by an entity acquired directly or indirectly by the Company will not count against the share limit above, except as may be required by the rules and regulations of any stock exchange or trading market. The 2021 Plan provides that the aggregate grant date fair value of all awards granted to any single non-employee director during any single calendar year (determined as of the applicable grant date(s) under applicable financial accounting rules), taken together with any cash fees paid to the non-employee director during the same calendar year, may not exceed \$200,000.

Equity Compensation Plan Information

The following table sets forth, as of December 31, 2022, the number of shares of common stock underlying awards outstanding under the 2021 Plan, the 2018 Plan, and the Company's Amended and Restated 2014 Equity Incentive Plan ("2014 Plan"), as well as the number of shares remaining available for issuance under the 2021 Plan. No more awards may be made under the 2018 Plan or the 2014 Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))⁽²⁾
	(a)	(b)	(c)
Equity compensation plans approved by security holders.....	477,880	\$ —	1,233,446
Equity compensation plans not approved by security holders	—	—	—
Total	477,880	\$ —	1,233,446

1. Includes 3,999 common shares to be issued upon vesting of restricted stock units issued under our 2014 Plan; includes 77,327 common shares to be issued upon vesting of restricted stock units and 130,000 common shares to be issued upon vesting of stock options issued under our 2018 Plan; and includes 266,554 common shares to be issued upon vesting of restricted stock units issued under our 2021 Plan.

2. Represents shares available for future issuance under the 2021 Plan.

Outstanding Equity Awards at 2022 Fiscal Year-End

The following table shows the number of outstanding equity awards that are held by our named executive officers as of December 31, 2022. Messrs. Bottjer and Baqar did not hold any equity awards as of December 31, 2022 and 2021.

Name	Number of shares of common stock underlying unexercised options (#) exercisable	Number of shares of common stock underlying unexercised options (#) exercisable	Option awards			Option Expiration Date
			Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price (\$)		
Larry G. Swets, Jr.	130,000 ⁽¹⁾	–	–	\$ 3.38	01/11/2031	

- (1) The option vests with respect to 20% of the total number of shares covered thereby on each of the first five anniversaries of the grant date, which was January 12, 2021, if Mr. Swets remains in the Company’s continuous service through each applicable vesting date, and the Company’s book value per share has increased by 15% from the previous year.

On January 18, 2021, the Company entered into the “Letter Agreement with Mr. Swets, pursuant to which the Company clarified its intention to grant an additional 370,000 stock options, restricted shares or restricted stock units pursuant to a future award subject to the approval of an amended and/or new equity plan, among other conditions.

Potential Payments Upon Termination or Change in Control

Employment Agreements

The Employment Agreements between the Company and each of Messrs. Swets and Bottjer provide for payments by the Company in connection with a termination of employment.

In the event Messrs. Swets or Bottjer is terminated by the Company without cause, then the Company will pay Messrs. Swets or Bottjer, as applicable, 24 months and 12 months, respectively, of base salary in effect at the time of the termination or the original base salary set forth in the Employment Agreement, whichever is greater, payable by the Company over a 24-month (in the case of Mr. Swets) or 12-month (in the case of Mr. Bottjer) period in accordance with the Company’s normal payroll practices. If Messrs. Swets or Bottjer is terminated for cause or voluntarily resigns, he will not be entitled to any severance under the Employment Agreement. For purposes of their respective Employment Agreements, “cause” will exist if Messrs. Swets or Bottjer (i) acts dishonestly or engages in willful misconduct, (ii) breaches his fiduciary duties, (iii) intentionally fails to perform duties assigned to him, (iv) is convicted or enters a plea of guilty or nolo contendere with respect to any felony crime involving dishonesty or moral turpitude, and/or (v) breaches his obligations under the Employment Agreement. Furthermore, “cause” will exist under Mr. Swets’ employment agreement if Mr. Swets’ refuses to follow the written direction of the Board, unless such directions are, in the reasonable written opinion of legal counsel, illegal or in violation of applicable law.

In connection with Mr. Bottjer’s resignation effective May 26, 2022, the employment agreement which previously existed between the Company and Mr. Bottjer was terminated.

In connection with Mr. Hill’s retirement effective August 6, 2021, and a separation and general release entered into between the Company and Mr. Hill, the employment agreement which previously existed between the Company and Mr. Hill was terminated.

Equity Incentive Plans

As of December 31, 2022, the Company had equity grants outstanding under each of its 2021, 2018 and 2014 Plans. Each of the plans contain certain provisions concerning the vesting and termination of equity awards granted under the plans upon a termination of employment or upon a change in control. The Company's award agreements entered into under each plan also contain provisions concerning the vesting and termination of the RSUs granted thereunder.

2021 and 2018 Plans

The 2021 and 2018 Plan each generally provides for "double-trigger" vesting of equity awards in connection with a change in control of the Company, as described below.

