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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2024**

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 **000-00000**

TWFG, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**1201 Lake Woodlands Drive
Suite 4020**

The Woodlands, Texas

(Address of Principal Executive Offices)

99-0603906

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

77380

(Zip Code)

(281) 367-3424

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value per share	TWFG	The Nasdaq Stock Market LLC

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 type="checkbox"/>
		Emerging growth company	<input checked="" 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 is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

As of November 8, 2024, there were 14,811,874 shares of Class A common stock, 7,277,651 shares of Class B common stock and 33,893,810 shares of Class C common stock outstanding.

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Cautionary Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed under the captions entitled “Risk factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our prospectus (the “IPO Prospectus”) relating to our Registration Statement on Form S-1, as amended (Registration No. 333-280439) (the “Registration Statement”), filed with the U.S. Securities and Exchange Commission (the “SEC”) pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the “Securities Act”). You should specifically consider the numerous risks outlined under “Risk factors” in the IPO Prospectus.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Commonly Used Defined Terms

- “we,” “us,” “our,” the “Company,” “TWFG,” and similar references refer to: (i) TWFG, Inc. and, unless otherwise stated or the context otherwise requires, all of its subsidiaries, including TWFG Holding Company, LLC, for periods following the consummation of the Reorganization Transactions (as defined herein), including our initial public offering (“IPO”), and (ii) TWFG Holding Company, LLC and, unless otherwise stated or the context otherwise requires, all of its subsidiaries, for periods prior to the completion of the Reorganization Transactions, including our IPO.
- Admitted: The insurance market comprising insurance carriers licensed to write business on an “admitted” basis by the insurance commissioner of the state in which the risk is located. Insurance rates and forms in this market are highly regulated by each state and coverages are largely uniform.
- Book of Business: Active Client list.
- Branch: An independent agency that contracts with our Insurance Services offering, operates its agency through TWFG’s “Agency-in-a-Box” and with TWFG’s branding, and receives all benefits of working with TWFG, including a work and revenue share, TWFG back-office support, marketing and access to a fully integrated agency management system. TWFG branding is restricted to the Branches and Corporate Branches, all of which are listed on our website and can be found using the location filter. Branches and Corporate Branches are exclusive to TWFG, meaning that they can only write certain insurance business through TWFG.
- Client: Individual or entity that purchases an insurance policy or seeks to purchase an insurance policy from TWFG Agencies.
- Corporate Branch: An agency within our Insurance Services offering that is wholly owned by TWFG.
- E&O: Errors and omissions.
- M&A: Mergers and acquisitions.
- MGA: Managing general agency.
- MGA Agencies: Independent agencies that contract with TWFG MGA to obtain access to additional insurance carriers or programs. TWFG MGA Agencies do not include TWFG branding and are not exclusive to TWFG.
- P&C: Property and casualty insurance.
- TWFG Agencies: Branches, Corporate Branches and MGA Agencies.

- TWFG MGA: TWFG's managing general agency.

Part I - Financial Information
Item 1. Financial Statements

TWFG, Inc.
Condensed Consolidated Statements of Operations
(Amounts in thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues				
Commission income (related party of \$3,026 and \$1,167 for the three months ended and \$6,047 and \$3,064 for the nine months ended September 30, 2024 and 2023, respectively)	\$ 48,240	\$ 43,993	\$ 139,447	\$ 122,451
Contingent income	1,383	1,035	3,717	3,023
Fee income (related party of \$884 and \$419 for the three months ended and \$1,799 and \$1,258 for the nine months ended September 30, 2024 and 2023, respectively)	2,890	2,107	7,811	6,343
Other income	2,127	575	3,244	1,125
Total revenues	54,640	47,710	154,219	132,942
Expenses				
Commission expense	30,766	32,461	89,171	90,853
Salaries and employee benefits	8,331	3,390	21,401	10,096
Other administrative expenses (related party of \$339 and \$178 for the three months ended and \$1,122 and \$270 for the nine months ended September 30, 2024 and 2023, respectively)	4,813	2,812	11,687	8,043
Depreciation and amortization	2,985	1,145	8,966	3,340
Total operating expenses	46,895	39,808	131,225	112,332
Operating income	7,745	7,902	22,994	20,610
Interest expense	(411)	(295)	(2,125)	(553)
Other non-operating income (expense), net	(4)	1	8	(10)
Income before tax	7,330	7,608	20,877	20,047
Income tax expense	437	—	437	—
Net income from continuing operations	6,893	7,608	20,440	20,047
Net income from discontinued operation, net of tax	—	—	—	834
Net income	6,893	7,608	20,440	20,881
Less: net income attributable to noncontrolling interests	5,739	—	19,286	—
Net income attributable to TWFG, Inc.	\$ 1,154	\$ 7,608	\$ 1,154	\$ 20,881
Weighted average shares of common stock outstanding (see Note 13):				
Basic	14,722,685		14,722,685	
Diluted	14,890,382		14,890,382	
Earnings per share (see Note 13):				
Basic	\$ 0.08		\$ 0.08	
Diluted	\$ 0.08		\$ 0.08	

See Notes to the Condensed Consolidated Financial Statements

TWFG, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Amounts in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 6,893	\$ 7,608	\$ 20,440	\$ 20,881
Other comprehensive income (loss), net of tax:				
Unrealized gains on investments of discontinued operation during the period (net of tax expense of \$0 and \$0 for the three months ended and \$0 and \$44 for the nine months ended September 30, 2024 and 2023, respectively)	—	—	—	165
Unrealized (loss) gains on derivative instruments during the period	(77)	72	68	195
Reclassification of realized gains on derivative instruments included in net income during the period	(80)	(107)	(258)	(308)
Total other comprehensive (loss) income, net of tax	(157)	(35)	(190)	52
Comprehensive income	6,736	7,573	20,250	20,933
Less: comprehensive income attributable to noncontrolling interests	5,615	—	19,129	—
Comprehensive income attributable to TWFG, Inc.	\$ 1,121	\$ 7,573	\$ 1,121	\$ 20,933

See Notes to the Condensed Consolidated Financial Statements

TWFG, Inc.
Condensed Consolidated Statements of Financial Position
(Amounts in thousands, except share/unit data)
(unaudited)

	September 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 191,196	\$ 39,297
Restricted cash	9,709	7,171
Commissions receivable, net	22,901	19,082
Accounts receivable	8,782	5,982
Deferred offering costs	—	2,025
Other current assets, net	1,539	1,551
Total current assets	234,127	75,108
Non-current assets		
Intangible assets - net	75,024	36,436
Property and equipment - net	682	597
Lease right-of-use assets - net	2,625	2,459
Other non-current assets	635	837
Total assets	\$ 313,093	\$ 115,437
Liabilities and Equity		
Current liabilities		
Commissions payable	\$ 14,438	\$ 12,487
Carrier liabilities	13,278	8,731
Operating lease liabilities, current	1,070	882
Short-term bank debt	1,897	2,437
Deferred acquisition payable, current	506	5,369
Other current liabilities	6,908	5,006
Total current liabilities	38,097	34,912
Non-current liabilities		
Operating lease liabilities, net of current portion	1,448	1,518
Long-term bank debt	4,490	46,919
Deferred acquisition payable, non-current	924	1,037
Total liabilities	44,959	84,386
Commitment and contingencies (see Note 15)		
Stockholders'/Members' Equity		
Members' Equity (631,750 common units issued and outstanding at December 31, 2023)	—	632
Class A common stock (\$0.01 par value per share - 300,000,000 authorized, 14,811,874 shares issued and outstanding at September 30, 2024)	148	—
Class B common stock (\$0.00001 par value per share - 100,000,000 authorized, 7,277,651 shares issued and outstanding at September 30, 2024)	—	—
Class C common stock (\$0.00001 par value per share - 100,000,000 authorized, 33,893,810 shares issued and outstanding at September 30, 2024)	—	—
Additional paid-in capital	57,159	25,114
Retained earnings	13,697	4,805
Accumulated other comprehensive income	82	500
Total stockholders' equity attributable to TWFG, Inc. /members' equity	71,086	31,051
Noncontrolling interests	197,048	—
Total stockholders'/members' equity	268,134	31,051
Total liabilities and equity	\$ 313,093	\$ 115,437

See Notes to the Condensed Consolidated Financial Statements

TWFG, Inc.
Condensed Consolidated Statements of Stockholders'/Members' Equity
(Amounts in thousands, except share/unit data)
(unaudited)

	Members' Equity		Class A Common Stock		Class B Voting Stock		Class C Voting Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity Attributable to TWFG, Inc./Members' Equity	Noncontrolling Interests	Total Stockholders'/Members' Equity
	Units	Amount	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2023	631,750	\$ 632	—	\$ —	—	\$ —	—	\$ —	\$ 25,114	\$ 4,805	\$ 500	\$ 31,051	\$ —	\$ 31,051
Net income	—	—	—	—	—	—	—	—	—	6,629	—	6,629	—	6,629
Shares issued	27,689	28	—	—	—	—	—	—	30,018	—	—	30,046	—	30,046
Cash distributions to members	—	—	—	—	—	—	—	—	—	(2,420)	—	(2,420)	—	(2,420)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	23	23	—	23
Balance at March 31, 2024	659,439	\$ 660	—	\$ —	—	\$ —	—	\$ —	\$ 55,132	\$ 9,014	\$ 523	\$ 65,329	\$ —	\$ 65,329
Net income	—	—	—	—	—	—	—	—	—	6,918	—	6,918	—	6,918
Cash distributions to members	—	—	—	—	—	—	—	—	—	(4,679)	—	(4,679)	—	(4,679)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(56)	(56)	—	(56)
Balance at June 30, 2024	659,439	\$ 660	—	\$ —	—	\$ —	—	\$ —	\$ 55,132	\$ 11,253	\$ 467	\$ 67,512	\$ —	\$ 67,512
Net income prior to the Reorganization Transactions and IPO (see Note 1)	—	—	—	—	—	—	—	—	—	1,290	—	1,290	—	1,290
Other comprehensive loss prior to the Reorganization Transactions and IPO	—	—	—	—	—	—	—	—	—	—	(33)	(33)	—	(33)
Effect of the Reorganization Transactions	(659,439)	(660)	2,161,874	22	7,277,651	—	33,893,810	—	(191,733)	—	(319)	(192,690)	192,690	—
Issuance of Class A common stock at the IPO, net of underwriting costs	—	—	12,650,000	126	—	—	—	—	200,548	—	—	200,674	—	200,674
Capitalized offering costs	—	—	—	—	—	—	—	—	(7,800)	—	—	(7,800)	—	(7,800)
Net income after the Reorganization Transactions and IPO	—	—	—	—	—	—	—	—	—	1,154	—	1,154	4,449	5,603
Other comprehensive loss after the Reorganization Transactions and IPO	—	—	—	—	—	—	—	—	—	—	(33)	(33)	(91)	(124)
Stock-based compensation	—	—	—	—	—	—	—	—	1,012	—	—	1,012	—	1,012
Balance at September 30, 2024	—	\$ —	14,811,874	\$ 148	7,277,651	\$ —	33,893,810	\$ —	\$ 57,159	\$ 13,697	\$ 82	\$ 71,086	\$ 197,048	\$ 268,134

See Notes to the Condensed Consolidated Financial Statements

TWFG, Inc.
Condensed Consolidated Statements of Stockholders'/Members' Equity (Continued)
(Amounts in thousands, except share/unit data)
(unaudited)

	Members' Equity		Class A Common Stock		Class B Voting Stock		Class C Voting Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity Attributable to TWFG, Inc./Members' Equity	Noncontrolling Interests	Total Stockholders'/Members' Equity
	Units	Amount	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2022	631,750	\$ 632	—	\$ —	—	\$ —	—	\$ —	\$ 25,114	\$ 32,180	\$ (140)	\$ 57,786	\$ —	\$ 57,786
Cumulative effect of change in accounting principle (see Note 2)	—	—	—	—	—	—	—	—	—	(271)	—	(271)	—	(271)
Adjusted balance at December 31, 2022	631,750	632	—	—	—	—	—	—	25,114	31,909	(140)	57,515	—	57,515
Net income	—	—	—	—	—	—	—	—	—	6,206	—	6,206	—	6,206
Cash distributions to members	—	—	—	—	—	—	—	—	—	(5,378)	—	(5,378)	—	(5,378)
Other distributions to members	—	—	—	—	—	—	—	—	—	(16,599)	—	(16,599)	—	(16,599)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	39	39	—	39
Impact of discontinued operation on accumulated other comprehensive income	—	—	—	—	—	—	—	—	—	—	775	775	—	775
Balance at March 31, 2023	631,750	\$ 632	—	\$ —	—	\$ —	—	\$ —	\$ 25,114	\$ 16,138	\$ 674	\$ 42,558	\$ —	\$ 42,558
Net income	—	—	—	—	—	—	—	—	—	7,067	—	7,067	—	7,067
Cash distributions to members	—	—	—	—	—	—	—	—	—	(5,186)	—	(5,186)	—	(5,186)
Other distributions to members	—	—	—	—	—	—	—	—	—	(3,195)	—	(3,195)	—	(3,195)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	48	48	—	48
Balance at June 30, 2023	631,750	\$ 632	—	\$ —	—	\$ —	—	\$ —	\$ 25,114	\$ 14,824	\$ 722	\$ 41,292	\$ —	\$ 41,292
Net income	—	—	—	—	—	—	—	—	—	7,608	—	7,608	—	7,608
Cash distributions to members	—	—	—	—	—	—	—	—	—	(2,599)	—	(2,599)	—	(2,599)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(35)	(35)	—	(35)
Balance at September 30, 2023	631,750	\$ 632	—	\$ —	—	\$ —	—	\$ —	\$ 25,114	\$ 19,833	\$ 687	\$ 46,266	\$ —	\$ 46,266

