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TALLAHASSEE, FLORIDA

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DEPARTMENT OF STATE
16 MAY 31 PM 3:22

Merger/cc

JUN 01 2016

I ALBRITTON

COVER LETTER

TO: Amendment Section
Division of Corporations

SUBJECT: Capitol Preferred Insurance Company, Inc.
Name of Surviving Corporation

The enclosed Articles of Merger and fee are submitted for filing.

Please return all correspondence concerning this matter to following:

Nate Wesley Strickland, Partner
Contact Person

Colodny Fass, P.A.
Firm/Company

215 South Monroe St. Suite 701
Address

Tallahassee, FL 32301
City/State and Zip Code

wstrickland@colodnyfass.com
E-mail address: (to be used for future annual report notification)

For further information concerning this matter, please call:

Nate Wesley Strickland, Esq. At (850) 577-0398
Name of Contact Person — Area Code & Daytime Telephone Number

■ Certified copy (optional) $8.75 **(Please send an additional copy of your document if a certified copy is requested)**

STREET ADDRESS:
Amendment Section
Division of Corporations
Clifton Building
2661 Executive Center Circle
Tallahassee, Florida 32301

MAILING ADDRESS:
Amendment Section
Division of Corporations
P.O. Box 6327
Tallahassee, Florida 32314

APPROVED

MAY 31 2016

Docketed by: nag

ARTICLES OF MERGER

OF

PREFERRED HOLDING COMPANY, INC.
(a Florida corporation)

WITH AND INTO

CAPITOL PREFERRED INSURANCE COMPANY, INC.
(a Florida corporation)

Pursuant to Section 607.1105
of the Florida Business Corporation Act

FILED
2016 MAY 31 PM 11:35

Pursuant to Section 607.1105 of the Florida Business Corporation Act (the "FBCA"), these Articles of Merger provide as follows:

ARTICLE I
Name and Jurisdiction of the Surviving Corporation

The name and state of incorporation of the surviving corporation is as follows:

Name	Jurisdiction	Document Number
Capitol Preferred Insurance Company, Inc.	Florida	P98000032666

ARTICLE II
Name and Jurisdiction of the Merging Corporation

The name and state of incorporation of the merging corporation is as follows:

Name	Jurisdiction	Document Number
Preferred Holding Company, Inc.	Florida	P97000090417

ARTICLE III
Plan of Merger

The Agreement and Plan of Merger providing for the merger of Preferred Holding Company, Inc. ("Parent") with and into Capitol Preferred Insurance Company, Inc. ("Subsidiary"), pursuant to Section 607.1104 of the FBCA, is attached hereto as Exhibit A (the "Agreement and Plan of Merger").

In accordance with Section 607.1104(1)(a) of the FBCA, and as set forth in the Agreement and Plan of Merger, Parent owns 80 percent of the outstanding shares of common stock of Subsidiary prior to the merger.

As set forth in Section 1.4 of the Agreement and Plan of Merger, the Articles of Incorporation of Subsidiary shall be the Articles of Incorporation of the surviving corporation. The Articles of Incorporation of Subsidiary differ from the Articles of Incorporation of Parent prior to the merger. Accordingly, pursuant to Section 607.1104(1)(a) of the FBCA, all of the shareholders of Parent have unanimously voted to approve the merger. Such Parent shareholder approvals were included in the unanimous written consent action referenced in Article VI of these Articles of Merger.

Pursuant to Section 607.1104(1)(b)1. of the FBCA, the Agreement and Plan of Merger sets forth the names of the parent and subsidiary corporations.

Pursuant to Section 607.1104(1)(b)2. of the FBCA, Article 2 of the Agreement and Plan of Merger sets forth the manner and basis of converting the shares of Parent into shares, obligations, or other securities of Subsidiary or, in whole or in part, into cash or other property, and the manner and basis of converting rights to acquire shares of each corporation into rights to acquire shares, obligations, and other securities of the surviving or any other corporation or, in whole or in part, into cash or other property.