To the extent that outstanding awards granted under either Plan are assumed in connection with a change in control, then, except as otherwise provided in the applicable award agreement or in another written agreement with the participant, all outstanding awards will continue to vest and become exercisable (as applicable) based on continued service during the remaining vesting period, with performance-based awards being converted to service-based awards at the "target" level. Vesting and exercisability (as applicable) of awards that are assumed in connection with a change in control generally would be accelerated in full on a "double-trigger" basis, if, within two years after the change in control, the participant's employment is involuntarily terminated without "cause", or by the participant for "good reason". Any stock options or SARs that become vested on a "double-trigger" basis generally would remain exercisable for the full duration of the term of the applicable award.

To the extent outstanding awards granted under either Plan are not assumed in connection with a change in control, then such awards generally would become vested in full on a "single-trigger" basis, effective immediately prior to the change in control, with performance-based awards becoming vested at the "target" level. Any stock options or SARs that become vested on a "single-trigger" basis generally would remain exercisable for the full duration of the term of the applicable award.

The Compensation Committee has discretion to determine whether any outstanding awards granted under each Plan will be assumed by the resulting entity in connection with a change in control, and the Compensation Committee has the authority to make appropriate adjustments in connection with the assumption of any awards. The Compensation Committee also has the right to cancel any outstanding awards in connection with a change in control, in exchange for a payment in cash or other property (including shares of the resulting entity) in an amount equal to the excess of the fair market value of the shares subject to the award over any exercise price related to the award, including the right to cancel any "underwater" stock options and SARs without payment therefor.

For purposes of the Plans, a "change in control" generally includes (a) the acquisition of 50% or more of the company's common stock; (b) a reorganization, merger, consolidation or similar transaction, or a sale of substantially all of the Company's assets; or (c) the complete liquidation or dissolution of the Company.

Whether a participant's employment has been terminated for "cause" will be determined by the Company. Unless otherwise provided in the applicable award agreement or in another written agreement with the participant, "cause", as a reason for termination of a participant's employment generally includes (a) an intentional act of fraud, embezzlement, theft or any other illegal or unethical act in connection with the performance of the participant's duties to the Company or a subsidiary that the Company determines, acting in good faith, has materially injured or is highly likely to materially injure the Company, or any other terminable offense under the Company's policies and practices; (b) intentional damage to the Company's (or a subsidiary's) assets; (c) conviction of (or plea of nolo contendere to) any felony or other crime involving moral turpitude; (d) improper, willful and material disclosure or use of the Company's (or a subsidiary's) confidential information or other willful material breach of the participant's duty of loyalty to the Company or a subsidiary; (e) a willful, material violation of the Company's policies and procedures as set out in its employee handbook or a material violation of the Company's code of conduct that the Company determines, acting in good faith, has materially injured or is highly likely to materially injure the Company, monetarily or otherwise; or (f) the participant's willful failure or refusal to follow the lawful and good faith directions of the Company or a subsidiary.

For purposes of the Plans, unless otherwise provided in the applicable award agreement or in another written agreement with the participant, "good reason" generally includes (a) the assignment to the participant of any duties that are materially inconsistent with the Participant's duties or responsibilities as assigned by the Company or a subsidiary, or any other action by the Company or a subsidiary that results in a material diminution in of the participant's duties or responsibilities, unless remedied by the Company promptly after receipt of notice from the participant; or (b) any material failure by the Company or a subsidiary to comply with its agreed obligations to the participant, other than an isolated, insubstantial and inadvertent failure which is remedied by the Company promptly after receipt of notice from the Participant.

The award agreements entered into under the 2021 Plan and 2018 Plan also contain provisions concerning the vesting and termination of the awards subject to the agreements. Under the 2018 Plan, except as described above with respect to a change in control, un-exercisable stock options, unless otherwise provided in the applicable award agreement, are generally forfeited automatically upon termination of employment prior to a vesting date, unless (i) the Compensation Committee, in its discretion, provides for the full or partial acceleration of vesting and exercisability of the option in connection with the termination, or (ii) the termination is due to the grantee's death or disability, in which case the unvested options will automatically become vested and exercisable upon termination. The stock options that are exercisable at the time of termination of employment expire (a) twelve months after the termination of employment by reason of death or disability or (b) three months after the termination of employment for other reasons. Upon the termination of a grantee's employment for cause (as defined under the 2018 Plan), all of the grantee's vested and unvested options automatically terminate. Under each Plan, with respect to unvested restricted shares and RSUs, unless otherwise provided in the applicable award agreement, unvested restricted shares and restricted share units that have not yet vested are generally forfeited automatically in the event of the termination of the grantee's employment for any reason prior to a vesting date, unless (i) the Compensation Committee, in its sole discretion, provides for the full or partial acceleration of vesting of the restricted shares or restricted share units, as applicable, in connection with the termination, or (ii) the termination is due to the grantee's death or disability, in which case the unvested restricted shares or restricted share units, as applicable, will automatically become vested in full.

The Compensation Committee has discretion to determine the form, amount and timing of each award granted under the 2021 Plan and all other terms and conditions of the award, including, without limitation, the form of the agreement evidencing the award. As such, future awards granted under the 2021 Plan may be subject to additional terms providing for accelerated vesting, pay outs or termination of the award upon a termination of employment or a change in control of the Company.

