



**FEDERATED NATIONAL HOLDING COMPANY  
CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors (the "Board") of Federated National Holding Company (the "Company") has adopted these corporate governance principles (the "Guidelines") to assist the Board and its committees in the exercise of their responsibilities to the Company and its shareholders. The Board will review and, if appropriate, revise these Guidelines from time to time.

These Guidelines should be interpreted in the context of all applicable laws and the Company's Articles of Incorporation and Bylaws, as may be amended or restated from time to time, committee charters, and other corporate governance documents, and are not intended to create legally binding obligations.

**A. Director Qualifications**

1. The Company's Nominating Committee shall be responsible for identifying individuals qualified to become directors and selecting, or recommending that the Board select, the candidates for all directorships to be filled by the Board or by the shareholders of the Company.
2. In connection with the selection and nomination process, the Nominating Committee shall consider and determine the desired experience, mix of skills and other qualities necessary to assure appropriate Board composition, taking into account the current Board members and the specific needs of the Company and the Board. The criteria for selecting directors shall include such factors as (i) the candidate's ability to comprehend the Company's strategic goals and to help guide the Company towards the accomplishment of those goals; (ii) the history of the candidate in conducting his/her personal and professional affairs with the utmost integrity and observing the highest standards of values, character and ethics; (iii) the candidate's time availability for in-person participation at Board and committee meetings; (iv) the candidate's judgment and business experience with related businesses or other organizations of comparable size; (v) the knowledge and skills the candidate would add to the Board and its committees, including the candidate's knowledge of the rules and regulations of the Securities and Exchange Commission (the "SEC") and The Nasdaq Stock Market ("Nasdaq"), and accounting and financial reporting requirements; (vi) the candidate's ability to satisfy the criteria for independence established by the SEC and Nasdaq; and (vii) the interplay of the candidate's experience with the experience of other Board members.
3. A majority of the Board shall be composed of directors determined by the Board annually to be independent in accordance with the Nasdaq rules, as in effect from time to time.
4. In addition to being independent as set forth in A(3) above, all members of the Audit Committee must also meet the enhanced independence requirements of the Nasdaq rules for members of the Audit Committee, as in effect from time to time. At least one member of the Audit Committee shall be a financial expert as defined by Section 401(h) of Regulation S-K promulgated under the Securities Exchange Act of 1934.
5. Generally, directors should not serve on more than three boards of directors of public companies, including the Company's Board. Members of the Audit Committee shall not simultaneously serve on the audit committees of more than two other public company



unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on the Company's Audit Committee and the Company discloses such determination in the Company's annual proxy statement.

6. The independent directors serving on the Company's Board, may, if the roles of Chairman of the Board and Chief Executive Officer are held by the same person, select a lead director. In such event, the lead director, who is required to be independent, will preside at all executive sessions of the meetings of the Board of Directors without any management members present, serve as a liaison between the Chairman and the independent directors and call meetings of the independent directors. If the roles of Chairman of the Board and Chief Executive Officer are held by different persons, the lead director shall preside at meetings of the independent directors if the Chairman is unable to be present and shall provide the Chairman with such assistance as the Chairman shall request.
7. In connection with Board membership criteria, characteristics required of each director shall include personal and professional integrity; seasoned business judgment; independence from management (with respect to outside directors); strategic planning experience/vision; and time to commit. Additionally, in connection with Board membership criteria, the Nominating Committee shall also consider other skills and characteristics of each director and potential director including (i) business management/leadership experience; (ii) financial acumen; (iii) gender and cultural diversity; (iv) technical knowledge; (v) industry knowledge; (vi) functional experience; (vii) risk management experience; and (viii) makeup, skills and experience of the Board as a whole.

## **B. Director Responsibilities**

1. It is the responsibility of the directors to perform their duties in good faith in a manner they reasonably believe to be in the best interests of the Company and its shareholders, and to perform their duties of care and loyalty. In discharging that obligation, directors should be entitled to rely in good faith on the honesty and integrity of the Company's senior executives and its outside advisors and auditors, to the fullest extent permitted by law.
2. It is the responsibility of the directors to represent the interests of the Company's shareholders in maintaining and enhancing the success of the Company's business, including optimizing long-term returns to increase shareholder value.
3. It is the responsibility of the directors to select and retain a well-qualified Chief Executive Officer ("CEO") of high integrity, and to oversee selection of other members of senior management.
4. It is the responsibility of the directors to oversee and interact with senior management with respect to key aspects of the business, including strategic planning, management development and succession, operating performance, and shareholder returns. The Board shall review and, where appropriate, approve fundamental operating, financial, risk management and other corporate strategies, as well as major plans and objectives, and shall monitor the effectiveness of management policies and decisions, including the execution of strategies. At least annually, the Board shall review the Company's long-term strategic plans and the principal issues that the Company may face in the future.