Pursuant to Section 607.1104(1)(b)3. of the FBCA, since the merger is between a parent and subsidiary corporation and the parent is not the surviving corporation, Article 2 of the Agreement and Plan of Merger sets forth a provision for the pro rata issuance of shares of Subsidiary to the holders of the shares of Parent upon surrender of any certificates therefor.

Pursuant to Section 607.1104(1)(b)4. of the FBCA, Section 2.6 of the Agreement and Plan of Merger sets forth a clear and concise statement that shareholders of Subsidiary who, except for the applicability of Section 607.1104, would be entitled to vote and who dissent from the merger pursuant to Section 607.1321, may be entitled, if they comply with the provisions of the FBCA regarding appraisal rights, to be paid the fair value of their shares.

Pursuant to Section 607.1104(2) and (3) of the FBCA, all of the shareholders of Subsidiary have waived in writing the requirement for Parent to mail to them copies of the Agreement and Plan of Merger. Such Subsidiary shareholder waivers were included in the unanimous written consent action referenced in Article V of these Articles of Merger.

ARTICLE IV
Effective Date of the Merger

The merger shall become effective on the date the Articles of Merger are filed with the Florida Department of State.

ARTICLE V
Adoption of the Merger by the Surviving Corporation

The Board of Directors and shareholders of CPIC, reviewed, considered, and on May 31, 2016, pursuant to a joint unanimous written consent of the Board of Directors and shareholders, duly adopted the Agreement and Plan of Merger in accordance with Sections 607.0821(1) and 607.0704(1) of the FBCA.

ARTICLE VI
Adoption of the Merger by the Merging Corporation

The Board of Directors and shareholders of PHC, reviewed, considered, and on May 31, 2016, pursuant to a joint unanimous written consent of the Board of Directors and shareholders, duly adopted the Agreement and Plan of Merger in accordance with Sections 607.0821(1) and 607.0704(1) of the FBCA.

[Signatures on Next Page]

IN WITNESS WHEREOF, the undersigned duly authorized officers of the constituent corporations have caused these Articles of Merger to be executed this 31st day of May 2016.

CAPITOL PREFERRED INSURANCE COMPANY, INC.

By _____
James A. Graganella
President

PREFERRED HOLDING COMPANY, INC.

By _____
James A. Graganella
President

AGREEMENT AND PLAN OF MERGER

OF

PREFERRED HOLDING COMPANY, INC.

WITH AND INTO

CAPITOL PREFERRED INSURANCE COMPANY, INC.

This Agreement and Plan of Merger (this "Agreement"), is dated as of May 31, 2016, by and among Preferred Holding Company, Inc., a Florida corporation ("Parent"), CPIC Holding Company, LLC, a Florida limited liability company ("CPIC Holding"), Southern Fidelity Insurance Company, a Florida corporation ("SFIC"), Southern Fidelity Property & Casualty, Inc., a Florida corporation ("SFPC"), James A. Graganella ("Graganella"), and Capitol Preferred Insurance Company, Inc., a Florida corporation ("Subsidiary").

RECITALS

WHEREAS, Subsidiary has 18,750 issued and outstanding shares of $100.00 par value common stock (the "Subsidiary Capital Stock") as follows: (i) Parent owns 15,000 shares, representing 80%; (ii) CPIC Holding owns 3,062 shares, representing 16.329%; (iii) SFIC owns 491 shares, representing 2.618%; and (iv) SFPC owns 197 shares, representing 1.053% (Parent, CPIC Holding, SFIC and SFPC collectively may be referred to in this Agreement as the "Pre-Merger Subsidiary Shareholders");

WHEREAS, Parent has 10,000,000 issued and outstanding shares of no par value common stock (the "Parent Capital Stock") as follows: (i) CPIC Holding owns 6,531,722.13 shares, representing 65.317%; (ii) SFIC owns 1,047,275.17 shares, representing 10.473%; (iii) SFPC owns 421,002.70 shares, representing 4.210%; and (iv) Graganella owns 2,000,000 shares, representing 20% (each of CPIC Holding, SFIC, SFPC and Graganella individually may be referred to in this Agreement as a "Parent Shareholder" and collectively the "Parent Shareholders").