Amended and Restated 2014 Equity Incentive Plan

Under the 2014 Plan, upon a change in control of the Company, our Board of Directors (as constituted immediately prior to such change in control) may, in its discretion, (i) require that shares of the Company resulting from such change in control, or a parent corporation thereof, be substituted for some or all of the common shares subject to an outstanding award granted under the 2014 Plan, with an appropriate and equitable adjustment as shall be determined by the Board, and/or (ii) require outstanding awards granted under the 2014 Plan, in whole or in part, to be surrendered to the Company by the holder, and to be immediately cancelled by the Company, and to provide for the holder to receive: (1) a cash payment in an amount equal to the aggregate number of common shares then subject to the portion of any stock option surrendered multiplied by the excess, if any, of the fair market value (as defined under the 2014 Plan) of a common share as of the date of the change in control, over the exercise price per common share subject to such stock option; (2) shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such change in control, or a parent corporation thereof, having a fair market value not less than the amount determined under clause (1) above; or (3) a combination of the payment of cash pursuant to clause (1) above and the issuance of shares pursuant to clause (2) above.

A "change in control" under the 2014 Plan generally means (i) the acquisition by any individual, entity or group of beneficial ownership of 50% or more of the then outstanding common shares or the combined voting power of the then outstanding securities of the Company, with certain exceptions; (ii) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company, unless (A) the Company's current beneficial owners retain more than 50% of the Company's outstanding shares and combined voting power following such transaction, (B) no new individual entity or group will beneficially own 50% or more of the Company's outstanding shares or combined voting power following such transaction, or (C) current members of the Board will constitute at least a majority of the board following such transaction; or (iii) the consummation of a plan of complete liquidation or dissolution of the Company.

The Company has RSU awards outstanding that were issued under the 2014 Plan and no outstanding stock option awards. The Company's RSU agreements entered into with Mr. Hill and non-employee directors under the 2014 Plan generally provide that the RSUs granted thereunder remain restricted until the applicable vesting date set forth in the agreement. In the event the grantee's employment with the Company or service on the Company's board of directors, as applicable, is terminated due to the grantee's death or disability (as defined under the 2014 Plan) prior to one or more of the vesting dates, all unvested RSUs will vest as of the date of death or the date the grantee is determined to be experiencing a disability. In addition, in the event the grantee's employment with the Company or service on the Company's board of directors, as applicable, is terminated by the Company or by the grantee for any reason other than death or disability (as defined under the 2014 Plan), all unvested RSUs granted under the agreement will be forfeited as of the date of termination.

In addition to the general provisions described above, the RSU agreements entered into by the Company in connection with the share matching arrangements for the Company's non-employee directors (other than Mr. Wollney) on December 15, 2017 contain special acceleration and termination provisions. The agreements for the non-employee directors provide that the vesting of the RSUs granted thereunder is subject to the director's continued service on the board through the applicable vesting date, provided that if a director makes himself available and consents to be nominated by the Company for continued service but is not nominated by the Board for election by the stockholders, other than for good reason as determined by the Board in its discretion, then such director's RSUs will vest in full as of his last date of service as a director with the Company.

Retirement of CFO

Upon the retirement of our former Chief Financial Officer, John S. Hill, effective August 6, 2021, the Compensation Committee approved the accelerated vesting of RSUs granted by the Company to Mr. Hill on May 29, 2015, December 15, 2017, and August 22, 2018. Accordingly, on August 6, 2021, 17,400 unvested RSUs held by Mr. Hill vested in full, with each RSU representing one share of the Company's common stock.

Director Compensation

Under our director compensation program, we provide compensation to our non-employee directors. Directors who are employees of the Company do not receive compensation for their service as directors. The director compensation program in effect as of July 27, 2021 was adopted to remain competitive in attracting and retaining qualified board members and to better align director compensation to other public companies of comparable size to the Company. The terms of the program were as follows:

- Each non-employee director receives an annual cash retainer of \$50,000, paid in quarterly installments;
- The Chairman of the Board receives an additional annual cash retainer of \$75,000, paid in quarterly installments;
- The Chairman of the Reinsurance and Risk Committee receives an additional cash retainer of \$75,000, paid in quarterly installments;
- The Chairman of the Audit Committee receives an additional cash retainer of \$15,000, paid in quarterly installments;
- The Chairman of the Compensation Committee as well as the Chairman of the Nominating Committee each receives an additional cash retainer of \$5,000, paid in quarterly installments;
- Each of the members of the Audit, Compensation, and Nominating Committees (excluding the Chairman of each of those committees), receives an additional cash retainer of \$2,000, paid in quarterly installments;
- Each non-employee director receives an annual grant of restricted stock units ("RSUs") with a value of \$50,000; and
- Each non-employee director will receive reimbursement of reasonable out-of-pocket expenses for attending board and committee meetings.

RSUs granted to our directors vest in five equal annual installments, beginning with the first anniversary of the grant date, provided that, if the director makes him or herself available and consents to be nominated by the Company for continued service as a director of the Company, but is not nominated by the Board for election by stockholders, other than for good reason as determined by the Board in its discretion, then the next 20% tranche of RSUs shall vest as of the director's last date of service as a director of the Company.