See Notes to the Condensed Consolidated Financial Statements

TWFG, Inc.
Condensed Consolidated Statements of Cash Flows
(Amounts in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2024	2023
Cash Flows from Operating Activities		
Net income	\$ 20,440	\$ 20,881
Less: Net income from discontinued operation, net of tax	—	834
Net income from continuing operations	20,440	20,047
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	8,966	3,340
Allowance for credit losses	69	—
(Gains) losses on sale of intangible assets and property and equipment	(86)	12
Stock-based compensation expense	1,012	—
Non-cash lease expense	756	503
Other non-cash items	(10)	5
Change in:		
Commission receivable	(3,889)	(4,216)
Accounts receivable	(2,800)	(1,667)
Other current and non-current assets	151	(74)
Commissions payable	1,951	4,284
Operating lease liabilities	(802)	(537)
Other current liabilities	3,121	1,567
Net cash provided by operating activities from continuing operations	28,879	23,264
Net cash provided by operating activities from discontinued operation	—	839
Net cash provided by operating activities	28,879	24,103
Cash Flows from Investing Activities		
Proceeds from disposition of intangible assets	84	524
Proceeds from disposition of property and equipment	2	2
Purchase of intangible assets	(21,395)	(6,315)
Purchase of property and equipment	(280)	(217)
Net cash used in investing activities from continuing operations	(21,589)	(6,006)
Net cash provided by investing activities from discontinued operation	—	64
Net cash used in investing activities	(21,589)	(5,942)
Cash Flows from Financing Activities		
Proceeds from borrowings	—	10,000
Repayment of borrowings	(42,968)	(1,973)
Distributions to members	(7,099)	(13,163)
Cash derecognized upon distribution of EVO to members (see Note 2)	—	(2,229)
Net proceeds from IPO, net of underwriting costs	200,674	—
Payment of deferred offering costs	(7,122)	(127)
Payment of equity issuance costs	(38)	—
Net change in carrier liabilities	4,547	1,414
Payment of deferred acquisition payable	(847)	(8)
Net cash provided by (used in) financing activities from continuing operations	147,147	(6,086)
Net cash used in financing activities from discontinued operation	—	(11,305)
Net cash provided by (used in) financing activities	147,147	(17,391)

See Notes to the Condensed Consolidated Financial Statements

TWFG, Inc.
Condensed Consolidated Statement of Cash Flows (continued)
(Amounts in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2024	2023
Net change in cash, cash equivalents and restricted cash from continuing operations	154,437	11,172
Net change in cash, cash equivalents and restricted cash from discontinued operation	—	(10,402)
Net change in cash, cash equivalents and restricted cash	154,437	770
Cash, cash equivalents and restricted cash from continuing operations - beginning balance	46,468	30,262
Cash, cash equivalents and restricted cash from discontinued operation - beginning balance	—	10,402
Cash, cash equivalents and restricted cash - beginning balance	46,468	40,664
Cash, cash equivalents and restricted cash - ending balance	200,905	41,434
Less: Cash, cash equivalents and restricted cash from discontinued operation - ending balance	—	—
Cash, cash equivalents and restricted cash from continuing operations - ending balance	\$ 200,905	\$ 41,434
Reconciliation of cash, cash equivalents and restricted cash, end of period:		
Cash and cash equivalents	\$ 191,196	\$ 33,623
Restricted cash	9,709	7,811
Cash, cash equivalents and restricted cash, end of period	\$ 200,905	\$ 41,434
Net change in cash and cash equivalents	\$ 151,899	\$ 890
Net change in restricted cash	2,538	(120)
Net change in cash, cash equivalents and restricted cash	\$ 154,437	\$ 770
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 2,298	\$ 328
Non-cash investing and financing activities:		
Additions to intangible assets and offsetting additions to deferred acquisition payable	\$ 396	\$ 1,395
Additions to intangible assets and offsetting additions to members' equity	\$ 25,560	\$ —
Additions to intangible assets and offsetting additions to other current liabilities	\$ 8	\$ —
Settlement of deferred acquisition payable through the issuance of Class A common units	\$ 4,524	\$ —
Distribution to members	\$ —	\$ 6,260

See Notes to the Condensed Consolidated Financial Statements

TWFG, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

TWFG, Inc. was incorporated as a Delaware corporation on January 8, 2024 for the purpose of facilitating an initial public offering ("IPO") of its common stock and other related reorganization transactions (the "Reorganization Transactions," which are further described below) in order to carry on the business of TWFG Holding Company, LLC ("TWFG Holding") and its consolidated subsidiaries. On July 19, 2024, TWFG, Inc. completed an IPO of 11,000,000 shares of its Class A common stock ("Class A Common Stock") at an initial public offering price of \$17.00 per share. On July 23, 2024, the underwriters purchased an additional 1,650,000 shares of Class A Common Stock at \$17.00 per share in connection with the underwriters' full exercise of their option to purchase additional shares. In these notes to the condensed consolidated financial statements, references to the "Company" refer to: (i) TWFG, Inc. and, unless otherwise stated or the context otherwise requires, all of its subsidiaries, including TWFG Holding, for all periods following the consummation of the Reorganization Transactions, including the IPO, and (ii) TWFG Holding and, unless otherwise stated or the context otherwise requires, all of its subsidiaries for periods prior to the completion of the Reorganization Transactions, including the IPO.

Following the Reorganization Transactions, the Company is a holding company with its principal asset being a controlling ownership interest in TWFG Holding and its consolidated subsidiaries. Information for any period prior to July 19, 2024 relates to TWFG Holding.

TWFG Holding is an independent distribution platform for personal and commercial insurance in the United States. The Company's corporate headquarters is in The Woodlands, Texas. TWFG Holding is the parent company of the following wholly-owned subsidiaries:

TWFG Insurance Services LLC ("TWFG-IS") is a national retail insurance agency that distributes personal lines, commercial lines, life, annuities, health, and supplemental benefits insurance products.

TWFG General Agency LLC ("TWFG-GA") is a Managing General Agency that distributes personal and commercial lines insurance products to independent agents, in addition to TWFG-IS agents.

TWFG Premium Finance LLC ("TWFG-PF") is an intermediary insurance premium financing company that offers premium financing for commercial insurance policies for Clients of TWFG-GA and TWFG-IS.

TWFG CA Premium Finance Company ("TWFG-CA PF") is an intermediary insurance premium financing company that offers premium financing for personal and commercial insurance Clients that purchase insurance from licensed California insurance agents. This entity was formed in 2022.

PSN Business Processing Inc. ("PSN") is a Philippine corporation with its principal office located in the Philippines. PSN is engaged in the business of providing back-office support to TWFG agents and the TWFG corporate office, specifically insurance-related and various administrative services.

Evolution Agency Management LLC ("EVO") is a software services company that offers agents complete agency management systems solutions. In May 2023, the Company distributed its equity interest in EVO to the owners of the Company. The distribution of EVO did not meet the criteria for discontinued operation reporting.

The Woodlands Insurance Company ("TWICO") is a Texas domiciled insurance company, formed in 2014, which currently writes homeowner's policies. TWICO is licensed in Texas and Louisiana. In 2023, the Company distributed its equity interest in TWICO to the owners of the Company. TWICO became a related party to the Company post-distribution. The Company has presented TWICO as a discontinued operation in these condensed consolidated financial statements. See Note 12 for additional information about the related party transactions between the Company and TWICO and Note 14 for additional information about the discontinued operation.

Prior to the consummation of the Reorganization Transactions and the IPO, substantially all of TWFG Holding's outstanding ownership interests in the form of limited liability company units (the "LLC Units"), including its Class A common unit interests, Class B common unit interests and Class C common unit interests, were owned beneficially by Bunch Family Holdings, LLC ("Bunch Holdings"), which is owned by Richard F. ("Gordy") Bunch III, the Chief

Executive Officer, Chairman and Director of the Company, RenaissanceRe Ventures U.S. LLC (“RenRe”), and GHC Woodlands Holdings LLC (“GHC” and collectively with Bunch Holdings and RenRe, together with each of their permitted transferees, the “Pre-IPO LLC Members”). Bunch Holdings was the ultimate controlling owner of TWFG Holding prior to the consummation of the Reorganization Transactions and the IPO.

On January 1, 2024, TWFG Holding issued a total of 27,689 new Class A common units to separate individuals and entities (collectively, the “New Members”) in connection with separate asset purchase agreements. See Note 4 for more information about the asset purchases.

Reorganization Transactions

In connection with the IPO, TWFG Holding completed the following series of transactions to implement an internal reorganization on July 19, 2024, which are collectively referred to as the Reorganization Transactions. The Pre-IPO LLC Members who retained their equity ownership in the LLC Units, following the consummation of the Reorganization Transactions are referred to as “Continuing Pre-IPO LLC Members”.

- The Company, TWFG Holding and each of the Pre-IPO LLC Members entered into the third amended and restated TWFG Holding LLC agreement (the “TWFG LLC Agreement”), which, among other things, appointed the Company as the sole managing member of TWFG Holding and modified the TWFG Holding capital structure by reclassifying the interests held by the Pre-IPO LLC Members and the New Members into a single new class of non-voting common interest units;
- TWFG, Inc.’s certificate of incorporation authorizes the issuance of three classes of common stock: Class A Common Stock, non-economic Class B common stock (“Class B Common Stock” or “Class B Voting Stock”) and non-economic Class C common stock (“Class C Common Stock” or “Class C Voting Stock”). Each share of Class A Common Stock entitles its holder to one vote per share on all matters submitted to a vote of the stockholders, each share of Class B Voting Stock entitles its holder to one vote per share on all matters submitted to a vote of the stockholders and each share of Class C common stock initially entitles its holder to ten votes per share on all matters submitted to a vote of the stockholders. Each share of non-economic Class C Common Stock is entitled to one vote per share automatically (i) 12 months following the death or disability of Richard F. (“Gordy”) Bunch III or (ii) upon the first trading day on or after such date that the outstanding shares of non-economic Class C Common Stock represent less than 10% of the then-outstanding Class A Common Stock, non-economic Class B Common Stock and non-economic Class C Common Stock, which, in either instance, may be extended to 18 months upon affirmative approval of a majority of the independent directors;
- 342,362 LLC Units held by Bunch Holdings were exchanged into 342,362 shares of Class A Common Stock of the Company;
- Bunch Holdings was issued 33,893,810 shares of non-economic Class C Common Stock, RenRe was issued 5,457,417 shares of non-economic Class B Common Stock; GHC was issued 1,820,234 shares of non-economic Class B Common Stock; and the New Members were issued 1,819,512 shares of Class A Common Stock, each in an amount equal to the number of LLC Units previously held by each such Pre-IPO LLC Member and New Members;
- Under the TWFG LLC Agreement, the Pre-IPO LLC Members have the right, from and after the completion of the IPO, to require TWFG Holding to redeem all or a portion of their LLC Units for, at the Company’s election, newly-issued shares of Class A Common Stock on a one-for-one basis or a cash payment equal to the volume weighted average market price of one share of Class A Common Stock for each LLC Unit redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the TWFG LLC Agreement. Additionally, in the event of a redemption request by a holder of LLC Units, the Company may, at its option, effect a direct exchange of cash or Class A Common Stock for LLC Units in lieu of such a redemption. Shares of non-economic Class B Common Stock or non-economic Class C Common Stock, as applicable, will be cancelled on a one-for-one basis if the Company, following a redemption request of a holder of LLC Units, redeems or exchanges LLC Units of such holder of LLC Units pursuant to the terms of the TWFG LLC Agreement. Except for transfers to the Company pursuant to the TWFG LLC Agreement or to certain permitted transferees, the holders of LLC Units are not permitted to sell, transfer or otherwise dispose of any LLC Units or shares of non-economic Class B Common Stock or non-economic Class C Common Stock;
- The Company used the net proceeds from the IPO (including the net proceeds received from the underwriters exercising their option to purchase additional shares of Class A Common Stock) to acquire a number of newly-issued LLC Units equal to the number of shares of Class A Common Stock issued in the IPO from TWFG

Holding, at a purchase price per LLC Unit equal to the initial public offering price of Class A Common Stock after underwriting discounts and commissions; and

- The Company caused TWFG Holding to use the proceeds it received from the sale of LLC Units to the Company to pay fees and expenses of approximately \$7.8 million in connection with the IPO and the Reorganization Transactions and to repay in full outstanding debt under the Revolving Credit Agreement in the amount of \$41.0 million.

As part of the Reorganization Transactions, the Company entered into a tax receivable agreement that obligates the Company to make payments to the Continuing Pre-IPO LLC Members and any future party to the tax receivable agreement generally equal to 85% of the applicable cash savings that the Company actually realizes as a result of certain tax basis adjustments resulting from the purchase of LLC Units from any of the Continuing Pre-IPO LLC Members using the net proceeds from any future offering, future taxable redemptions or exchanges of LLC Units by the holders of LLC Units and from payments made under the tax receivable agreement, as well as tax benefits related to imputed interest resulting from payments made under the tax receivable agreement. The Company retains the benefit of the remaining 15% of these tax savings. The corporate structure following the completion of the IPO and Reorganization Transactions, as described above, is commonly referred to as an "Up-C" structure, which is used by partnerships and limited liability companies when they undertake an IPO of their business. The Up-C structure will allow the Continuing Pre-IPO LLC Members to continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or "pass-through" entity, for income tax purposes following the IPO.