WHEREAS, the boards of directors of Parent and Subsidiary each duly approved and adopted this Agreement and proposed merger of Parent with and into Subsidiary pursuant to the terms and conditions of this Agreement and in accordance with the Florida Business Corporation Act (the "Florida Act"), including Section 607.1104 of the Florida Act;

WHEREAS, the Parent Shareholders and Pre-Merger Subsidiary Shareholders duly approved and adopted this Agreement and the proposed merger of Parent with and into Subsidiary pursuant to the terms and conditions of this Agreement and in accordance with the Florida Act, including Section 607.1104 of the Florida Act;

WHEREAS, pursuant to the merger of Parent with and into Subsidiary all of the issued and outstanding 10,000,000 shares of Parent Capital Stock will be exchanged for and converted into 15,000 shares of Subsidiary Capital Stock in the manner set forth in Article 2 hereof, upon the terms and subject to the conditions set forth in this Agreement and in the Florida Act (collectively, the "Merger");

WHEREAS, as a result of consummation of the Merger, all of the 18,750 shares of issued and outstanding Subsidiary Capital Stock will be owned as follows: (i) CPIC Holding will own 12,859 shares, representing 68.583%; (ii) SFIC will own 2,062 shares, representing 10.996%; (iii) SFPC will own 829 shares, representing 4.421%; and Graganella will own 3,000 shares, representing 16% (CPIC Holding, SFIC, SFPC and Graganella collectively may be referred to in this Agreement as the "Post-Merger Subsidiary Shareholders")

WHEREAS, as a result of consummation of the Merger, (a) the separate existence of Parent will cease, and (b) Subsidiary will be the surviving corporation;

WHEREAS, the Merger is subject to satisfaction of certain conditions, including approval of the Florida Office of Insurance Regulation ("OIR").

NOW, THEREFORE, in consideration of the mutual benefits to be derived from this Agreement and representations, warranties, covenants, agreements, conditions and promises contained herein, the parties hereby agree as follows:

ARTICLE 1

GENERAL

1.1 The Merger. In accordance with the provisions of this Agreement and the applicable provisions of the Florida Act, including Section 607.1104 of the Florida Act, Parent shall be merged with and into Subsidiary.

1.2 The Effective Time of Merger. The Merger shall become effective (the "Effective Time") upon acceptance for filing of the Articles of Merger (as defined in section 4.2(a) by the Secretary of State of the State of Florida.

1.3 Effect of Merger. At the Effective Time, (a) the separate existence of Parent shall cease, (b) Parent shall be merged with and into Subsidiary, (c) Subsidiary shall be the surviving corporation (the "Surviving Corporation"), (d) the Surviving Corporation shall possess all the rights, privileges and powers of Parent, (e) the title to all real estate and other property, or any interest therein, owned by Parent shall be vested in the Surviving Corporation without reversion or impairment, (f) the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of Parent, (g) any claim existing or action or proceeding pending by or against Parent may be continued as if the Merger did not occur or the Surviving Corporation may be substituted in the proceeding for Parent, and (h) neither the right of creditors nor any liens upon the

property of Parent shall be impaired by the Merger, all as provided in Section 607.1106 of the Florida Act.

1.4 Organizational Documents, Directors and Officers of the Surviving Corporation. From and after the Effective Time, (a) the Articles of Incorporation of Subsidiary (the "Subsidiary Articles of Incorporation"), unless and until altered, amended or repealed as provided in the Florida Act shall be the Articles of Incorporation of the Surviving Corporation; (b) the bylaws of Subsidiary (the "Subsidiary Bylaws"), unless and until altered, amended or repealed as provided in the Florida Act and the Subsidiary Articles of Incorporation, shall be the bylaws of the Surviving Corporation, (c) the directors of Subsidiary shall be the directors of the Surviving Corporation, unless and until removed, or until their respective terms of office shall have expired, in accordance with the Florida Act, the Subsidiary Articles of Incorporation and the Subsidiary Bylaws, and (d) the officers of Subsidiary shall be the officers of the Surviving Corporation, unless and until removed, or until their terms of office shall have expired, in accordance with the Florida Act and the Company Bylaws.