The Company's 2021 Equity Incentive Plan (the "2021 Plan") provides that the aggregate grant date fair value of all awards granted to any single non-employee director during any single calendar year (determined as of the applicable grant date(s) under applicable financial accounting rules), taken together with any cash fees paid to the non-employee director during the same calendar year, may not exceed \$200,000.

The following table sets forth information with respect to compensation earned by each of our non-employee directors for the year ended December 31, 2022. Mr. Swets, who served as a director for all of 2022, did not receive any compensation for his service as a director, as he concurrently served as Chief Executive Officer of the Company. For more information, see "Compensation of Executive Officers—Summary Compensation Table."

Non-Employee Director	Fees Earned or Paid in Cash (\$)⁽¹⁾	Stock Awards (\$)⁽²⁾	Total (\$)
D. Kyle Cerminara.....	125,000	414,000	539,000
Rita Hayes.....	52,000	50,000	102,000
Richard E. Govignon, Jr.	52,000	50,000	102,000
E. Gray Payne	62,000	50,000	112,000
Scott D. Wollney	69,000	50,000	119,000

1. In addition to their compensation, directors are reimbursed for travel and other reasonable out-of-pocket expenses related to their attendance at Board or committee meetings, or for other travel on behalf of the Company. These expenses have not been included in the table above.
2. Stock awards represent the aggregate grant date fair value of 31,645 RSUs granted to each non-employee director on August 19, 2022. The aggregate grant date fair value for the RSUs has been presented in the table above in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. The RSUs were valued using the closing price of the Company's common shares on Nasdaq on the grant date. The RSUs vest in five equal annual installments, beginning one year from the date of grant, provided that, if the director makes themselves available and consents to be nominated by the Company for continued service as a director of the Company, but is not nominated by the Board for election by stockholders, other than for good reason as determined by the Board in its discretion, then the next 20% tranche of RSUs shall vest as of the director's last date of service as a director of the Company.

Effective February 17, 2023, the Company approved 130,000 restricted stock units to be granted to Mr. Cerminara based upon 2022 performance, subject to vesting terms. On the date of the grant, the units had a fair market value of \$364,000. As of the date of this filing, the Company had not yet issued the restricted stock units.

The aggregate numbers of stock awards and option awards outstanding for each director as of December 31, 2022 were as follows:

- Mr. Cerminara – 52,699 RSUs.
- Ms. Hayes – 53,714 RSUs.
- Mr. Govignon – 40,340 RSUs.
- General Payne – 52,699 RSUs.
- Mr. Swets – 4,231 RSUs (excludes a stock option granted to Mr. Swets for his service as the Company's CEO; see "Compensation of Executive Officers").
- Mr. Wollney – 52,699 RSUs.

2022 Grants of Restricted Stock Units

On August 19, 2022, the Compensation Committee granted 31,645 RSUs with a value of \$50,000 to all five of the Company's non-employee directors. The RSUs vest in five equal annual installments, subject to the director's continued service on the Board, beginning with the first anniversary of the grant date.

The award agreements for each of the RSU grants made during 2022 discussed above also provide that if a director makes herself or himself available and consents to be nominated by the Company for continued service as a director of the Company, but is not nominated by the Board for election by stockholders, other than for good reason, as determined by the Board in its discretion, then the next 20% tranche of RSUs shall vest as of the director's last date of service as a director of the Company. The Board's practice has been to accelerate vesting of all of a director's RSUs, upon the director's termination of service.

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

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock as of March 24, 2023, by:

- Each person (or group of affiliated persons) known by us to beneficially own more than 5% of our common stock;
- Each of our directors and named executive officers; and
- All of our current directors and executive officers as a group.

The number and percentages of shares beneficially owned are based on 9,437,659 common shares outstanding as of March 24, 2023. Information with respect to beneficial ownership has been furnished by each director, executive officer and beneficial owner of more than 5% of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC and requires that such persons have voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person listed below and the percentage ownership of such person, shares of common stock underlying warrants, options and RSUs held by each such person that are exercisable or vest within 60 days of March 24, 2023 are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Except as otherwise noted below, and subject to applicable community property laws, the persons named have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Except as otherwise indicated below, the address for each beneficial owner is c/o FG Financial Group, Inc., 104 S Walnut, Unit 1A, Itasca, IL, 60143.

Name and Address of Beneficial Owner	Beneficially Owned	
	Number of Shares	Percentage of Shares
5% Beneficial Owners		
Fundamental Global GP, LLC ⁽¹⁾	5,619,111	59.5%
108 Gateway Blvd., Suite 204, Mooresville, NC 28117		
Named Executive Officers and Directors		
Larry G. Swets, Jr., President, Chief Executive Officer and Director	49,220	*
Hassan R. Baqar, Executive Vice President, Chief Financial Officer	71,561	*
D. Kyle Cerminara, Chairman of the Board ⁽¹⁾⁽²⁾	5,644,698	59.8%
Rita Hayes, Director	15,336	*
E. Gray Payne, Director	15,588	*
Scott D. Wollney, Director	18,588	*
Richard E. Govignon, Jr., Director	2,174	*
Current Executive Officers and Directors as a Group (8 individuals) ⁽²⁾	5,817,165	61.6%