On July 19, 2024, in connection with the Reorganization Transactions, immediately prior to the IPO, the Company issued (i) 2,161,874 shares of Class A Common Stock in exchange for 342,362 LLC Units held by Bunch Holdings and 1,819,512 LLC Units held by the New Members, (ii) 7,277,651 shares of Class B Common Stock to RenRe and GHC for consideration of \$0.00001 per share and (iii) 33,893,810 shares of Class C Common Stock for consideration of \$0.00001 per share to Bunch Holdings.

Immediately following the closing of the IPO, TWFG Holding is the predecessor of the Company for financial reporting purposes. As sole managing member of TWFG Holding, the Company has sole authority to determine the amount and timing of distributions from TWFG Holding. Because the Company manages and operates the business and controls the strategic decisions and day-to-day operations of TWFG Holding and also has a substantial financial interest in TWFG Holding, the Company consolidates the financial results of TWFG Holding, and a portion of the Company's net income is allocated to the noncontrolling interests to reflect the entitlement of the Pre-IPO LLC Members to a portion of TWFG Holding's net income. In addition, because TWFG Holding is under the control of Bunch Holdings before and after the Reorganization Transactions, the Company accounts for the Reorganization Transactions as a reorganization of entities under common control and initially measured the assets and liabilities of TWFG Holding at their carrying amounts as of the date of the completion of these Reorganization Transactions.

Basis of Presentation

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its subsidiaries. TWFG Holding was determined to be a variable interest entity and the Company is considered the primary beneficiary and sole managing member of TWFG Holding and has decision making authority that significantly affects the performance of the entity. The Company consolidates TWFG Holding in its condensed consolidated financial statements and records noncontrolling interests representing the portion of earnings attributable to the economic interest in TWFG Holding held by the Continuing Pre-IPO LLC Members. All intercompany transactions and balances have been eliminated in consolidation.

The condensed consolidated financial statements reflect all adjustments necessary to present fairly the Company's condensed consolidated financial position, results of operations, and cash flows for all periods presented. Such adjustments are normal and recurring in nature. Certain prior period amounts have been reclassified to conform with the current period presentation.

The Company is an emerging growth company and elects to avail itself of the extended transition period for complying with new or revised accounting standards.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and

liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions reflected within these condensed consolidated financial statements include, but are not limited to, revenue recognition, intangible assets, lease right-of-use assets, operating lease liabilities, and acquisitions. Actual results could differ from those estimates as more information becomes known.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company applies the following five-step model in order to determine revenue recognition: (i) identification of the contract with a customer; (ii) identification of the performance obligations in the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when the Company satisfies each performance obligation.

The Company only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the services it transfers to the customer.

Commission Income

The Company derives its revenues from the placement of insurance contracts between insurance carriers and insureds. Revenues are recognized when the performance obligation of placing the policy has been met and the policy is in effect, based on the effective date of the policy. Commission income is an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. The Company does not have any significant financing components. Costs incurred to place a contract are expensed as incurred. The Company incurs costs to place the contracts, primarily through commissions paid to agents.

The Company's customers are insurance carriers, as the Company acts as an agent to the insureds to identify a policy and carrier that best meets the needs of the insured. The Company contracts with various insurance carriers and earns commissions for the initial term of the policy on policies placed with insurance carriers. Contracts with the insurance carriers are non-exclusive and can typically be terminated unilaterally by either party. Additionally, the Company and the insurance carrier can agree to amend provisions in the contracts relating to the prospective commission rates paid to the Company for new policies sold.

Revenue from performance obligations is satisfied at the point in time in which the current term of the policy is placed and effective. These contracts are sold by the Company on behalf of the insurance carriers to the policyholder. For performance obligations related to the placement of insurance contracts, control transfers to the policyholder at a point in time at which all performance obligations have been fulfilled as evidenced by the binding of a policy. Commissions are established by contract between the Company and the insurance carrier and are calculated as a percentage of premium for the underlying insurance contract. The Company records revenue when the underlying insurance contracts are bound for the commission expected to be received for the current term of the policy, net of any estimated refunds due to policy cancellations. Commissions related to renewed policies are recognized at the time the policy renews and the new policy becomes effective. The only material promise to be performed by the Company is to sell the policy. While agreements may indicate certain administrative support such as to provide the underlying insured with policy information, such promises are immaterial in the context of the contract and are not identified as performance obligations. Additionally, the Company has concluded that they are required to "re-sell" the policy on an annual basis. As a result, a performance obligation exists for each policy term. This coincides with the efforts of placing renewed policies with the insurance carrier.

The transaction price is the total commission the Company expects to receive from the insurance carrier for the current term of the policy. The transaction date is determined by the effective date of the insurance policy. Policies are subject to cancellation at the discretion of the insured, and such a cancellation would result in the Company's commission being limited to the period that the policy was in force. The Company estimates any expected variable consideration, endorsements, or cancellations, based on historical information and data collected from external sources, at the time revenue is recorded.

Contingent Income

Contingent income is earned from the insurance carriers to drive incremental policy sales when the Company meets or exceeds certain premium volumes and/or falls below specific loss ratio quotas predetermined by its insurance carriers. The Company utilizes the expected value approach to estimate contingent income that incorporates a combination of historical payment data by insurance carriers and the current-year production forecast data used to

estimate the amount of contingent income expected to be received from the insurance carriers. Because of the uncertainty regarding the amount estimated to be received, the Company constrains the recognition of contingent income until information from the insurance carrier regarding the amount owed by the insurance carriers to the Company is received and is probable to avoid reversal of contingent income in the future period. The uncertainty regarding the estimated contingent income is primarily in the profitability of the insurance policies placed, as determined by the loss ratios maintained by the insurance carriers. The uncertainty is resolved upon receiving notification from the insurance carrier regarding actual profitability results. Contingent income is not refundable.

Fee Income

Fee income is comprised primarily of policy fees, branch fees, license fees and third-party administrator ("TPA") fees.

The Company receives policy fees as compensation for administrative services performed in connection with the placement and issuance of certain policies that are in addition to and separate from commissions paid by the insurance carriers. Policy fees are recognized at the point in time in which an insurance policy is bound and issued on the effective date of certain policies. Policy fees are not refundable.

Branch fees include the monthly recurring fees assessed for the ongoing customer service and back-office support provided to independent branches operating exclusively through the Company pursuant to an exclusive branch agreement and a one-time branch onboarding fee. The Company's performance obligation related to branch fees is largely satisfied, and the related revenue is recognized at a point in time, when the services are rendered, typically monthly. Branch fees are deducted from the monthly commissions paid to the branch.

License fees include usage-based fees, which are typically priced as a specified fee per user and assessed by the Company for the use of its proprietary applications. The Company's performance obligation related to license fees is largely satisfied, and the related revenue is recognized at a point in time, when the services are rendered, typically monthly.

TPA fees are related to services performed based on service agreements with a few insurance carriers. Revenues associated with TPA fees are recognized at a point in time, when the services are performed, which is typically monthly.

Other Income

Other income is comprised primarily of income earned for facilitating premium financing arrangements, fees assessed for agent conventions, interest income, and other miscellaneous income.

Cash and Cash Equivalents

Cash and cash equivalents primarily include demand deposits with financial institutions and highly liquid investments with original maturities of three months or less that are not managed by external or internal investment advisors.

Restricted Cash

In certain cases, the Company collects premiums from insureds and, after deducting our commissions and fees, remits the premiums to insurance carriers. The Company also collects surplus line taxes for remittance to state taxing authorities. Additionally, the Company has an agreement with certain insurance carriers whereby it remits claim payments and/or premium refunds to the insured on behalf of the insurance carriers. While the Company is in possession of the premiums, claims payments and surplus line taxes, the Company may invest those funds in interest-bearing demand deposit accounts with banks, in which interest income on these unremitted amounts is included in Other non-operating income (expense), net in the Condensed Consolidated Statements of Operations. These unremitted amounts are reported as Restricted cash in the Condensed Consolidated Statements of Financial Position. Restricted cash amounting to \$9.7 million and \$7.2 million as of September 30, 2024 and December 31, 2023, respectively, is comprised of interest-bearing bank deposits.

In its role as an insurance intermediary, the Company collects and remits amounts between the insureds and insurance carriers. Because these amounts are collected on behalf of third parties, they are excluded from the measurement of the transaction price when applying the revenue recognition guidance. Similarly, the Company excludes surplus lines taxes from the measurement of the transaction price, as these are assessed by and remitted to governmental authorities. The Company recognizes the amounts collected on behalf of others, including insureds and insurance carriers, as Accounts receivable and the associated Carrier liabilities on the Condensed

Consolidated Statements of Financial Position. The Company does not have any rights or obligations in connection with these amounts with the exception of segregating these amounts from the Company's operating funds and paying them when they are due.

As of September 30, 2024 and December 31, 2023, the Company reported Carrier liabilities amounting to \$13.3 million and \$8.7 million, respectively. Carrier liabilities are recognized based on premiums written, while Restricted cash is recorded based on premiums collected. This basis difference, coupled with the timing of settling the commissions and fees on collected premiums, resulted in differences between the amount reported in Restricted cash and Carrier liabilities.

Receivables

Commissions receivable represents commissions earned but outstanding along with the estimated contingent commissions.

Accounts receivable represents premiums billed by TWFG-GA on behalf of certain insurance carriers. These amounts, less commission, are remitted to the insurance carriers upon collection.

Allowance for Credit Losses

On January 1, 2023, the Company adopted the current expected credit losses methodology ("CECL") for estimating allowances for credit losses for most financial assets. The Company adopted the CECL methodology using a modified retrospective method, which requires a cumulative effect adjustment to its opening retained earnings. Upon adoption of the CECL methodology, the Company recorded a total allowance for credit losses of \$0.3 million, which was primarily related to Receivables from agents, included in Other current assets, net, in the Condensed Consolidated Statements of Financial Position, and to a lesser extent, Commissions receivable.

The allowance for credit losses is maintained on Commissions receivable and Receivables from agents, included in Other current assets, net, in the Condensed Consolidated Statements of Financial Position. The determination of the credit allowance is based on a quarterly evaluation of each of these receivables, including general economic conditions and estimated collectability. The Company evaluates the collectability of its receivables based on a combination of credit quality indicators, including, but not limited to, payment status, historical charge-offs, and financial strength of the insurance carriers for Commissions receivable, and production performance and age of balances for Receivables from agents. A receivable is considered to have deteriorated in credit quality when, based on current information and events, it is probable that the Company will be unable to collect all amounts due. As of September 30, 2024 and December 31, 2023, the total allowance for credit losses was \$0.4 million and \$0.3 million, respectively.

No allowance for credit losses was required related to Accounts receivable as of September 30, 2024 and December 31, 2023.

Intangible Assets

Intangible assets are stated at cost, less accumulated amortization, and consist of computer software development costs, non-compete agreements, and purchased customer lists. Computer software development costs are amortized on the straight-line method over three or five years. Non-compete agreements are amortized on the straight-line method over the term of the non-compete agreements. Customer lists represent amounts paid by insurance agencies to buy a list of active policies or insureds. As these policies renew, the Company realizes an income stream from commissions. Customer lists are amortized on the straight-line method over eight to ten years.

The Company acquires intangible assets in connection with acquisition transactions. In each acquisition transaction, the Company assesses whether the transaction should follow accounting guidance applicable to an asset acquisition or a business combination. This assessment requires an evaluation of whether the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, resulting in an asset acquisition or, if not, resulting in a business combination. An asset acquisition is an acquisition of an asset, or a group of assets, that does not meet the definition of a business.

The Company accounts for asset acquisitions using the cost accumulation and allocation model, whereby the costs of acquisition are allocated to the assets acquired on a relative fair value basis in accordance with the Company's accounting policies. The acquired intangible assets are recorded at fair value, which is determined based on multiples of revenue or Adjusted EBITDA, growth rates, and loss ratios of the intangible assets acquired. The

methods and assumptions used to determine the purchase price and the estimated useful lives of intangible assets require significant judgment.

Intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. If indicators of impairment exist, the Company assesses the recoverability of its intangible assets by reviewing the estimated future undiscounted cash flows generated by the corresponding asset or asset group. If based on the assessment, the Company determines that the intangible assets are impaired, such assets are written down to their fair values with the related impairment losses recognized in the Condensed Consolidated Statements of Operations. There were no impairments recorded for the three and nine months ended September 30, 2024 and 2023.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Maintenance, minor repairs, and replacements are charged directly to expense as incurred, while major renewals and betterments are capitalized. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in the results of operations.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Life
Automobiles	5 years
Computer equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	Lesser of the estimated useful life or the underlying lease term
Office equipment	5 - 7 years

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. If indicators of impairment exist, the Company assesses its recoverability by reviewing the estimated future undiscounted cash flows generated by the corresponding asset or asset group. If based on the assessment, the Company determines that the property and equipment are impaired, such assets are written down to their fair values with the related impairment losses recognized in the result of operations. There were no impairments recorded for the three and nine months ended September 30, 2024 and 2023.

Assets for disposal are reported at the lower of the carrying value or fair value, less costs to sell.