1.5 Taking of Necessary Action. Prior to the Effective Time, the parties hereto shall exercise reasonable best efforts to do or cause to be done all such acts and things as may be necessary or appropriate in order to effectuate the Merger as expeditiously as reasonably practicable, in accordance with this agreement and the Florida Act.

1.6 Tax- Free Reorganization. For Federal income tax purposes, the parties intend that the Merger be treated as a tax-free organization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The parties to this agreement hereby adopt this Agreement as a "plan of reorganization" within the meaning of Sections 1.368 2(g) and 1.368 3(a) of the United States Treasury Regulations. The parties shall not take a position on any tax return inconsistent with this Section 1.6, unless otherwise required by a taxing authority.

1.7 Closing. Subject to the provisions of Article 5, the closing of the Merger (the "Closing") will take place as soon as reasonably practicable after the satisfaction of all conditions set forth in Section 4.1. The Closing shall take place at the offices of Subsidiary, unless another place is agreed to by the parties. As used herein, the term "Business Day" shall mean any day other than a Saturday, Sunday or day on which banks required or permitted to close in the State of Florida.

ARTICLE 2

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

2.1 Total Consideration; Effect on Capital Stock. The entire consideration payable by Subsidiary to the Parent Shareholders with respect to all 10,000,000 issued and outstanding shares of Parent Capital Stock and for all options (whether vested or

unvested) warrants, rights, calls, commitments or agreements of any character to which Parent is a party or by which it is bound calling for the issuance of shares of capital stock of Parent or any securities convertible into or exercisable or exchangeable for, or representing the right to purchase or otherwise receive, directly or indirectly, any such capital stock, or other arrangement to acquire, at any time, or under any circumstance, capital stock of Parent or any such other securities, if any, shall be the aggregate of 15,000 shares of Subsidiary Capital Stock (the "Exchange"). No cash consideration will be paid in connection with the Merger. As a result of the Merger:

(a) Each share of Subsidiary Capital Stock directly held by CPIC Holding, SFIC and SFPC prior to the Merger shall remain issued and outstanding following the Merger.

(b) Each share of Parent Capital Stock that is (i) owned by Parent as treasury stock, (ii) authorized but unissued, or (iii) owned by the Parent Shareholders, shall be cancelled.

(c) Each share of Subsidiary Capital Stock that is owned by Parent shall be cancelled.

2.2 Procedure for Exchange. Immediately following the Effective Time of the Merger, subject and pursuant to the terms and conditions of this Agreement, the following actions and events shall occur to effectuate the Exchange:

(a) Parent shall deliver to Subsidiary certificates representing the 15,000 shares of Subsidiary Capital Stock owned by Parent (the "Parent Certificate") for cancellation and such other documents as may be reasonably required by Subsidiary. The Parent Certificate shall forthwith be cancelled.

(b) The Parent Shareholders shall deliver to Subsidiary certificates representing their respective 10,000,000 shares of Parent Capital Stock owned by the Parent Shareholders (the "Parent Shareholder Certificates") for cancellation and such other documents as may be reasonably required by Subsidiary. The Parent Shareholder Certificates shall forthwith be cancelled.

(c) Subsidiary shall issue to the Parent Shareholders certificates representing 15,000 shares of Subsidiary Capital Stock as follows: (i) 9,797 shares to CPIC Holding; (ii) 1,571 shares to SFIC; (iii) 632 shares to SFPC; and 3,000 shares to Graganella.

2.3 No Further Ownership Rights in Parent Capital Stock. All Subsidiary Capital Stock issued upon surrender for exchange of shares of Parent Capital Stock in accordance with the terms in Article 2 shall be deemed to have been issued in full satisfaction of all rights pertaining to such Parent Capital Stock.