* Less than 1.0%

1. Fundamental Global GP, LLC (referred to therein as “FG”) shares voting and dispositive power with respect to 5,619,111 shares of common stock. Financial Holdings, LLC (“FGH”), which is managed by Fundamental Global GP, LLC shares voting and disposition power with respect to 5,619,111 shares of common stock. Information regarding beneficial ownership of our common stock by FG and its affiliates is included herein in reliance on a Form 4 filed with the SEC on December 6, 2022 . Mr. Cerminara is Chief Executive Officer of FG and manager of FGH.. Due to his positions with FG and affiliated entities, Mr. Cerminara may be deemed to be beneficial owner of the shares of the Company’s common stock disclosed as directly owned by FGH.. The business address for Mr. Cerminara is 108 Gateway Blvd., Suite 204, Mooresville, North Carolina 28114.
2. Includes 5,619,111 shares reported as beneficially owned by FG and its affiliates, of which Mr. Cerminara is deemed to have beneficial ownership by virtue of his positions with FG, as discussed in footnote 1.

Equity Compensation Plans

The following table sets forth, as of December 31, 2022, the number of shares of common stock underlying awards outstanding under the 2021 Plan, the 2018 Plan, and the Company’s Amended and Restated 2014 Equity Incentive Plan (“2014 Plan”), as well as the number of shares remaining available for issuance under the 2021 Plan. No more awards may be made under the 2018 Plan or the 2014 Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))⁽²⁾
	(a)	(b)	(c)
Equity compensation plans approved by security holders	477,880	\$ —	1,233,446
Equity compensation plans not approved by security holders	—	—	—
Total	477,880	\$ —	1,233,446

1. Includes 3,999 common shares to be issued upon vesting of restricted stock units issued under our 2014 Plan; includes 77,327 common shares to be issued upon vesting of restricted stock units and 130,000 common shares to be issued upon vesting of stock options issued under our 2018 Plan; and includes 266,554 common shares to be issued upon vesting of restricted stock units issued under our 2021 Plan.
2. Represents shares available for future issuance under the 2021 Plan.

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

It is the responsibility of the Audit Committee or, on a case-by-case basis, another Board committee constituted solely by independent directors, to review and oversee proposed transactions with “related persons” as defined in Item 404(a) of the SEC’s Regulation S-K. These include transactions and series of similar transactions to which we were a party or will be a party, in which

- the amounts involved exceeded or will exceed lessor of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years; and
- any of our directors, director nominees, executive officers or beneficial owners of more than 5% of any class of our voting stock, or any immediate family members thereof, had or will have a direct or indirect material interest.

Below is a summary of our related party transactions between January 1, 2021 and March 24, 2023.

Investment in Metrolina

The Company had previously invested \$4.0 million as a limited partner in Metrolina, which invested in real estate through a real estate investment trust wholly owned by Metrolina. The general partner of Metrolina, FGI Metrolina GP, LLC, was managed, in part, by Mr. Cerminara, the Chairman of the Board of Directors of the Company. Metrolina’s investment program was managed by FG Funds Management LLC, an affiliate of FG, which, with its affiliates, is the largest stockholder of the Company. In the fourth quarter 2021, we received approximately \$5.0 million in cash from Metrolina, representing our initial investment of \$4.0 million plus approximately \$1.0 million in distributed earnings. As a result, our investment in Metrolina was fully liquidated as of December 31, 2021.

Joint Venture Agreement

On March 31, 2020, the Company and FG entered into the limited liability company agreement with Fundamental Global Asset Management, LLC (“FGAM”), a joint venture owned 50% by each party. The purpose of FGAM is to sponsor, capitalize and provide strategic advice to investment managers in connection with the launch and/or growth of their asset management business and the investment products they sponsor.

FGAM is governed by a Board of Managers consisting of four managers, two of which are appointed by each Member. The Company has appointed two of its independent directors to the FGAM Board of Managers. Certain major actions, including any decision to sponsor a new investment manager, require the prior consent of both Members.

FG Special Situations Fund

As of March 24, 2023 and December 31, 2022, the Company had invested \$12.1 million, net of redemptions at cost, as a limited partner in the Fund. The general partner of the Fund, and the investment advisor of the Fund are ultimately controlled by Mr. Cerminara, the Chairman of the Company's Board of Directors. Portions of the Company's investment into the Fund were used to sponsor the launch of SPACs affiliated with certain of our officers and directors.