Deferred Offering Costs

Deferred offering costs, which consist of direct incremental legal, accounting, consulting, and other fees and expenses related to the IPO were capitalized in Deferred offering costs on the Condensed Consolidated Statements of Financial Position. The deferred offering costs were offset against IPO proceeds upon the consummation of the IPO. Upon closing of the IPO on July 19, 2024, total deferred offering costs of \$7.8 million were reclassified to additional paid-in capital to offset the IPO proceeds. The Company had no deferred offering costs as of September 30, 2024.

Commissions Payable

Commissions payable represents commissions due to agents for services provided for the placement of insurance contracts. The Company records the commission expense and the related commissions payable on the effective date of the policy based on the estimated total premium for the term of the policy adjusted for any expected variable consideration, endorsements or cancellations based on historical information at the time the expense is recorded.

Leases

The Company evaluates contracts entered into to determine whether the contract involves the use of an identified asset. The Company then evaluates whether it obtains substantially all economic benefits from the use of the asset, and whether it has the right to direct the use of the asset. If these criteria are met and a lease has been identified,

the Company accounts for the contract under the requirements of the Accounting Standards Codification ("ASC") 842, *Leases*.

The Company's leased assets consist primarily of real estate for occupied offices and office equipment. Leases with a lease term of 12 months or less at inception are not recorded on the Condensed Consolidated Statements of Financial Position and are expensed on a straight-line basis over the lease term. The Company determines the lease term by assessing the renewal options with the lessor and includes lease extension (or termination) options only when options are reasonably certain of being (or not being) exercised. All of the Company's real estate and office equipment leases are recognized as operating leases. The Company does not sublease any of its leases. The Company elected the practical expedient to not separate non-lease and lease components and rather account for them as a single lease component of the underlying assets. The Company has no variable lease payments in any of its leases.

The Company recognizes lease right-of-use ("ROU") assets and operating lease liabilities on the Condensed Consolidated Statements of Financial Position for operating lease agreements. Lease liabilities are measured at the lease commencement date as the present value of the future lease payments determined. As the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate on the lease commencement date. ROU assets are measured as the lease liability plus initial direct costs and prepaid lease payments less lease incentives.

Derivatives

The Company uses derivative financial instruments, i.e., interest rate swaps, to manage its interest rate exposure associated with some of its borrowings. The Company does not hold or issue derivative instruments for trading or speculative purposes. Derivative instruments are recognized as assets or liabilities at fair value on the Condensed Consolidated Statements of Financial Position.

At the inception of the hedging relationship, the Company formally documents its designation of the hedge as a cash flow hedge and the risk management objective and strategy for undertaking the hedging transaction. The Company identifies how the hedging instrument is expected to hedge the designated risks related to the hedged item and the method that will be used to retrospectively and prospectively assess the hedge effectiveness and the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the hedge accounting relationship. For derivative instruments designated as a cash flow hedge, all changes in the fair value of the hedging derivative are reported within accumulated other comprehensive income and the related gains or losses on the derivative are reclassified into earnings when the cash flows of the hedged item affect earnings. For a derivative not designated as a hedge, changes in the derivative's fair value and any income received or paid on derivatives at the settlement date are included in earnings. See Note 6 for additional information about the Company's derivative instruments.

The Company discontinues hedge accounting prospectively when: (1) it determines the derivative is no longer highly effective in offsetting changes in the estimated cash flows of a hedged item; (2) the derivative expires, is sold, terminated, or exercised; or (3) the derivative is de-designated as a hedging instrument. When hedge accounting is discontinued, the derivative continues to be carried on the Condensed Consolidated Statements of Financial Position at fair value, with changes in fair value recognized in earnings.

Fair Value Measurements

ASC 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes and ranks the level of observability of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements).

The three levels of the fair value hierarchy under ASC 820 are as follows:

Level I – Observable inputs such as quoted prices for identical assets in active markets;

Level II – Inputs other than quoted prices for identical assets in active markets, that are observable either directly or indirectly; and

Level III – Unobservable inputs in which there is little or no market data which requires the use of valuation techniques and the development of assumptions.

The carrying amount of financial assets and liabilities reported in the Condensed Consolidated Statements of Financial Position for Cash and cash equivalents, Restricted cash, Commissions receivable, Accounts receivable, Other current assets, Commissions payable, Carrier liabilities, and Other current liabilities at September 30, 2024 and December 31, 2023, approximate fair value because of the short-term duration of these instruments. See *Notes 6 and 8 for discussions of fair value measurements related to derivative instruments and debt.*

Noncontrolling Interests

Pursuant to the Reorganization Transactions, as described in Note 1, the Company is organized in an “Up-C” structure with the Company owning only a portion of its consolidated subsidiaries. Noncontrolling interests represent the economic interests in TWFG Holding held by the Continuing Pre-IPO LLC Members. Income or loss is attributed to the noncontrolling interests based on the weighted average Pre-IPO Members’ LLC Unit interests outstanding during the period. The noncontrolling interests can be exchanged at the election of the Company, for shares of Class A Common Stock on a one-for-one basis or a cash payment equal to the volume weighted average market price of one share of Class A Common Stock for each LLC Unit exchanged. The noncontrolling interests’ ownership percentage can fluctuate over time as the Continuing Pre-IPO LLC Members elect to exchange their LLC Units, together with their corresponding shares of Class B and Class C Common Stock, for Class A Common Stock. Because redemptions for cash is solely within the control of the Company, noncontrolling interests are presented in permanent equity.

Stock-Based Compensation

The Company has granted restricted stock units (“RSUs”) under its 2024 Omnibus Incentive Plan. The Company measures all RSUs granted to employees, directors and non-employees at fair value at each grant date based on the price of the Company’s common stock at the date of grant.

The Company has granted RSUs that are subject to service-based vesting conditions. There are no performance conditions attached to the RSUs granted by the Company. Compensation expense for grants to employees and directors with service-based vesting conditions is recognized using the straight-line method over the requisite service period, which is generally the vesting period of the respective award. Compensation expense for grants to non-employees with service-based vesting conditions is recognized in the same manner as if the Company had paid cash in exchange for the goods or services, which is generally over the vesting period of the award. The Company accounts for forfeitures as they occur.

All stock-based compensation expense is recorded in salaries and employee benefits in the Condensed Consolidated Statements of Operations.

Earnings Per Share

The Company’s basic earnings (loss) per share attributable to Class A common stockholders is calculated by dividing the net income (loss) attributable to the Company by the weighted-average number of shares of Class A Common Stock outstanding. The computation of net income (loss) attributable to the Company is computed by deducting net income or loss attributable to noncontrolling interests from the consolidated net income or loss. Shares of Class B Common Stock and Class C Common Stock do not share in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings (loss) per share of Class B and Class C Common Stock under the two-class method has not been presented.

Diluted earnings (loss) per share is computed by adjusting the net income (loss) available to the Company and the weighted average shares outstanding to give effect to potentially dilutive securities.

Income Taxes

The Company is the managing member of TWFG Holding and, as a result, consolidates the financial results of TWFG Holding in the unaudited condensed consolidated financial statements. TWFG Holding is a pass-through entity for U.S. federal and most applicable state and local income tax purposes following the Reorganization Transactions effected in connection with the IPO. As an entity classified as a partnership for tax purposes, TWFG Holding is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by TWFG Holding is passed through to and included in the taxable income or loss of its members, including the Company. The Company is taxed as a corporation and pays corporate federal, state and local taxes

with respect to income allocated from TWFG Holding, based on the Company's ownership interest in TWFG Holding during each reporting period.

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the consolidated financial statements or in the Company's tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent it believes, based upon the weight of available evidence, that it is more likely than not that all or a portion of the deferred tax assets will not be realized, a valuation allowance is established through a charge to income tax expense. Potential for recovery of deferred tax assets is evaluated by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.

Income tax expense was \$0.4 million for the three and nine months ended September 30, 2024. The estimated effective tax rate was 5.96% and 2.09% for the three and nine months ended September 30, 2024, respectively, which is different from the 21% statutory rate primarily because prior to the completion of the Reorganization Transactions, the Company was taxed as a partnership and the taxable income was included in the taxable income of its members. Additionally, income tax expense is recognized only on the portion of earnings attributable to the Company in the periods following the consummation of the Reorganization Transactions.

The Company accounts for uncertainty in income taxes recognized in the consolidated financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more likely than not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the consolidated financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The provision for income taxes includes the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate as well as the related net interest and penalties. The Company has determined there are no material uncertain tax positions as of September 30, 2024.

Segment

The Company operates its business as a single operating and reportable segment, which is consistent with how its chief operating decision maker ("CODM") reviews financial performance and allocates resources.

Recent Accounting Pronouncements Not Yet Adopted

Segment Reporting

In November 2023, the Financial Accounting Standards Board ("FASB") issued an accounting standard that is intended to improve reportable segment disclosure requirements. The standard requires disclosures to include significant segment expenses that are regularly provided to the CODM, a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU also requires all annual disclosures currently required by the standard to be included in interim periods. The update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted and requires retrospective application to all prior periods presented in the financial statements. The Company intends to adopt the new standard in its annual consolidated financial statements as of and for the year ending December 31, 2024. The Company expects the adoption of the standard to have an impact on its disclosures; however, the standard will not have an impact on its Condensed Consolidated Statements of Financial Position, Operations or Cash Flows.

Income Taxes

In December 2023, the FASB issued an accounting standard that requires disaggregated income tax disclosures for specific categories on the effective tax rate reconciliation, and additional information about federal, state, local and foreign income taxes. The standard also requires annual disclosure of income taxes paid (net of refunds received), disaggregated by jurisdiction. This guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be applied on a prospective basis, although optional retrospective application is permitted. The Company is currently evaluating the impact this standard will have on its financial statement disclosures.

3. REVENUES

The following table presents the disaggregation of revenues by major source (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Commission income	\$ 48,240	\$ 43,993	\$ 139,447	\$ 122,451
Contingent income	1,383	1,035	3,717	3,023
Fee income				
Policy fees	1,064	580	2,510	1,656
Branch fees	1,172	824	3,523	2,134
License fees	495	555	1,454	2,090
TPA fees	159	148	324	463
Other income	2,127	575	3,244	1,125
Total revenues	\$ 54,640	\$ 47,710	\$ 154,219	\$ 132,942

The Company operates through two primary offerings, which are Insurance Services and TWFG MGA. The following table presents the disaggregation of revenues by offerings (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Insurance Services				
Agency-in-a-box	\$ 34,000	\$ 35,895	\$ 100,418	\$ 102,539
Corporate Branches	9,234	1,755	25,861	4,259
TWFG MGA	9,490	9,538	25,213	24,417
Other	1,916	522	2,727	1,727
Total revenues	\$ 54,640	\$ 47,710	\$ 154,219	\$ 132,942

As of September 30, 2024 and December 31, 2023, the Commissions receivable reported in the Condensed Consolidated Statements of Financial Position had a balance of \$22.9 million and \$19.1 million, respectively, and had an opening balance of \$15.0 million as of January 1, 2023. As of September 30, 2024, the aging of Commissions receivable is 61.9% for current, 6.7% for 31-60 days and the remainder is over 61 days. As of December 31, 2023, the aging of commissions receivable is 73.2% for current, 8.8% for 31-60 days and the remainder is over 61 days. The Company has no contract liabilities as of September 30, 2024, December 31, 2023, and January 1, 2023.

Other than The Progressive Corporation, which accounted for 11% and 12% of total revenues for the three and nine months ended September 30, 2024, respectively, and 10% and 11% of total revenues for the three and nine months ended September 30, 2023, respectively, no other customers individually accounted for 10% or more of the Company's total revenues for the three and nine months ended September 30, 2024 and 2023.

4. INTANGIBLE ASSETS

In April 2023, the Company purchased the assets of Ralph E. Wade Insurance Agency Inc. ("Wade"), which resulted in the Company recording an increase in customer lists intangible assets of \$4.3 million. Immediately following the asset purchase, the Company sold 10.9% interest in the asset purchased from Wade to American Insurance Strategies, LLC ("AIS") for a total consideration of \$0.5 million.

In May 2023, the Company purchased 50.1% of the assets of Luczkowski Insurance Agency Inc. ("Luczkowski") and Jim Kelly Insurance Agency Inc. ("Kelly"), which resulted in the Company recording an increase in customer lists intangible assets of \$0.6 million from the Luczkowski asset purchase and \$1.1 million from the Kelly asset purchase.

In October 2023, the Company purchased the assets of Jeff Kincaid Insurance Agency, Inc. ("Kincaid"), which resulted in the Company recording an increase in customer lists intangible assets of \$11.8 million. In December

2023, the Company purchased the assets of Brinson, Inc. ("Brinson"), which resulted in the Company recording an increase in customer lists intangible assets of \$2.0 million. In January 2024, the Company issued a total of 4,164 Class A common units to settle the equity component of the Kincaid and Brinson asset purchase considerations.

The Company previously acquired partial interests in the assets of AIS, Luczkowski, and Kelly and operated them as corporate branches. In January 2024, the Company acquired the remaining interests in the assets of AIS, Luczkowski, and Kelly for a total purchase price of \$5.2 million, converting them to wholly owned corporate branches. The Company paid the total purchase price related to these asset acquisitions through the issuance of equity.

In January 2024, the Company acquired the assets of nine of its independent branches and converted those independent branches to corporate branches. The transactions resulted in the Company recording an increase in customer list intangible assets of \$40.8 million. The Company issued equity and paid cash amounting to \$20.4 million in settlement for the total purchase price.