5. The directors shall provide general advice and counsel to the Company's CEO and senior management.
6. The Audit Committee of the Board has sole responsibility to appoint, determine compensation paid to, and terminate the independent accounting firm that audits the Company's financial statements.
7. Regular attendance at Board and committee meetings is expected. It is also expected that directors will attend each Annual Meeting of Shareholders. Directors are expected to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities.
8. Meeting materials should be reviewed in advance by directors. The Company use its best efforts to distribute, sufficiently in advance of meetings to permit meaningful review, any written materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting unless a meeting must be held on short notice or if such materials would otherwise contain highly confidential or sensitive information and therefore will only be distributed at the meeting.
9. The Chairman of the Board will establish the agenda for each Board meeting. At the beginning of the year the Chairman of the Board will establish a schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen). Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting.
10. Maintaining confidentiality of information and deliberations is of critical importance. Information learned during the course of service on the Board and its committees is to be held confidential and used solely in furtherance of the Company's business.
11. Written minutes of each meeting of the Board in the form approved by the Board shall be duly filed in the Company records.

### **C. Board Committees**

1. The Board shall at all times have an Audit Committee, Compensation Committee, Investment Committee, Nominating Committee and Business Development Committee. Each committee except for the Investment Committee and Business Development Committee shall be composed solely of independent directors. The Board may establish or maintain additional committees as the Board deems necessary or appropriate from time to time. Each of the committees shall operate in accordance with applicable law, its charter, and the applicable rules of the SEC and Nasdaq.
2. The Board shall select members of the Board to serve on the committees of the Board, giving consideration to the criteria for service on each committee as set forth in the charter for such committee, as well as to any other factors the Board deems relevant, and where appropriate, remove any member of any committee. The Board shall make such investigation of each director as it deems necessary concerning the independence under the Nasdaq rules, including each director who is recommended to serve as a member of the Audit Committee, Compensation Committee or Nominating Committee.



3. The Audit Committee, Compensation Committee, Investment Committee and Nominating Committee will have charters that will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, and committee reporting to the Board.
4. The Chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. During the year, the Chair of each committee, in consultation with the appropriate members of the committee and, where appropriate, management, will develop the agenda for each meeting. A report regarding each committee meeting will be provided to the full Board as appropriate. The Chair of each committee will report to the full Board regarding matters that should be brought to the attention of the Board.

#### **D. Director Compensation**

1. Non-employee directors and committee chairs shall receive reasonable compensation for their services, as may be determined from time to time by the Board. Compensation for non-employee directors, committee members and committee chairs shall be consistent with the practices of other similarly situated companies but shall not be at a level or in a form that would call into question the Board's objectivity.
2. Directors who are employees receive no additional pay for serving as directors.
3. Directors who are members of the Audit Committee may receive no compensation from the Company other than the fees they receive for serving as directors and committee members.
4. The Company shall provide reasonable directors' and officers' liability insurance for directors and shall indemnify the directors to the fullest extent permitted by law and the Company's Articles of Incorporation and Bylaws then in effect.

#### **E. Director Access to Management and Independent Advisors**

1. The Board is expected to be highly interactive with senior management. At the request and invitation of the Board, the Company's executive officers and other members of senior management shall attend Board meetings. The Board encourages such executive officers and senior management to make presentations, or to include in discussions at Board meetings managers and other employees who (a) can provide insight into the matters being discussed because of their functional expertise and/or personal involvement in such matters and/or (b) are individuals with high potential whom such executive officers and senior management believe the directors should have the opportunity to meet and evaluate.
2. The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.



**F. Director Orientation and Continuing Education**

1. The Board shall implement and maintain an orientation program for newly elected directors and continuing education programs for all directors. These programs shall include presentations by senior management on the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Ethics, its management structure and executive officers and its internal and independent auditors. The orientation program may also include visits to certain of the Company's significant facilities, to the extent practical. All directors are invited to participate in the orientation and continuing education programs.

**G. CEO Evaluation, Management Succession and CEO Compensation**

1. The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its charter.
2. The Board shall, as and when determined to be advisable, develop procedures and policies regarding succession planning and management development for senior management.
3. The Compensation Committee is responsible for setting annual and long-term performance goals for the CEO, for evaluating his or her performance against such goals, and for setting the CEO's compensation based upon such evaluation.