Mr. Cerminara, our chairman, and Mr. Swets, our Chief Executive Officer and Director, are managers of the sponsor company of FG New America Acquisition Corp ("FGNA"). Mr. Cerminara, Mr. Swets and Mr. Baqar, our Executive Vice President and Chief Financial Officer, serve as managers of the sponsor companies of FG Merger and FG Acquisition. Until FGNA's business combination with OppFi (NYSE: OPFI), Mr. Swets was the Chief Executive Officer and a Director of FGNA, Mr. Cerminara was a Director of FGNA, and Mr. Baqar was the Chief Financial Officer of FGNA. Until Aldel's business combination with Hagerty, Mr. Swets served as Senior Advisor to Aldel, Mr. Baqar served as Chief Financial Officer of Aldel, and Mr. Cerminara served as a Director of Aldel. Messrs. Cerminara, Swets, and Baqar also hold financial interests in the SPACs and/or their sponsor companies. Mr. Swets serves as Chairman of FG Merger, while Messrs. Baqar and Cerminara serve as Director and Senior Advisor of FG Merger, respectively. Mr. Swets serves as Chief Executive Officer and Director of FG Acquisition. Mr. Baqar serves as Chief Financial Officer, Secretary and Director of FG Acquisition. Mr. Cerminara serves as Chairman of FG Acquisition.

FG Merchant Partners

FGMP was formed to co-sponsor newly formed SPACs with their founders or partners. The Company holds a limited partner interest in FGMP. Certain of our directors and officers also hold limited partner interests in FGMP. Mr. Swets holds a limited partner interest through Itasca Financial LLC, an advisory and investment firm for which Mr. Swets is managing member. Mr. Baqar also holds a limited partner interest through Sequoia Financial LLC, an advisory firm for which Mr. Baqar is managing member. Mr. Cerminara also holds a limited partner interest through Fundamental Global, LLC, a holding company for which Mr. Cerminara is the manager and one of the members.

FGMP has invested in the founder shares and warrants of Aldel, FG Merger, FG Acquisition and FGC. Certain of our directors and officers are affiliated with these SPACs and their sponsor companies as previously described.

FG Communities, Inc.

In October of 2022, the Company invested \$2.0 million into FGC. The Company also holds an interest through its ownership in FGMP. FGC is a self-managed real estate company focused on a growing portfolio of manufactured housing communities which are owned and operated by FGC. Mr. Cerminara is the President and a director of FGC.

Shared Services Agreement

On March 31, 2020, the Company entered into a Shared Services Agreement (the "Shared Services Agreement") with Fundamental Global Management, LLC ("FGM"), an affiliate of FG, pursuant to which FGM provides the Company with certain services related to the day-to-day management of the Company, including assisting with regulatory compliance, evaluating the Company's financial and operational performance, providing a management team to supplement the executive officers of the Company, and such other services consistent with those customarily performed by executive officers and employees of a public company. In exchange for these services, the Company pays FGM a fee of \$456,000 per quarter (the "Shared Services Fee"), plus reimbursement of expenses incurred by FGM in connection with the performance of the Services, subject to certain limitations approved by the Company's Board of Directors or Compensation Committee from time to time.

The Shared Services Agreement has an initial term of three years, and thereafter renews automatically for successive one-year terms unless terminated in accordance with its terms. The Shared Services Agreement may be terminated by FGM or by the Company, by a vote of the Company's independent directors, at the end of the initial or automatic renewal term upon 120 days' notice, subject to payment by the Company of certain costs incurred by FGM to wind down the provision of services and, in the case of a termination by the Company without cause, payment of a termination fee equal to the Shared Services Fee paid for the two quarters preceding termination.

In the third quarter of 2022, the Shared Services Agreement was amended to eliminate termination fees and to increase the termination notice from 120 days to 365 days. The Company paid \$1,825,000 to FGM under the Shared Services Agreement for each of the twelve months ended December 31, 2022 and 2021, respectively.

Other Transactions

We have entered into indemnification agreements with each of our directors and executive officers. These agreements provide that we will, among other things, indemnify and advance expenses to our directors and executive officers for certain expenses, including attorneys' fees, judgments, fines, and settlement amounts incurred by any such person in any action or proceeding, including any action by us arising out of such person's services as our director or executive officer, or any other company or enterprise to which the person provides services at our request. We believe that these agreements are necessary to attract and retain qualified persons as directors and executive officers.

As discussed above, FG, together with its affiliates, is the largest stockholder of the Company. Mr. Cerminara, Chairman of our Board, is Chief Executive Officer, Partner, and Manager of FG. The funds managed by FG, including the funds that directly own shares of our common stock and Series A Preferred Stock, have agreed to indemnify FG, the principals of FG, including Mr. Cerminara, or any other person designated by FG for claims arising from Mr. Cerminara's service on our Board, provided that a fund's indemnity obligations are secondary to any obligations we may have with respect to Mr. Cerminara's service on our Board.

Director Independence

The Board has determined that four of its members are "independent directors" as defined under the applicable rules of Nasdaq and the Securities and Exchange Commission (the "SEC"). The four independent directors currently serving on the Board are Rita Hayes, E. Gray Payne, Scott D. Wollney and Richard E. Govignon, Jr. In making its determination of independence, the Board of Directors considered questionnaires completed by directors and any relationships and transactions between the Company and all entities with which the directors are involved. Nasdaq's listing rules require that the Board of Directors be comprised of a majority of independent directors.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The consolidated financial statements for the years ended December 31, 2022 and 2021 have been audited by BDO, our independent registered public accounting firm. Our Audit Committee requires that management obtain the prior approval of the Audit Committee for all audit and permissible non-audit services to be provided by BDO. Fees for all services provided by BDO were pre-approved by the Audit Committee. The following table shows the fees that we incurred for professional services rendered by BDO for 2022 and 2021.