In addition to the acquisitions described above, the Company purchased customer lists intangible assets totaling \$0.9 million for the nine months ended September 30, 2024 and \$0.9 million for the year ended December 31, 2023, representing purchases of assets with annualized revenue of less than \$0.5 million.

The following table presents information about the Company's intangible assets (in thousands):

	September 30, 2024				December 31, 2023			
	Customer Lists	Computer Software	Non-Compete Agreements	Total	Customer Lists	Computer Software	Non-Compete Agreements	Total
Cost								
Balance, beginning of period	\$ 48,997	\$ 7,858	\$ 275	\$ 57,130	\$ 29,177	\$ 8,472	\$ 275	\$ 37,924
Additions ⁽¹⁾	46,822	537	—	47,359	20,678	1,129	—	21,807
Disposals ⁽²⁾	—	—	—	—	(858)	(1,743)	—	(2,601)
Balance, end of period	95,819	8,395	275	104,489	48,997	7,858	275	57,130
Accumulated amortization	22,765	6,432	268	29,465	14,779	5,684	231	20,694
Net carrying amount, end of period	\$ 73,054	\$ 1,963	\$ 7	\$ 75,024	\$ 34,218	\$ 2,174	\$ 44	\$ 36,436

	2024				2023			
	Customer Lists	Computer Software	Non-Compete Agreements	Total	Customer Lists	Computer Software	Non-Compete Agreements	Total
Three Months Ended September 30,								
Amortization expense	\$ 2,675	\$ 240	\$ 5	\$ 2,920	\$ 796	\$ 253	\$ 29	\$ 1,078
Nine Months Ended September 30,								
Amortization expense	\$ 7,986	\$ 747	\$ 38	\$ 8,771	\$ 2,162	\$ 894	\$ 87	\$ 3,143

(1) The acquired customer lists in 2024 and 2023 have a weighted average amortization period of 8 years.

(2) For the three and nine months ended September 30, 2024, the Company recognized \$0.02 million and \$0.08 million gain on sale of customer lists, respectively. For both the three and nine months ended September 30, 2023, \$0.01 million loss on sale of customer lists was recognized by the Company.

The following table presents the future amortization for intangible assets as of September 30, 2024 (in thousands):

	Customer Lists	Computer Software	Non-Compete Agreements
Remainder of 2024	\$ 2,670	\$ 224	\$ 4
2025	10,670	606	3
2026	10,613	497	—
2027	10,566	399	—
2028	10,530	212	—
Thereafter	28,005	25	—
Total	\$ 73,054	\$ 1,963	\$ 7

5. OPERATING LEASES

The following table summarizes the Company's lease costs and supplemental cash flow information related to its operating leases (dollar amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease costs reported in Other administrative expenses	\$ 263	\$ 185	\$ 789	\$ 515
Short-term operating lease costs reported in Other administrative expenses	23	3	96	13
Total lease costs	\$ 286	\$ 188	\$ 885	\$ 528
Weighted average remaining lease term (in years)			3.0 years	3.5 years
Weighted average discount rate			3.49 %	2.69 %
Supplemental cash flow information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows used in operating leases reported in Change in operating lease liabilities	\$ 284	\$ 203	\$ 833	\$ 549
Operating lease non-cash items:				
Non-cash right-of-use assets obtained in exchange for new operating lease liabilities, net of terminations	\$ 116	\$ (89)	\$ 924	\$ 459

The estimated future minimum payments of operating leases as of September 30, 2024 (in thousands):

Remainder of 2024	\$ 291
2025	1,134
2026	820
2027	374
2028	167
2029	4
Total undiscounted future lease payments	2,790
Less: imputed interest	(272)
Present value of lease liabilities	\$ 2,518

6. DERIVATIVES

On July 30, 2019, and December 4, 2020, the Company entered into interest rate swap agreements to manage its exposure to interest rate fluctuations related to the Company's term loans. At inception, the Company designated the interest rate swap agreements as cash flow hedges. The interest rate swap agreement entered on July 30, 2019 with the original notional amount of \$4.0 million matured on July 30, 2024. As of September 30, 2024 and December 31, 2023, the interest rate swaps continue to be effective hedges. The original notional amount of the interest rate swaps as of September 30, 2024 and December 31, 2023 was \$13.0 million and \$17.0 million, respectively. The current notional amount of the interest rate swaps as of September 30, 2024 and December 31, 2023 was \$6.4 million and \$8.4 million, respectively.

The fair value of the interest rate swaps as of September 30, 2024 and December 31, 2023 was \$0.3 million and \$0.5 million, respectively, which was included in Other non-current assets, except for the portion that relates to maturities within the next twelve months. The derivative assets fair value as of September 30, 2024 and December 31, 2023 was determined using the Level II inputs described in Note 2.

The maturity date for the current interest rate swap is December 6, 2027, which correspond with the debt maturity date. As of September 30, 2024, the Company expects \$0.2 million of unrealized gains from the interest rate swap to be reclassified into earnings over the next twelve months.

7. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following as of the dates indicated (in thousands):

	September 30, 2024	December 31, 2023
Accrued salaries and bonus expenses	\$ 2,264	\$ 522
Accrued professional fees	914	605
Accounts payable	768	1,566
Income tax payable	437	—
Other current liabilities	2,525	2,313
	<u>\$ 6,908</u>	<u>\$ 5,006</u>

8. DEBT

The following is a summary of the Company's outstanding debt (in thousands):

	September 30, 2024	December 31, 2023
Term Loans		
5-year term loan, periodic interest and monthly principal payments, Daily Simple SOFR + 0.11448% SOFR adjustment, matures July 30, 2024	\$ —	\$ 584
7-year term loan, periodic interest and monthly principal payments, Daily Simple SOFR + 0.11448% SOFR adjustment, matures December 6, 2027	6,387	7,772
Total term loans	6,387	8,356
Revolving Facility		
5-year revolving credit facility, periodic interest payments, Term SOFR + 0.10% SOFR adjustment + 2% up to 2.75% applicable margin based on the consolidated leverage ratio, plus commitment fees of 0.20% up to 0.35% based on the consolidated leverage ratio, matures May 23, 2028	—	41,000
Deferred acquisition payable	1,430	1,381
Total debt	7,817	50,737
Current maturities	(2,403)	(2,781)
Long-term debt	<u>\$ 5,414</u>	<u>\$ 47,956</u>

Future maturities of the Company's outstanding debt as of September 30, 2024, were as follows (in thousands):

Remainder of 2024	\$ 596
2025	2,417
2026	2,474
2027	2,207
2028	63
Thereafter	60
Total	<u>\$ 7,817</u>

For the three and nine months ended September 30, 2024, the Company incurred interest expense of \$0.4 million and \$2.1 million, respectively. For the three and nine months ended September 30, 2023, the Company incurred interest expense of \$0.3 million and \$0.6 million, respectively.

Term Loans

The 5-year term loan was entered into on July 30, 2019, with the original principal of \$4.0 million, which was fully repaid by its maturity on July 30, 2024, while the 7-year term loan was entered into on December 4, 2020, with the original principal of \$13.0 million. The Company entered into interest rate swap agreements to manage its exposure to interest rate fluctuations related to its term loans. See *Note 6 for more information relating to the interest rate swaps associated with these loans.*

Revolving Credit Agreement

On May 23, 2023, the Company entered into a Revolving Credit Agreement (the "Revolving Credit Agreement") with PNC Bank National Association ("Lender") which provides a revolving credit facility to the Company, with commitments in an aggregate principal amount not to exceed \$50.0 million (as amended on June 20, 2024, the "Revolving Facility"). The borrowings under the Revolving Facility will be used by the Company for permitted acquisitions, working capital and general corporate purposes.

The Company pays a commitment fee on undrawn amounts under the Revolving Facility of 0.20% to up to 0.35% based on the consolidated leverage ratio. On August 5, 2024, the Company repaid the outstanding balance of its Revolving Facility amounting to \$41.0 million using a portion of the net proceeds from the IPO (see Note 1). As of September 30, 2024 and December 31, 2023, the unused capacity under the Revolving Facility was \$50.0 million and \$9.0 million, respectively.

Borrowings under the term loans and the Revolving Facility are secured by substantially all assets constituting personal property of TWFG, Inc. and its subsidiaries, including receivables, inventory, equipment, and intellectual property, subject to certain exceptions. In addition, the term loan agreement contains covenants that restrict the Company's ability to make certain distributions or dividend payments, incur additional debt, engage in certain asset sales, mergers, acquisitions or similar transactions, create liens on assets, engage in certain transactions with affiliates, change the Company's business or make investments. In addition, the term loan agreement requires the Company to maintain certain financial ratios. As of September 30, 2024 and December 31, 2023, the Company was in compliance with these covenants. Because the Company's term loans and borrowings under the Revolving Facility have variable interest rates, the outstanding debt as of September 30, 2024 and December 31, 2023 approximates fair value.

Acquisition-Related Notes

In April 2023, the Company acquired customer list intangible assets for a total consideration of \$4.3 million, of which \$3.0 million was paid in cash at closing. The remaining balance was settled through the issuance of a note payable monthly over three years beginning in April 2024 and bears an annual interest of 3.75%.

In March 2024, the Company acquired customer list intangible assets, of which approximately \$0.4 million of the purchase price was settled through the issuance of a non-interest bearing note and was recorded as deferred acquisition payable. The note is payable monthly over a period of 70 months. The deferred acquisition payable was recorded at fair value with an imputed interest rate of 5.00%.

The portion of the Company's acquisition-related notes due within 12 months or less from the financial statement date is reported in the Condensed Consolidated Statements of Financial Position as Deferred acquisition payable, current, while the amount due after 12 months from the financial statement date is included in Deferred acquisition payable, non-current. See *Notes 4 and 12 for more information regarding the purchase of the customer list intangible assets.*

9. STOCKHOLDERS' EQUITY

The Company's board of directors (the "Board") approved an amended and restated certificate of incorporation (the "Restated Certificate of Incorporation"), which became effective on July 17, 2024 in connection with the IPO. The Restated Certificate of Incorporation authorizes the issuance of three classes of common stock: Class A Common Stock, non-economic Class B Common Stock and non-economic Class C Common Stock, and preferred stock.

As described in Note 1, in connection with the IPO on July 19, 2024, the Company issued 11,000,000 shares of Class A Common Stock, at a price of \$17.00 per share. On July 23, 2024, the underwriters purchased an additional 1,650,000 shares of Class A Common Stock in connection with the underwriters' full exercise of their option to purchase additional shares, at a price of \$17.00 per share. The Company received approximately \$192.9 million of

net proceeds, including from the full exercise of the underwriters' option, after deducting underwriting discounts and commissions of approximately \$14.4 million and related offering expenses of approximately \$7.8 million. In connection with the Reorganization Transactions, the Company issued (i) 2,161,874 shares of Class A Common Stock in exchange for 342,362 LLC Units held by Bunch Holdings and 1,819,512 LLC Units held by the New Members, (ii) 7,277,651 shares of Class B Common Stock to RenRe and GHC for consideration of \$0.00001 per share and (iii) 33,893,810 shares of Class C Common Stock to Bunch Holdings for consideration of \$0.00001 per share. Immediately after the IPO and the Reorganization Transactions, 14,811,874 shares of Class A Common Stock were outstanding, including 12,650,000 shares issued in the IPO plus 342,362 shares issued to Bunch Holdings and 1,819,512 shares issued to New Members, and 7,277,651 shares of Class B Common Stock and 33,893,810 shares of Class C Common Stock were outstanding.

The following table summarizes the capitalization and voting rights of the Company's classes of stock after the completion of the IPO and the Reorganization Transactions and as of September 30, 2024:

	Authorized	Par Value	Issued & Outstanding	Votes per share	Economic Rights
Preferred Stock	50,000,000	\$ 0.01	None		
Common stock:					
Class A ⁽¹⁾	300,000,000	\$ 0.01	14,811,874	1	Yes
Class B ⁽¹⁾	100,000,000	\$ 0.00001	7,277,651	1	No
Class C ⁽²⁾	100,000,000	\$ 0.00001	33,893,810	10	No

(1) Each share of Class A Common Stock and non-economic Class B Common Stock entitles its holder to one vote per share on all matters submitted to a vote of the stockholders.

(2) Each share of non-economic Class C Common Stock entitles its holders to ten votes per share on all matters presented to the stockholders and on which the holders of the Class C Common Stock are entitled to vote; provided, that each share of Class C Common Stock will be entitled to one vote per share automatically (i) 12 months following the death or disability of Richard F. ("Gordy") Bunch III or (ii) upon the first trading day on or after such date that the outstanding shares of non-economic Class C Common Stock represent less than 10% of the then-outstanding Class A Common Stock, non-economic Class B Common Stock and non-economic Class C Common Stock, which, in either instance, may be extended to 18 months upon affirmative approval of a majority of the independent directors.

The Board is authorized to direct the Company to issue shares of preferred stock in one or more series and has the discretion to determine the number and designation of such series and the powers, rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. Through September 30, 2024, no shares of preferred stock have been issued.

Holders of Class A Common Stock are entitled to receive dividends when and if declared by the Board out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock. Upon liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of shares of Class A Common Stock will be entitled to receive pro rata our remaining assets available for distribution.

Holders of the Company's non-economic Class B and non-economic Class C Common Stock do not have any right to receive dividends or to receive a distribution upon a liquidation or winding up of the Company.

Noncontrolling interests

Noncontrolling interests represent the economic interests of TWFG Holding held by the Continuing Pre-IPO LLC Members.