2.4 Lost, Stolen or Destroyed Parent Shareholder Certificates. In the event any Parent Shareholder Certificate that is required to be surrendered for cancellation shall have been lost, stolen or destroyed, upon making of an affidavit to that effect by the Parent Shareholder and, if required by Parent or Subsidiary, the posting by the Parent Shareholder of a bond in such amount as Parent or Subsidiary may reasonably direct as indemnity against any claim that may be made against Parent or Subsidiary with respect to such Parent Shareholder Certificate, Subsidiary will issue in exchange for such lost, stolen, or destroyed Parent Certificate the Subsidiary Capital Stock deliverable in respect thereof pursuant to this Agreement.

2.5 Parent Options; Other Securities. At the Effective Time, each of Parent's then outstanding employee, director, and consultant stock options issued under any Parent option plan or otherwise (if any), in each case which have not been terminated, exercised or otherwise converted as of the Effective Time, by virtue of the Merger, shall be terminated and shall no longer be exercisable.

2.6 Notice of Appraisal Rights. Pursuant to Section 607.1104(1)(b)4., Florida Statutes, shareholders of Subsidiary who, except for the applicability of Section 607.1104, Florida Statutes, would be entitled to vote and who dissent from the Merger pursuant to Section 607.1321, Florida Statutes, may be entitled, if they comply with the provisions of the Florida Act regarding appraisal rights, to be paid the fair value of their shares.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Parent. Parent represents and warrants to Subsidiary and each of the Parent Shareholders as follows:

(a) Organization; Good Standing; Qualification and Power. Parent (i) is a corporation duly organized, validly existing and is in good standing in the State of Florida, (ii) has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted, to enter into this Agreement, to perform its obligations hereunder, and to consummate the Merger, and (iii) is duly qualified and is good standing to do business in those jurisdictions in which the failure to be so qualified and in good standing could reasonable be expected to have a Parent Material Adverse Effect. As used herein, "Parent Material Adverse Effect" shall mean a material adverse effect on the business, condition (financial or otherwise), assets, properties, operations, results of operations, prospects, affairs or liabilities of Parent.

(b) Capital Stock; Securities. The authorized capital stock of Parent consists of 10,000,000 shares of Parent Capital Stock, of which 10,000,000 shares are issued and outstanding. All of the issued and outstanding shares of Parent Capital Stock are owned by the Parent Shareholders. All outstanding shares of Parent Capital Stock are validly issued and outstanding, fully paid and non-assessable and not subject to

preemptive rights. There are no options, warrants, rights, calls, convertible debt instruments, commitments or agreements of any character to which Parent is a party, or by which Parent is bound, calling for the issuance of shares of capital stock or other securities of Parent.

(c) **Authority**. The execution, delivery and performance by Parent of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Parent; and this Agreement has been duly and validly executed and delivered by Parent, and this Agreement is the valid and binding obligation of Parent, enforceable against Parent in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and principles of equity regardless of whether such enforceability is considered a proceeding in law or equity.

3.2 **Representations and Warranties of Parent Shareholders**. Each of the Parent Shareholders individually and severally represents and warrants to Parent and Subsidiary as follows:

(a) **Title**. Parent Shareholder is the lawful and record and beneficial owner of, and has good and valid title to, all of the issued and outstanding shares of Parent Capital Stock identified next to such Parent Shareholder's name in the second recital of this Agreement, with the full power and authority to vote such Parent Capital Stock and transfer and otherwise dispose of such Parent Capital Stock and any and all rights and benefits independent to the ownership thereof free and clear of all encumbrances.

(b) **Authority**. Parent Shareholder has full and absolute power and authority to enter into this Agreement, which has been duly executed and delivered by Parent Shareholder, and is the valid and binding obligation of Parent Shareholder, enforceable against Parent Shareholder in accordance with its terms.