	Year ended December 31,	
	2022	2021
Audit fees ⁽¹⁾	\$ 313,832	\$ 257,919
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
Total	<u>\$ 313,832</u>	<u>\$ 257,919</u>

1. Includes professional fees billed for the audits of our annual financial statements and the review of our interim condensed financial statements, including the reimbursement of expenses incurred by BDO related to our audit. Also includes professional services normally provided by BDO in connection with statutory and regulatory filings or engagements.

FG FINANCIAL GROUP, INC.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report

- (a) Financial Statements – The following consolidated financial statements of the Company and the reports of independent audit thereon are filed with this report:
 - i. Independent Auditor’s Report
 - ii. Consolidated Balance Sheets as of December 31, 2022 and 2021
 - iii. Consolidated Statements of Operations for the Years Ended December 31, 2022 and 2021
 - iv. Consolidated Statements of Shareholders’ Equity for the Years ended December 31, 2022 and 2021
 - v. Consolidated Statements of Cash Flows for the Years ended December 31, 2022 and 2021
 - vi. Notes to the Consolidated Financial Statements for the Years ended December 31, 2022 and 2021
- (b) Financial Statement Schedules – Schedules other than those listed above are omitted for the reason that they are not applicable, or the information is otherwise contained in the Financial Statements.
- (c) Exhibits - the exhibits listed below are filed or incorporated by reference as part of this report.

Exhibit No.	Description	Incorporated by Reference to:	
		Document	Exh. No.
	Agreement and Plan of Merger, dated as of October 19, 2022, by and between FG Financial Group, Inc., a Delaware corporation, and FG Financial Group, Inc., a Nevada corporation.	[3]	2.1
2.1	Certificate of Merger, as filed with the Secretary of State of the State of Delaware on December 7, 2022	[2]	3.1
3.1	Articles of Merger, as filed with the Secretary of State of the State of Nevada on December 7, 2022	[2]	3.2
3.2	Articles of Incorporation, as filed with the Secretary of State of the State of Nevada	[2]	3.3
3.3	Certificate of Correction, dated October 11, 2022, to the Certificate of Amendment of the Fourth Amended and Restated Certificate of Incorporation of FG Financial Group, Inc.	[7]	3.1
3.4	By-Laws	[2]	3.4
4.1	* Form of Common Stock certificate		
4.2	Common Stock Purchase Warrant	[5]	4.2
4.3	* Form of Global Certificate of Cumulative Preferred Stock, Series A		
4.4	* Description of securities		
10.1	† Amended and Restated 2014 Equity Incentive Plan	[8]	10.1
10.2	† 2018 Equity Incentive Plan	[9]	10.1
10.3	† 2021 Equity Incentive Plan	[3]	10.1
10.4	† Form of Director and Officer Indemnification Agreement	[4]	10.6
10.5	† Equity Award Letter Agreement between registrant and Larry Swets	[10]	10.1
10.6	† Stock Option Agreement between registrant and Larry Swets	[11]	10.5
	Form of Restricted Stock Unit Agreement for executive officers under 2014 Equity Incentive Plan		
10.7	† Equity Incentive Plan	[13]	10.2
	Form of Executive Restricted Stock Unit Agreement under the Share-Matching Program under 2014 Equity Incentive Plan		
10.8	† Matching Program under 2014 Equity Incentive Plan	[15]	10.1
	Form of Non-Employee Director Restricted Stock Unit Agreement under the Share-Matching Program under 2014 Equity Incentive Plan		
10.9	† Share-Matching Program under 2014 Equity Incentive Plan	[15]	10.2
10.10	† Form of Stock Option Agreement under 2018 Equity Incentive Plan	[9]	10.2
10.11	† Form of Restricted Share Agreement under 2018 Equity Incentive Plan	[12]	10.3
10.12	† Form of Restricted Share Unit Agreement under 2018 Equity Incentive Plan	[12]	10.4
	Form of Non-Employee Director Restricted Share Unit Agreement under 2018 Equity Incentive Plan		
10.13	† Equity Incentive Plan	[14]	10.3