The following table summarizes the ownership of TWFG Holding as of September 30, 2024:

Owner	Units Owned	Ownership percentage
TWFG, Inc.	14,811,874	26.5 %
Noncontrolling interests	41,171,461	73.5 %
Total	55,983,335	100.0 %

Cash Distributions to Members Related to Their Income Tax Liabilities

As a limited liability company treated as a partnership for income tax purposes, TWFG Holding does not incur significant federal, state or local income taxes, as these taxes are primarily the obligations of its members. Under the TWFG LLC Agreement, TWFG Holding is required to distribute cash, to the extent that TWFG Holding has cash available, on a pro rata basis to its members to the extent necessary to cover the members' tax liabilities, if any, with respect to each member's share of TWFG Holding's taxable earnings. TWFG Holding makes such tax distributions to its members quarterly, based on an estimated tax rate and projected year-to-date taxable income, with a final accounting once actual taxable income or loss has been determined. Prior to the IPO, TWFG Holding made tax distributions to its members totaling approximately zero and \$6.1 million for the three and nine months ended September 30, 2024, respectively.

10. STOCK-BASED COMPENSATION

2024 Omnibus Incentive Plan

On July 17, 2024, the Company adopted the 2024 Omnibus Incentive Plan (the "2024 Incentive Plan") for its directors, officers, employees, consultants and advisors. The 2024 Incentive Plan authorizes the granting of stock options, restricted stock, RSUs, stock appreciation rights, and other stock-based awards. The Company has reserved 4,346,667 shares of Class A Common Stock for issuance under the 2024 Incentive Plan, subject to annual increases pursuant to the terms of the 2024 Incentive Plan. During the nine months ended September 30, 2024, the Company granted 429,190 RSUs under the 2024 Incentive Plan, and 3,917,477 shares of Class A Common Stock remain available for future grant. No other award types have been issued under the 2024 Incentive Plan to date.

Stock-Based Compensation Expense

Stock-based compensation expense recorded in salaries and employee benefits for the three and nine months ended September 30, 2024 was \$1.0 million. There was no equity or equity-based compensation plan maintained by the Company prior to its IPO on July 19, 2024. See Note 1 for more information about the IPO.

Stock-Based Awards

Stock-based awards granted in the period include RSUs with service-based vesting conditions. Outstanding RSUs and related activity for the nine months ended September 30, 2024 were as follows:

	Number of Awards	Weighted-Average Grant Date Fair Value
Unvested balance - December 31, 2023	—	\$ —
Granted	429,190	17.00
Converted to shares of Class A Common Stock upon vesting	—	—
Forfeited	(1,938)	17.00
Unvested balance - September 30, 2024	427,252	\$ 17.00

As of September 30, 2024, the Company had \$6.2 million of unrecognized stock-based compensation costs related to unvested RSUs, which is expected to be recognized over a weighted-average period of 1.8 years.

11. DEFINED CONTRIBUTION PLAN

TWFG Holding sponsors a Safe Harbor defined contribution plan ("the Plan"). The sponsor is part of a controlled group that includes both TWFG-IS and TWFG-GA. The Plan allows employees who are age 21 or older and have completed 3 months of service to participate.

Each year, participants may defer between 1% and 100% of eligible compensation, not to exceed the maximum dollar amount as allowed under Section 402(g) of the Internal Revenue Code. Effective January 1, 2008, the Plan was amended to allow the Company to meet the provisions of the regulations. The Plan provides a Company matching of 100% on the first 4% of eligible compensation that a participant contributes to the Plan.

For the three and nine months ended September 30, 2024, the Company recognized expenses related to the Plan of \$0.2 million and \$0.4 million, respectively. For the three and nine months ended September 30, 2023, the Company recognized expenses related to the Plan of \$0.1 million and \$0.2 million, respectively. The Company at its election may make discretionary profit share contributions. Contributions are subject to certain limitations. For the three and nine months ended September 30, 2024 and 2023, the Company elected not to make any additional discretionary contributions.

12. RELATED PARTY TRANSACTIONS

The Company provides administration services to and pays expenses on behalf of its subsidiaries as part of its management agreement with its subsidiaries. These expenses are allocated to the subsidiaries based on the time expended by employees in each subsidiary. For the three and nine months ended September 30, 2024, the Company allocated general and administrative expenses related to the continuing operations totaling \$1.7 million and \$3.9 million, respectively. For the three and nine months ended September 30, 2023, the Company allocated general and administrative expenses related to the continuing operations totaling \$0.9 million and \$2.9 million, respectively. These amounts are eliminated in the Condensed Consolidated Statements of Operations.

TWICO pays TWFG-GA commissions and fee income, i.e., policy fees and TPA fees, for business written through TWFG-GA. On September 1, 2024, TWICO and TWFG-GA amended their managing general agency and claims administration agreement, which reflects an increase in the percentage of commissions paid to TWFG-GA from 18% to 20% and requires TWICO to reimburse TWFG-GA for actual expenses incurred or allocated by TWFG-GA for licensing, statistical accounting and management services performed by TWFG-GA. The transaction was approved by the Board pursuant to the Company's Related Party Transaction Approval Policy and approved by Texas Department of Insurance.

For the three and nine months ended September 30, 2024, TWFG-GA earned \$3.0 million and \$6.0 million in commissions, respectively, and \$0.9 million and \$1.8 million in fee income, respectively, from TWICO. For the three and nine months ended September 30, 2023, TWFG-GA earned \$1.2 million and \$3.1 million in commissions, respectively, and \$0.4 million and \$1.3 million in fee income, respectively, from TWICO. These amounts are not eliminated and are included in commission income and fee income in the Condensed Consolidated Statements of Operations. In addition, TWFG Holding provides administration services to and pays expenses on behalf of TWICO as part of its management agreement with TWICO. For the three and nine months ended September 30, 2024 and 2023, the Company allocated general and administrative expenses related to TWICO, which were immaterial. The offsetting expenses recognized by TWICO for one month in 2023 related to these commissions, policy, TPA fees and allocated general and administrative expenses are included in the net income from discontinued operation in the Condensed Consolidated Statements of Operations.

As described in Note 1, in May 2023, the Company distributed its equity interest in EVO to the owners of the Company. As a result, the Company deconsolidated EVO effective on the distribution date. TWFG-IS and TWFG-GA have software licensing agreements with EVO, which allow TWFG-IS and TWFG-GA to use EVO's proprietary agency management system in exchange for a fixed annual fee. In addition, TWFG Holding provides administration services to and pays expenses on behalf of EVO as part of its management agreement with EVO. Prior to the deconsolidation of EVO, charges between the Company and EVO were eliminated upon consolidation. For the three and nine months ended September 30, 2024, the Company incurred \$0.5 million and \$1.4 million in license fees, respectively, and allocated general and administrative expenses related to EVO, totaling \$0.1 million and \$0.2 million, respectively. For the three and nine months ended September 30, 2023, the Company incurred \$0.3 million and \$0.5 million, respectively, in license fees, and allocated general and administrative expenses related to EVO,

totaling \$0.09 million and \$0.2 million, respectively. These amounts are not eliminated and are included in Other administrative expenses in the Condensed Consolidated Statements of Operations.

As described in Note 4, the Company purchased the assets of Wade for a total consideration of \$4.3 million, of which \$3.0 million was paid in cash, and the remaining balance of \$1.3 million, was settled through the issuance of an interest-bearing note, payable monthly, over three years beginning in April 2024. The portion of the balance due within 12 months or less from the financial statement date is reported in the Condensed Consolidated Statements of Financial Position as Deferred acquisition payable, current, while the amount due after 12 months from the financial statement date is included in Deferred acquisition payable, non-current.

As described in Note 4, immediately following the asset purchase, the Company sold 10.9% interest in the asset purchased from Wade to AIS for a total consideration of \$0.5 million. In connection with the Wade asset purchase, the branch agreement between TWFG-IS and AIS was amended to add Wade's book of business into AIS, which changed to TWFG-IS ownership of the assets of AIS branch from 70% to 76.9%.

As described in Note 4, the Company acquired interests in the operations and assets of AIS, Luczkowski and Kelly. All respective equity ownership with AIS, Luczkowski and Kelly following the respective asset purchases remained with the sellers, while TWFG-IS managed the ongoing operations of AIS, Luczkowski and Kelly. In January 2024, the Company acquired the remaining interests in the assets of AIS, Luczkowski, and Kelly for a total purchase price of \$5.2 million, converting them to wholly owned corporate branches. The Company issued equity to settle the total purchase price.

As described in Note 4, the Company purchased the assets of Kincaid and Brinson for a total consideration of \$11.8 million and \$2.0 million, respectively. Upon closing, the Company paid \$8.2 million in cash for the Kincaid asset purchase and \$0.5 million in cash for the Brinson asset purchase. The amount representing the unsettled portion of the total consideration as of December 31, 2023 was reported as Deferred acquisition payable, current in the Condensed Consolidated Statements of Financial Position.

In January 2024, pursuant to the asset purchase agreements, the remaining balances of the total consideration associated with the Kincaid and Brinson asset purchases were settled through the issuance of the Company's Class A common units, equivalent to \$3.5 million for the Kincaid asset purchase, and the issuance of the Company's Class A common units equivalent to \$1.0 million and cash payment of \$0.5 million for the Brinson asset purchase.

RenaissanceRe Holdings Ltd., through its wholly-owned subsidiary RenaissanceRe Ventures U.S. LLC, has been an investor in the Company since 2018, and is represented on the Company's Board of Managers.

Griffin Highline Capital, LLC, through its wholly-owned subsidiary, GHC Woodlands Holdings LLC, has been an investor in the Company since 2021, and is represented on the Company's Board of Managers.

13. EARNINGS PER SHARE

For the three and nine months ended September 30, 2024, basic earnings per share has been calculated by dividing net earnings attributable to Class A common stockholders for the period subsequent to the Reorganization Transactions as described in Note 1, by the weighted average number of shares of Class A Common Stock outstanding for the same period. All earnings prior to July 19, 2024, the date of the Reorganization Transactions, were entirely allocable to the noncontrolling interests and, as a result, earnings per share information is not applicable for reporting periods prior to this date. Shares of Class A Common Stock are weighted for the portion of the period in which the shares were outstanding. Diluted earnings per share has been calculated in a manner consistent with that of basic earnings per share while considering all potentially dilutive shares of Class A Common Stock outstanding during the periods.

The following tables set forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2024 (in thousands, except share and per share amounts):

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Numerator:		
Net income attributable to TWFG, Inc. (basic and diluted)	\$ 1,154	\$ 1,154
Denominator:		
Weighted average common stock outstanding (basic)	14,722,685	14,722,685
Effect of potentially dilutive securities:		
RSUs	167,697	167,697
Weighted average common stock outstanding (diluted)	14,890,382	14,890,382
Earnings per share		
Basic	\$ 0.08	\$ 0.08
Diluted	\$ 0.08	\$ 0.08

Diluted earnings per share attributable to common stockholders adjusts the basic earnings per share attributable to common stockholders and the weighted average number of shares of common stock outstanding for the potential dilutive impact of potential common stock. Pursuant to the Reorganization Transactions, Class B Voting Stock and Class C Voting Stock are considered in the calculation of dilutive earnings per share on an if-converted basis as these classes of stock, together with the related LLC Units, have exchange rights into Class A Common Stock that could result in additional Class A Common Stock being issued. Net income attributable to the noncontrolling interests would be added back to net income in the fully dilutive computation and adjusted for income taxes which would have been expensed had the income been recognized by the Company, a taxable entity. All other potentially dilutive securities (such as unvested RSUs) are determined based on the treasury stock method.

The Company excluded the following potential shares, presented based on amounts outstanding at each period end, from the computation of diluted weighted average shares outstanding for the periods indicated because including them would have had an antidilutive effect:

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Class B Voting Stock	7,277,651	7,277,651
Class C Voting Stock	33,893,810	33,893,810
	41,171,461	41,171,461

14. DISCONTINUED OPERATION

Prior to February 2023, TWICO was a wholly owned subsidiary of the Company. In July 2022, the Company entered into a Master Transaction Agreement in which the Company's equity interests in TWICO were distributed to the owners of the Company ("TWICO Distribution"). The TWICO Distribution was effective in February 2023 after approval from the Texas Department of Insurance. The TWICO Distribution is a common control transaction and recorded at book value as a capital transaction with no gain or loss recorded. TWICO, as a subsidiary of the Company, was determined to be a component of the Company and disposed of by other-than-sale. The TWICO Distribution represents a significant strategic shift in the operations of the Company and has met all criteria for discontinued operations reporting on the distribution date, i.e., February 2023. After the TWICO Distribution, the Company retains significant continuing involvement in the operation of TWICO through TWICO's existing agency agreement with TWFG-GA and the management agreement with the Company. See Note 12 for more information about the transactions between the Company, TWFG-GA and TWICO.

The following is a reconciliation of the amounts of major classes of income from operations classified as discontinued operation in the Consolidated Statement of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	\$ —	\$ —	\$ —	\$ 1,240
Less: Operating expenses	—	—	—	450
Operating income	—	—	—	790
Less: Income tax benefit	—	—	—	(44)
Net income from discontinued operation, net of tax	\$ —	\$ —	\$ —	\$ 834

15. LITIGATION AND CONTINGENCIES

The Company is a party to various legal actions and claims, brought by or threatened against it, in the ordinary course of business. The Company records liabilities for loss contingencies when it is probable that a liability has been incurred and the amount is reasonably estimable. The Company does not discount such contingent liabilities and recognizes incremental costs related to the contingencies when incurred.