(c) **Investment Representations.**

(i) Parent Shareholder:

(1) is acquiring the Subsidiary Capital Stock for its own account and not as a nominee or agent for any other person and with no present intention of distributing or reselling such shares or any part thereof in any transactions that would be in violation of the Securities Act of 1933, as amended (the "Securities Act") or any state securities or "blue-sky" laws;

(2) understands (A) that the Subsidiary Capital Stock has not been registered for sale under the Securities Act or any state securities or "blue-sky" laws in reliance upon exemptions therefrom, which exemptions depend upon, among other things, the bona fide nature of the investment intent of Parent Shareholder as

expressed herein, (B) that the Subsidiary Capital Stock must be held indefinitely and not sold until such shares are registered under the Securities Act and any applicable state securities or "blue-sky" laws, unless an exemption from such registration is available, (C) that Subsidiary is under no obligation to so register such Subsidiary Capital Stock and (D) the certificate(s) evidencing the Subsidiary Capital Stock will be imprinted with the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES OR "BLUE-SKY" LAWS. THESE SECURITIES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM."

(3) has had an opportunity to ask questions of and has received satisfactory answers from the officer of Subsidiary or persons acting on Subsidiary's behalf concerning Subsidiary and the terms and conditions of an investment in Subsidiary Capital Stock;

(4) is aware of Subsidiary's business affairs and financial condition and has acquire sufficient information about Subsidiary to reach an informed and knowledgeable decision to acquire the Subsidiary Capital Stock to be issued to him or it;

(5) is familiar with the provision of Rule 144 promulgated under the Securities Act which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof, in a non-public offering subject to the satisfaction of certain circumstances which require among other things: (A) the availability of certain public information about the issuer, (B) the resale occurring not less than one year after the party has purchased, and made full payment for, within the meaning of Rule 144 the securities to be sold; and, in the case of an affiliate, or of a non-affiliate who has held the securities less than two years, the amount of securities being sold during any three month period not exceeding the specified limitations stated therein, if applicable and (C) the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as defined under the Securities Exchange Act of 1934, as amended);

(7) understands that in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that notwithstanding the fact that Rule 144 is not exclusive, the Staff of the SEC had expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is

available for such offers or sales, and that such persons and their respective brokers who participated in such transactions do so at their own risk; and

(8) has such knowledge and experience in financial matters, or it is capable of evaluating the merits and risks of acquiring and holding shares of Subsidiary Capital Stock.

(ii) Parent Shareholder is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act.

3.3 Representations and Warranties of Subsidiary. Subsidiary represents and warrants to each of the Parent Shareholders as follows:

(a) **Organization; Good Standing; Qualification and Power.** Subsidiary (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, and (ii) has all requisite power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted, to enter into this Agreement, to perform its obligation hereunder and to consummate the transactions contemplated hereby.

(b) **Authority.** The execution, delivery and performance by Subsidiary of this Agreement and the consummation of the transactions contemplated hereby has been duly authorized by all the necessary corporate action on the part on Subsidiary and the Pre-Merger Subsidiary Shareholders. This Agreement is a valid and binding obligation of Subsidiary, enforceable against Subsidiary in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting the enforcement of creditors' rights generally and by principles of equity regardless of whether such enforceability is considered a proceeding in law or equity.

ARTICLE 4

CLOSING CONDITIONS; CLOSING DELIVERABLES AND CONDITIONS

4.1 Conditions to Closing. The respective obligations of each party to perform this Agreement and consummate the Merger and the other transactions contemplated hereby shall be subject to the satisfaction of the following conditions, unless waived by the parties pursuant to Section 5.8 of this Agreement:

(a) **Authorization of the Merger**. All action necessary to authorize the execution, delivery and performance of this Agreement, the Articles of Merger (as defined below) and the consummation of the Merger and the other transactions contemplated hereby shall have been duly and validly taken, and not withdrawn, by the boards of directors and shareholders of each of Parent and Subsidiary.

(b) **Approvals.** All authorizations, consents, orders or approvals of, or declarations or filing with or expiration of waiting periods imposed by any governmental authority, including any required by the OIR, necessary for the consummation of the transactions contemplated hereby shall have been obtained or made or shall have occurred.

(c) **No Legal Action.** No temporary restraining order, preliminary injunction or permanent injunction or other order preventing the consummation of the Merger shall have been issued by any Federal or state court other governmental authority and remain in effect.