Exhibit No.	Description	Incorporated by Reference to:	
		Document	Exh. No.
10.14	† Form of Executive Stock Grant Agreement under 2018 Equity Incentive Plan	[16]	10.1
	Form of Executive Restricted Share Unit Agreement for Share-Matching		
10.15	*† Grants under 2018 Equity Incentive Plan	[16]	10.2
	Form of Non-Employee Director Restricted Share Unit Agreement under 2021		
10.16	*† Equity Incentive Plan	[25]	10.16
	Registration Rights Agreement, dated December 2, 2019, between FedNat		
10.17	Holding Company and registrant	[17]	10.1
	Standstill Agreement, dated December 2, 2019, between FedNat Holding		
10.18	Company and registrant	[19]	10.2
	Reinsurance Capacity Right of First Refusal Agreement, dated December 2,		
10.19	2019, by and between FedNat Holding Company and registrant	[17]	10.3
	Investment Advisory Agreement, dated December 2, 2019, between FedNat		
10.20	† Holding Company and registrant	[17]	10.4
	Employment Agreement, dated December 2, 2019, between Brian D. Bottjer		
10.21	† and registrant	[21]	10.3
	Employment Agreement, dated November 10, 2020, between Larry G. Swets,		
10.22	† Jr. and registrant	[18]	10.1
	Amended and Restated Limited Liability Agreement of Fundamental Global		
10.23	Asset Management, LLC dated August 6, 2021	[22]	10.1
	Second Amended and Restated Management Services Agreement, dated		
10.24	† August 11, 2021, between Sequoia Financial LLC and registrant	[22]	10.2
	Shared Services Agreement, dated August 11, 2022, between Fundamental		
10.25	Global Management, LLC and registrant	[23]	10.1
	Sales Agreement dated November 3, 2022 between FG Financial Group, Inc.		
10.26	and Think Equity	[24]	10.1
21.1	* Registrant's subsidiaries		
23.1	* Consent of Independent Registered Public Accounting Firm.		
24.1	* Power of Attorney (included on signature page).		
	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the		
31.1	* Exchange Act.		
	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the		
31.2	* Exchange Act.		
	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section		
32.1	** 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section		
32.2	** 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
101.INS	* Inline XBRL Instance Document.		
101.SCH	* Inline XBRL Taxonomy Extension Schema.		
101.CAL	* Inline XBRL Taxonomy Extension Calculation Linkbase.		
101.DEF	* Inline XBRL Taxonomy Extension Definition Linkbase.		
101.LAB	* Inline XBRL Taxonomy Extension Label Linkbase.		
101.PRE	* Inline XBRL Taxonomy Extension Presentation Linkbase.		
	Cover Page Interactive Data File (embedded within the Inline XBRL		
104	document)		

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement

[1] Registrant's Current Report on Form 8-K filed December 17, 2020

[2] Registrant's Current Report on Form 8-K filed December 9, 2022

[3] Registrant's Current Report on Form 8-K filed December 17, 2021

[4] Registrant's Registration Statement on Form S-1/A1 (Reg. no. 333-193314), filed January 30, 2014

[5] Registrant's Current Report on Form 8-K filed February 27, 2015

[6] Registrant's Registration Statement on Form S-1/A1 (Reg. no. 333-222470), filed February 5, 2018

[7] Registrant's Current Report on Form 8-K filed October 12, 2022

- [8] Registrant's Definitive Proxy Statement on Schedule 14A filed April 30, 2015
- [9] Registrant's Current Report on Form 8-K filed June 1, 2018
- [10] Registrant's Current Report on Form 8-K filed January 19, 2021
- [11] Registrant's Annual Report on Form 10-K for year ended December 31, 2020, filed March 18, 2021
- [12] Registrant's Current Report on Form 8-K filed June 1, 2018
- [13] Registrant's Current Report on Form 8-K filed June 2, 2015
- [14] Registrant's Quarterly Report on Form 10-Q for quarter ended September 30, 2018, filed November 13, 2018
- [15] Registrant's Current Report on Form 8-K filed December 19, 2017
- [16] Registrant's Current on Report on Form 8-K filed August 28, 2018
- [17] Registrant's Current Report on Form 8-K filed December 2, 2019
- [18] Registrant's Current Report on Form 8-K filed November 16, 2020
- [19] Registrant's Current Report on Form 8-K filed April 6, 2020
- [20] Registrant's Definitive Proxy Statement on Schedule 14A filed April 30, 2015
- [21] Registrant's Current Report on Form 8-K filed December 2, 2019
- [22] Registrant's Quarterly Report on Form 10-Q for quarter ended June 30, 2021, filed August 16, 2021
- [23] Registrant's Quarterly Report on Form 10-Q for quarter ended June 30, 2022, filed August 11, 2022
- [24] Registrant's Current Report on Form 8-K filed November 3, 2022
- [25] Registrant's Annual Report on Form 10-K for year ended December 31, 2021, filed March 30, 2022

ITEM 16. FORM 10-K SUMMARY

None.

FG FINANCIAL GROUP, INC.

SIGNATURES

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

FG FINANCIAL GROUP, INC.

Date: March 24, 2023

By: /s/ Larry G. Swets, Jr.

Name: Larry G. Swets, Jr.

Title: Principal Executive Officer

POWER OF ATTORNEY

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

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

<u>/s/ Larry G. Swets, Jr.</u> Larry G. Swets, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	March 24, 2023
<u>/s/ Hassan R. Baqar</u> Hassan R. Baqar	Executive Vice President and Chief Financial Officer	March 24, 2023
<u>/s/ D. Kyle Cerminara</u> D. Kyle Cerminara	Director, Chairman of the Board	March 24, 2023
<u>/s/ Rita Hayes</u> Rita Hayes	Director	March 24, 2023
<u>/s/ E. Gray Payne</u> E. Gray Payne	Director	March 24, 2023
<u>/s/ Scott D. Wollney</u> Scott D. Wollney	Director	March 24, 2023
<u>/s/ Richard Govignon</u> Richard Govignon	Director	March 24, 2023