In the opinion of management, the ultimate resolution of legal actions and pending claims will not materially affect the condensed consolidated financial statements of the Company.

16. SUBSEQUENT EVENTS

We have evaluated subsequent events through November 13, 2024, the issuance date and determined that no events have occurred that require disclosure other than the events listed below.

On November 12, 2024, the Company entered into a lease agreement with Parkwood 2, LLC (the "Lease"), a related party, for additional office space located in The Woodlands, Texas. Parkwood 2, LLC is owned by the Continuing Pre-IPO LLC Members. The Lease is anticipated to commence on December 1, 2024 with an initial term of 120 months with an option to renew. The Company has the right to extend the term of the Lease for an additional 120 months at the then-prevailing market rate. The total future minimum lease payments related to the Lease are approximately \$2.6 million. In addition, the Lease provides for additional rent for operating expenses under the terms of the Lease.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and our consolidated financial statements and the related notes in the IPO Prospectus. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed below and in the IPO Prospectus particularly in the sections entitled "Risk factors" and "Special note regarding forward-looking statements".

The following discussion contains commentary on the financial results derived from the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023 of TWFG, Inc.

Overview

We are a leading, high-growth, independent distribution platform for personal and commercial insurance in the United States. We are pioneers in the insurance industry, developing an agency model built on innovation and experience with what we believe is a more flexible approach than traditional distribution models. Our offerings are fulsome and flexible in that we offer all lines of insurance, multiple distribution contract options, M&A services, proprietary virtual assistants, proprietary technology, proprietary premium financing, unlimited continuing education, recognition programs, co-op funding, marketing support and overall lower costs to operate. Since our founding in 2001 by our Chief Executive Officer, Richard F. ("Gordy") Bunch III, we have established a track record of creating solutions for independent agents, insurance carriers and our Clients, with sustainable growth regardless of economic and P&C pricing cycles.

We embrace a simple philosophy: "Our Policy is Caring," which is more than a motto. This philosophy informs the way we interact with all of our stakeholders and the communities in which they live and work. We seek to attract partners who come in every day with the commitment to making a difference in the lives of the people and communities we interact with. We treat our Clients, employees and stakeholders like family.

Factors affecting our results of operations

We believe that the most significant factors affecting our results of operations include:

Attracting and retaining experienced agents. Our long-term growth and success will depend, in large part, on our continued ability to attract new agents. Our growth strategy focuses on attracting experienced end of career and retiring agents that come to us with an existing Book of Business and become Branch principals within our system. Our value proposition resonates with agents as they have succession planning options built into their contracts. To facilitate succession planning, we offer independent agents the ability to sell their Books of Business to TWFG, enabling a smooth handover of Client relationships and operational responsibilities. Branch principals also have a high degree of autonomy in which to operate their business and expand their footprint. Branches use our comprehensive technology and agency management system, benefiting from enterprise group rates that we believe are typically lower than agents would receive on their own or from leading agency management system vendors.

Insurance carrier relationships. Our growth and success are dependent on, in large part, our relationship with insurance carriers. We specialize in creating innovative insurance products that address the specific needs of Clients, a strategy that ultimately benefits our insurance carriers. Our deep understanding of market trends and consumer demands enables us to develop tailored and forward-thinking solutions that turn into high-growth and profitable lines of business for insurance carriers. Insurance carriers reward our performance with additional access to business over time. Additionally, we provide insurance carriers with cost-effective and rapid access to new markets, leveraging our expansive network and market insights. This approach not only extends the insurance carriers' reach into diverse Client segments but also enhances their market presence. Our role as an intermediary ensures a broad and varied range of insurance products are available to our Clients, meeting their diverse needs. This symbiotic relationship with insurance carriers not only broadens their Books of Business but also ensures our Clients have

access to comprehensive, customized insurance options, increasing retention of the business we place for insurance carriers and cementing our role as a pivotal facilitator in the insurance industry.

Reliance on insurance intermediaries. Our growth and success are dependent, in part, on the financial strength of the insurance carriers we work with and our ability to distribute differentiated insurance products in the market. If insurance intermediaries or insurance carriers experience liquidity problems, insolvency or other financial difficulties, or do not timely provide required information or payments to us, we could encounter delays in payments owed to us, the loss of insurance carrier appointments, E&O claims and difficulty collecting receivables owed to us by insurance carriers. The capacity of our insurance products may be subject to restrictions placed by parties outside our control, such as reinsurers, insurance intermediaries, insurance carriers and state regulators. These conditions may adversely affect our revenue and make it difficult for us to accurately predict our future results, which could harm our business, financial condition and results of our operations.

Investment in technology. Our continued growth and success depend, in part, on our ability to invest in technology to drive scalability and efficiency. Agents use our comprehensive technology package that includes an agency management system that is customizable. Our technology facilitates the sales process, and includes integrated technology features like electronic signatures, personal lines rating and commonly used insurance forms. It also provides dynamic reporting on retention, renewal and marketing. We leverage technology to help our agents acquire new Clients with social media, email marketing and text message integration within our agency management system. We also leverage technology to enhance the Client experience with our proprietary mobile application that allows Clients to access their ID cards and easily communicate with their agents. Our carrier administration system is equipped for underwriting and policy administration for both admitted and non-admitted programs in multiple states.

Strategic asset acquisitions. We supplement our organic growth (including the addition of independent branches into our network) and add capabilities through strategic asset acquisitions. Through strategic asset acquisitions, we have acquired agencies, Books of Business, MGAs, insurance networks and renewal rights across a range of specialties and geographies. Our acquisition strategy entails crafting a compelling value proposition for acquisition targets including a robust operational backbone, a wide array of insurance products and markets, a collaborative culture and the opportunity for long-term growth. We also prioritize a transparent and equitable transaction process to help ensure a good relationship and alignment from the beginning, and have implemented a systematic and disciplined integration playbook.

In 2023, we completed five asset acquisitions with annual revenue in excess of \$0.5 million for a total purchase price of \$19.4 million and acquisition-related expenses of \$0.2 million.

In January 2024, we acquired the assets of nine of our independent branches and converted them to Corporate Branches for a total purchase price of \$40.8 million. In addition, in January 2024, we acquired the remaining interests in the assets of our partially owned Corporate Branches for a total purchase price of \$5.2 million, converting them to wholly owned Corporate Branches.

The valuations of these asset acquisitions were based substantially on the size, growth, loss ratios and pro forma EBITDA of their Books of Business. See Note 4, "Intangible Assets" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for information regarding the accounting for these acquired assets and their impact on our unaudited condensed consolidated financial condition. See "—Consolidated Results of Operations" for the impact of these acquisitions on our results of operations.

Insurance industry pricing trends and the effect of natural and man-made disasters. We generate most of our revenues through commissions, which are calculated as a percentage of the total insurance premium. A softening of the insurance market or the lines of business we serve, characterized by a period of declining premium rates, could negatively impact our profitability. Additionally, insurance carrier losses from natural or man-made disasters could impact our contingent income, which is primarily driven by insurance carrier underwriting results and, to a lesser extent, the volume of business we place with them.

Macroeconomic trends. Macroeconomic factors, including the recent resurgence of inflation and interest rate increases, and the risk that the U.S. economy will decelerate into a recession, affect the financial services industry and may reduce demand for our services or depress pricing for those services, which could have a material adverse effect on our costs and results of operations. During higher inflationary periods, our rent expenses may also increase significantly, which may adversely affect our business, financial condition, results of operations and cash flows. Furthermore, during inflationary periods, interest rates have historically increased, which would have a direct

effect on interest expense if we decide to refinance our existing long-term borrowings or incur any additional indebtedness. These macroeconomic trends are partially offset by increased commissions due to increased premiums and increases in interest income from interest rate increases and, as a result, we have grown our business and profitability through multiple economic cycles.

Cost of being a public company. To operate as a public company, we are required to continue to implement changes in certain aspects of our business and develop, manage, and train management level and other employees to comply with ongoing public company requirements. We will also incur new expenses as a public company, including public reporting obligations, proxy statements, stockholder meetings, stock exchange fees, transfer agent fees, SEC and FINRA filing fees, and offering expenses.

Our corporate structure

TWFG, Inc. was incorporated on January 8, 2024 for the purpose of completing the IPO and other related reorganization transactions (the “Reorganization Transactions”) that were completed on July 19, 2024. Following a reorganization into a holding company structure as part of the Reorganization Transactions, TWFG, Inc. is a holding company and its sole material asset is a controlling ownership interest in TWFG Holding Company, LLC. All of our business is conducted through TWFG Holding Company, LLC and its consolidated subsidiaries, and the financial results of TWFG Holding Company, LLC and its consolidated subsidiaries are included in the unaudited condensed consolidated financial statements of TWFG, Inc.

TWFG Holding Company, LLC has been treated as a pass-through entity for U.S. federal and state income tax purposes and accordingly has not been subject to U.S. federal or state income tax. After the IPO, TWFG Holding Company, LLC continues to be treated as a partnership for U.S. federal and state income tax purposes. Accordingly, because of our ownership of the non-voting common interest units of TWFG Holding Company, LLC (the “LLC Units”), we are subject to U.S. federal, state and local income taxes with respect to our allocable share of any net taxable income of TWFG Holding Company, LLC and are taxed at the U.S. federal income tax rates applicable to corporations.

In addition to tax expenses, we also incur expenses related to our operations and we are required to make payments under the Tax Receivable Agreement entered into in connection with the IPO (the “TRA”). We intend to cause TWFG Holding Company, LLC to make distributions in an amount sufficient to allow us to pay our tax obligations and operating expenses, including distributions to fund any ordinary course payments due under the TRA. See “—Tax Receivable Agreement” for additional information regarding this arrangement.

Certain income statement line items

Revenues

Commission income. We derive commission income from the placement of insurance contracts between insurance carriers and Clients. Our commissions are established by the agency agreement between the Company and the insurance carrier and are calculated as a percentage of premiums for the underlying insurance contract. Commission rates vary across insurance carriers, states and lines of business and typically range from 7% to 22%. Our average commission rate for 2023 was approximately 12%.

Our main obligation under our agency agreements with the insurance carriers is selling insurance contracts to our Clients. Each underlying insurance contract is a separate and distinct contract between the Client and the insurance carrier. Our Clients are not obligated to keep the insurance contract for the full term or renew it with the insurance carrier beyond its initial term. We are required to try to resell the insurance contract to our Client at the expiration of each policy term or shop for alternatives if our Client decides to terminate its existing insurance contract. We recognize commission income when the performance obligation of placing the insurance contract between our Client and the insurance carrier has been met and the insurance contract is in effect, based on its effective date.

Our agency agreements with the insurance carriers are non-exclusive and can typically be terminated unilaterally by either party. Additionally, either party can agree to amend the provisions of the agency agreements, which may affect our future commission income.

Contingent income. We may earn contingent income from insurance carriers. Contingent income is highly variable and based primarily on underwriting results and, to a lesser extent, volume.

Fee income. Fee income is comprised primarily of policy fees, branch fees, license fees and third-party administrator (“TPA”) fees. The Company receives policy fees as compensation for administrative services performed in connection with the placement and issuance of certain policies that are in addition to and separate from commissions paid by the insurance carriers. Branch fees include the monthly recurring fees assessed for the ongoing Client service and back-office support provided to independent branches operating exclusively through the Company pursuant to an exclusive Branch agreement and a one-time branch onboarding fee. License fees are usage-based fees assessed by the Company for the use of its proprietary applications. TPA fees are related to services performed based on service agreements with the insurance carriers.

Other income. Other income is comprised primarily of interest income, income earned for facilitating premium financing arrangements, fees assessed for agent conventions and other miscellaneous income.

The following table sets forth our revenues by amount and as a percentage of our revenues for the periods indicated (dollar amounts in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commission income	\$ 48,240	88 %	\$ 43,993	92 %	\$ 139,447	91 %	\$ 122,451	92 %
Contingent income	1,383	3	1,035	2	3,717	2	3,023	2
Fee income	2,890	5	2,107	5	7,811	5	6,343	5
Other income	2,127	4	575	1	3,244	2	1,125	1
Total revenues	\$ 54,640	100 %	\$ 47,710	100 %	\$ 154,219	100 %	\$ 132,942	100 %

Expenses

Commission expense. Commission expense is our largest expense, representing the consideration paid to our agents for producing and retaining business. We expect our commission expense to continue to increase in line with our expected business growth.

Salaries and employee benefits. Salaries and employee benefits consist of base compensation and any bonuses, equity compensation and benefits paid and payable to employees. We operate in competitive markets and expect to continue to experience a general rise in compensation and benefits expense commensurate with expected growth in headcount, geographic expansion and the creation of new products and services.

Other administrative expenses. Other administrative expenses include technology costs, legal and professional fees, office expenses and other costs associated with our operations. Fluctuations in other administrative expenses are relative to the overall scale of our business operations.

Depreciation and amortization. Depreciation and amortization are primarily comprised of the amortization of intangible assets recognized from our strategic asset acquisitions. As we continue to pursue strategic asset acquisitions, we expect our amortization expenses to increase.