(d) **Representations and Warranties.** All representations and warranties shall be true and correct in all material respects as of the date of Closing.

4.2 Closing Deliverables and Actions. At or prior to the Closing, Articles of Merger, satisfying all of the requirements of the Florida Act, attaching this Agreement and in the form attached hereto as Exhibit A, which in substance is reasonably satisfactory to all parties hereto (the "Articles of Merger"), shall have been executed and delivered by both Parent and Subsidiary and filed with and accepted for filing by the Secretary of State of the State of Florida. At the Closing, all of the actions contemplated in Article 2 of this Agreement shall be taken, including the surrender and cancellation of the Parent Certificate and Parent Shareholder Certificates, and the issuance to the Parent Shareholders of certificates for Subsidiary Capital Stock as set forth in Article 2.

ARTICLE 5

MISCELLANEOUS

5.1 Entire Agreement. This Agreement and the other writing referred to herein contain the entire agreement among the parties hereto with respect to the transactions contemplated hereby and supersede all prior agreements or understandings, written or oral among the parties with respect thereto.

5.2 Descriptive Headings. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

5.3 Notices. All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally or sent by nationally-recognized overnight courier or by registered or certified mail, postage prepaid, return receipt requested or by facsimile, with confirmation. All such notices or communications shall be deemed to be received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of nationally-recognized overnight courier, on the next Business Day after the date when sent, (c) in the case of facsimile transmission, upon confirmed receipt, and (d) in the case of mailing, on the date set forth on the recipients execution of the return receipt.

5.4 Counterparts. This Agreement may be executed in any number of counterparts by original or facsimile signature, each such counterpart shall be an original instrument, and all such counterparts together shall constitute one and the same agreement.

5.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

5.6 Benefits of Agreement. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permits assigns. This Agreement shall not be assignable by any party hereto without the consent of the other parties hereto.

5.7 Pronouns. As used herein, all pronouns shall include the masculine, feminine, neuter, singular and plural thereof whenever the context and facts require such construction.

5.8 Amendment, Modification and Waiver. This Agreement shall not be altered or otherwise amended except pursuant to an instrument in writing executed by the parties; provided, however, that any party to this Agreement may waive in writing any obligation owed to it by any other party under this Agreement. The waiver by any party hereto of a breach of any provisions of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

5.9 No Third Party Beneficiaries. Nothing express or implied in this Agreement is intended to confer, no shall anything herein confer, upon any person other than the parties and the respective successors or assigns of the parties, any rights, remedies, obligations or liabilities whatsoever.

[Remainder of page intentionally left blank. Signature on following page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement and Plan of Merger to be executed on its behalf as of the date set forth above.

PREFERRED HOLDING COMPANY, INC.

By _____
James A. Graganella
President

CAPITOL PREFERRED INSURANCE COMPANY, INC.

By _____
James A. Graganella
President

CPIC HOLDING COMPANY, LLC

By _____
James A. Graganella
President

SOUTHERN FIDELITY INSURANCE COMPANY

By _____
James A. Graganella
President

SOUTHERN FIDELITY PROPERTY & CASUALTY, INC.

By _____
James A. Graganella
President

_____
JAMES A. GRAGANELLA

EXHIBIT A
ARTICLES OF MERGER

ARTICLES OF MERGER

OF

PREFERRED HOLDING COMPANY, INC.
(a Florida corporation)

WITH AND INTO

CAPITOL PREFERRED INSURANCE COMPANY, INC.
(a Florida corporation)

Pursuant to Section 607.1105
of the Florida Business Corporation Act

Pursuant to Section 607.1105 of the Florida Business Corporation Act (the "FBCA"), these Articles of Merger provide as follows:

ARTICLE I
Name and Jurisdiction of the Surviving Corporation

The name and state of incorporation of the surviving corporation is as follows:

Name	Jurisdiction	Document Number
Capitol Preferred Insurance Company, Inc.	Florida	P98000032666

ARTICLE II
Name and Jurisdiction of the Merging Corporation

The name and state of incorporation of the merging corporation is as follows:

Name	Jurisdiction	Document Number
Preferred Holding Company, Inc.	Florida	P97000090417

ARTICLE III
Plan of Merger

The Agreement and Plan of Merger providing for the merger of Preferred Holding Company, Inc. ("Parent") with and into Capitol Preferred Insurance Company, Inc. ("Subsidiary"), pursuant to Section 607.1104 of the FBCA, is attached hereto as Exhibit A (the "Agreement and Plan of Merger").

In accordance with Section 607.1104(1)(a) of the FBCA, and as set forth in the Agreement and Plan of Merger, Parent owns 80 percent of the outstanding shares of common stock of Subsidiary prior to the merger.

As set forth in Section 1.4 of the Agreement and Plan of Merger, the Articles of Incorporation of Subsidiary shall be the Articles of Incorporation of the surviving corporation. The Articles of Incorporation of Subsidiary differ from the Articles of Incorporation of Parent prior to the merger. Accordingly, pursuant to Section 607.1104(1)(a) of the FBCA, all of the shareholders of Parent have unanimously voted to approve the merger. Such Parent shareholder approvals were included in the unanimous written consent action referenced in Article VI of these Articles of Merger.

Pursuant to Section 607.1104(1)(b)1. of the FBCA, the Agreement and Plan of Merger sets forth the names of the parent and subsidiary corporations.

Pursuant to Section 607.1104(1)(b)2. of the FBCA, Article 2 of the Agreement and Plan of Merger sets forth the manner and basis of converting the shares of Parent into shares, obligations, or other securities of Subsidiary or, in whole or in part, into cash or other property, and the manner and basis of converting rights to acquire shares of each corporation into rights to acquire shares, obligations, and other securities of the surviving or any other corporation or, in whole or in part, into cash or other property.

Pursuant to Section 607.1104(1)(b)3. of the FBCA, since the merger is between a parent and subsidiary corporation and the parent is not the surviving corporation, Article 2 of the Agreement and Plan of Merger sets forth a provision for the pro rata issuance of shares of Subsidiary to the holders of the shares of Parent upon surrender of any certificates therefor.

Pursuant to Section 607.1104(1)(b)4. of the FBCA, Section 2.6 of the Agreement and Plan of Merger sets forth a clear and concise statement that shareholders of Subsidiary who, except for the applicability of Section 607.1104, would be entitled to vote and who dissent from the merger pursuant to Section 607.1321, may be entitled, if they comply with the provisions of the FBCA regarding appraisal rights, to be paid the fair value of their shares.

Pursuant to Section 607.1104(2) and (3) of the FBCA, all of the shareholders of Subsidiary have waived in writing the requirement for Parent to mail to them copies of the Agreement and Plan of Merger. Such Subsidiary shareholder waivers were included in the unanimous written consent action referenced in Article V of these Articles of Merger.

ARTICLE IV
Effective Date of the Merger

The merger shall become effective on the date the Articles of Merger are filed with the Florida Department of State.

ARTICLE V
Adoption of the Merger by the Surviving Corporation

The Board of Directors and shareholders of CPIC, reviewed, considered, and on May 31, 2016, pursuant to a joint unanimous written consent of the Board of Directors and shareholders, duly adopted the Agreement and Plan of Merger in accordance with Sections 607.0821(1) and 607.0704(1) of the FBCA.

ARTICLE VI
Adoption of the Merger by the Merging Corporation

The Board of Directors and shareholders of PHC, reviewed, considered, and on May 31, 2016, pursuant to a joint unanimous written consent of the Board of Directors and shareholders, duly adopted the Agreement and Plan of Merger in accordance with Sections 607.0821(1) and 607.0704(1) of the FBCA.

[Signatures on Next Page]

IN WITNESS WHEREOF, the undersigned duly authorized officers of the constituent corporations have caused these Articles of Merger to be executed this 31st day of May 2016.

CAPITOL PREFERRED INSURANCE COMPANY, INC.

By _____
James A. Graganella
President

PREFERRED HOLDING COMPANY, INC.

By _____
James A. Graganella
President