Consolidated results of operations

The following is a discussion of our consolidated results of operations for the periods presented. This information is derived from our accompanying unaudited condensed consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The following table summarizes our results of operations for the periods presented (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Revenues:								
Commission income	\$ 48,240	88 %	\$ 43,993	92 %	\$ 139,447	91 %	\$ 122,451	92 %
Contingent income	1,383	3	1,035	2	3,717	2	3,023	2
Fee income	2,890	5	2,107	5	7,811	5	6,343	5
Other income	2,127	4	575	1	3,244	2	1,125	1
Total revenues	54,640	100 %	47,710	100 %	154,219	100 %	132,942	100 %
Operating expenses:								
Commission expense	30,766	66 %	32,461	82 %	89,171	68 %	90,853	81 %
Salaries and employee benefits	8,331	18	3,390	8	21,401	16	10,096	9
Other administrative expenses	4,813	10	2,812	7	11,687	9	8,043	7
Depreciation and amortization	2,985	6	1,145	3	8,966	7	3,340	3
Total operating expenses	46,895	100 %	39,808	100 %	131,225	100 %	112,332	100 %
Operating income	7,745		7,902		22,994		20,610	
Other non-operating income (expense)								
Interest expense	(411)		(295)		(2,125)		(553)	
Other non-operating income (expense), net	(4)		1		8		(10)	
Income before tax	7,330		7,608		20,877		20,047	
Income tax expense	437		—		437		—	
Net income from continuing operations	6,893		7,608		20,440		20,047	
Net income from discontinued operation, net of tax	—		—		—		834	
Net income	\$ 6,893		\$ 7,608		\$ 20,440		\$ 20,881	

Comparison of the Three Months Ended September 30, 2024 and 2023

Total revenues

The following table presents the disaggregation of our revenues by offerings (in thousands):

	Three Months Ended September 30,			
	2024		2023	
	Amount	% of Total	Amount	% of Total
Insurance Services				
Agency-in-a-Box	\$ 34,000	63 %	\$ 35,895	75 %
Corporate Branches	9,234	17	1,755	4
Total Insurance Services	43,234	80	37,650	79
TWFG MGA	9,490	17	9,538	20
Other	1,916	3	522	1
Total revenues	\$ 54,640	100 %	\$ 47,710	100 %

Total revenues for the three months ended September 30, 2024 increased by \$6.9 million, or 14.5%, compared to the same period in the prior year. The increase was primarily due to a \$4.2 million, or 9.7%, increase in commission income driven primarily by higher premium rates, new business growth and continued rollout of commission

income from our Book of Business acquisitions completed in 2023 into the current period. Also contributing to the increase in total revenues were the \$0.8 million, or 37.2%, increase in fee income, \$0.3 million, or 33.6%, increase in contingent income, and \$1.6 million, or 269.9%, increase in other income. See discussions below for additional information about the changes in our revenues.

Commission income

The following table presents the disaggregation of our commission income by offerings (in thousands):

	Three Months Ended September 30,			
	2024		2023	
	Amount	% of Total	Amount	% of Total
Insurance Services				
Agency-in-a-Box	\$ 31,543	65 %	\$ 34,255	78 %
Corporate Branches	9,300	19	1,770	4
Total Insurance Services	40,843	84	36,025	82
TWFG MGA	7,397	16	7,968	18
Total commission income	\$ 48,240	100 %	\$ 43,993	100 %

Commission income for the three months ended September 30, 2024 increased by \$4.2 million, or 9.7%, compared to the same period in the prior year. Higher premium rates, new business growth, and continued rollout of commission income from our Book of Business acquisitions in 2023 into the current period were the primary drivers of the increase in our commission income.

Commission income for Insurance Services grew by \$4.8 million, or 13.4%, for the three months ended September 30, 2024 compared to the same period in the prior year. However, during the current period the components shifted between Agency-in-a-Box and Corporate Branches. Agency-in-a-Box commission income for the three months ended September 30, 2024 decreased by \$2.7 million, or 7.9%, compared to the same period in the prior year. The decrease was mainly attributable to our acquisition of nine of our independent branches (which were previously operated as Agencies-in-a-Box) and their subsequent conversion to Corporate Branches in January 2024. The branch conversions resulted in a \$5.9 million decrease in the Agency-in-a-Box commission income during the third quarter of 2024.

Insurance Services Corporate Branches commission income for the three months ended September 30, 2024 increased by \$7.5 million, or 425.4%, compared to the same period in the prior year. The increase was primarily driven by the aforementioned branch conversions. In addition, Corporate Branches commission income for the three months ended September 30, 2024 included increases from our Book of Business acquisitions in 2023, while the same period in the prior year did not reflect the impact of the acquisitions completed in the fourth quarter of 2023.

TWFG MGA commission income for the three months ended September 30, 2024 decreased by \$0.6 million, or 7.2%, compared to the same period in the prior year. A decrease of \$1.0 million, or 65.6%, was due to the amendment to the MGA agreement with one of our insurance carriers. Effective January 1, 2024, the MGA agreement with one of our insurance carriers was renegotiated and amended, which shifted our volume-based commission to a flat monthly fee. The switch capped the income we earned at a maximum monthly amount. The decrease was partially offset by an increase in commission income of \$0.4 million, or 5.9%, driven by higher new business written premiums in our TWFG MGA offering driven by market activities, which created opportunities for us to gain new business. See “—Key Performance Indicators” below for additional information related to our written premiums.

Contingent income

Contingent income for the three months ended September 30, 2024 was \$1.4 million, reflecting a \$0.3 million, or 33.6%, increase compared to the same period in the prior year. The increase in contingent income was primarily due to underlying carrier profitability and growth in our business. Contingent income is unpredictable and dependent upon the target financial and performance metrics established by the insurance carriers.

Fee income

The following table presents the disaggregation of our fee income by major sources (in thousands):

	Three Months Ended September 30,			
	2024		2023	
	Amount	% of Total	Amount	% of Total
Policy fees	\$ 1,064	37 %	\$ 580	28 %
Branch fees	1,172	40	824	39
License fees	495	17	555	26
TPA fees	159	6	148	7
Total fee income	\$ 2,890	100 %	\$ 2,107	100 %

Fee income for the three months ended September 30, 2024 increased by \$0.8 million, or 37.2%, compared to the same period in the prior year. Changes to individual components of fee income are discussed in detail below:

- Policy fees for the three months ended September 30, 2024 increased by \$0.5 million, or 83.4%, compared to the same period in the prior year. The increase in policy fees was primarily due to higher policy count in our TWFG MGA offering. The increase in policy count was driven primarily by new business growth.
- Branch fees for the three months ended September 30, 2024 increased by \$0.3 million, or 42.2%, compared to the same period in the prior year. The increase in branch fees was primarily due to increased branch fee rates to cover technology-based user fees.
- License fees for the three months ended September 30, 2024 decreased by \$0.1 million, or 10.8%, compared to the same period in the prior year. The decrease in license fees was primarily due to the amendment to the licensing agreement with one of our customers effective January 1, 2024 to switch from usage-based fees to fixed monthly fees. The switch capped the fees we earned at a maximum monthly amount.
- TPA fees for the three months ended September 30, 2024 was comparable to the same period in the prior year.

Other income

Other income for the three months ended September 30, 2024 was \$2.1 million compared to \$0.6 million in the same period in the prior year, reflecting an increase of \$1.6 million, or 269.9%. The increase in other income was primarily due to an increase in interest income on bank deposits, including the \$192.9 million of net proceeds received from the IPO.

Expenses

Commission expense

The following table presents the disaggregation of our commission expense by offerings (in thousands):

	Three Months Ended September 30,			
	2024		2023	
	Amount	% of Total	Amount	% of Total
Insurance Services				
Agency-in-a-Box	\$ 25,092	82 %	\$ 27,297	84 %
Corporate Branches	1,304	4	209	1
Total Insurance Services	26,396	86	27,506	85
TWFG MGA	4,346	14	4,937	15
Other	24	—	18	—
Total commission expense	\$ 30,766	100 %	\$ 32,461	100 %

Commission expense for the three months ended September 30, 2024 decreased by \$1.7 million, or 5.2%, compared to the same period in the prior year. The decrease was primarily due to the lower commission expenses

in Insurance Services of \$1.1 million, or 3.4%, of the total decrease, driven by the previously discussed branch conversions and a decrease in our TWFG MGA offering of \$0.6 million, or 1.8%, of the total decrease in commission expense. See *commission income discussion above for additional information regarding the driver of changes.*

Insurance Services Agency-in-a-Box commission expense for the three months ended September 30, 2024 decreased by \$2.2 million, or 8.1%, compared to the same period in the prior year. The decrease was primarily due to the branch conversions resulting in a decrease of \$4.8 million offset by an increase in commission expense related to the growth of the business of \$2.6 million. The expenses of our Branches are primarily commission expense, which is determined as a percentage of commission income. The profitability of our Branches, as determined by the difference between commission income and commission expense, is consistent.

Insurance Services Corporate Branches commission expense for the three months ended September 30, 2024 increased by \$1.1 million, or 523.9%, compared to the same period in the prior year. The increase was primarily due to the branch conversions, as previously discussed, and the Book of Business acquisitions in 2023. The expenses of our Corporate Branches are mainly salaries and benefits, and are primarily fixed expenses, which are not directly related to commission income. The profitability of our Corporate Branches varies mainly based on changes in commission income. In addition, since the commission expense of our Corporate Branches represents a smaller percentage of their operating expenses, we expect revenue growth, both organic and through future acquisitions, to positively impact our operating income in the future.

TWFG MGA commission expense for the three months ended September 30, 2024 decreased by \$0.6 million, or 12.0%, compared to the same period in the prior year. The higher percentage decrease in TWFG MGA commission expense compared to the percentage decrease in the related commission income was primarily driven by the shift in the business mix. As discussed above, TWFG MGA commission income was impacted by the renegotiation of the MGA agreement with one of our insurance carriers. Such renegotiation reduced commission income in the current period but did not result in a corresponding reduction in commission expense.

Salaries and employee benefits

Salaries and employee benefits for the three months ended September 30, 2024 was \$8.3 million compared to \$3.4 million in the same period in the prior year, reflecting an increase of \$4.9 million, or 145.8%. The increase was primarily due to the branch conversions contributing an increase of approximately \$2.4 million, and a \$1.0 million increase from the asset acquisitions in 2023, a \$1.0 million increase in stock-based compensation from the issuance of restricted stock units in July 2024, and a \$0.5 million increase due to our continued growth and new roles created in connection with our IPO.

Other administrative expenses

Other administrative expenses for the three months ended September 30, 2024 was \$4.8 million compared to \$2.8 million in the same period in the prior year, reflecting an increase of \$2.0 million, or 71.2%. The increase was primarily due to a \$0.7 million increase in consultant and professional fees, a \$0.3 million increase in IT costs, a \$0.4 million increase in underwriting expenses, and a \$0.6 million increase in other expenses. The increase in consultant and professional fees was primarily attributable to the increased ongoing costs of becoming a public company. The increase in our IT costs was primarily due to additional cloud computing costs. The increase in our underwriting expenses was driven primarily by higher policy count in our TWFG MGA offering. The increase in other expenses was due primarily to higher rent and office expenses driven by our Book of Business acquisitions in 2023 and branch conversions in 2024.

Depreciation and amortization

Depreciation and amortization for the three months ended September 30, 2024 was \$3.0 million compared to \$1.1 million in the same period in the prior year, reflecting an increase of \$1.9 million, or 160.7%. The increase was primarily due to the amortization of intangible assets from our recent asset acquisitions and branch conversions.

Other non-operating income (expense)

Other non-operating expense for the three months ended September 30, 2024 was \$0.4 million compared to \$0.3 million for the same period in the prior year, reflecting an increase of \$0.1 million, or 41.2%.

Income tax expense

Income tax expense for the three months ended September 30, 2024 was \$0.4 million compared to zero for the same period in the prior year as after consummation of the Reorganization Transactions and IPO, the Company became subject to U.S. federal, state, and local income taxes with respect to its allocable share of taxable income of TWFG Holding Company, LLC assessed at the prevailing corporate tax rates.

Comparison of the Nine Months Ended September 30, 2024 and 2023

Total revenues

The following table presents the disaggregation of our revenues by offerings (in thousands):

	Nine Months Ended September 30,			
	2024		2023	
	Amount	% of Total	Amount	% of Total
Insurance Services				
Agency-in-a-Box	\$ 100,418	65 %	\$ 102,539	77 %
Corporate Branches	25,861	17	4,259	3
Total Insurance Services	126,279	82	106,798	80
TWFG MGA	25,213	16	24,417	19
Other	2,727	2	1,727	1
Total revenues	\$ 154,219	100 %	\$ 132,942	100 %

Total revenues for the nine months ended September 30, 2024 increased by \$21.3 million, or 16.0%, compared to the same period in the prior year. The increase was primarily due to a \$17.0 million, or 13.9%, increase in commission income driven primarily by higher premium rates, new business growth and continued rollout of commission income from our Book of Business acquisitions completed in 2023 into the current period. Also contributing to the increase in total revenues were the \$1.5 million, or 23.1%, increase in fee income, \$0.7 million, or 23.0%, increase in contingent income, and \$2.1 million, or 188.4%, increase in other income. See discussions below for additional information about the changes in our revenues.

Commission income

The following table presents the disaggregation of our commission income by offerings (in thousands):

	Nine Months Ended September 30,			
	2024		2023	
	Amount	% of Total	Amount	% of Total
Insurance Services				
Agency-in-a-Box	\$ 93,702	67 %	\$ 98,245	80 %
Corporate Branches	25,962	19	4,255	4
Total Insurance Services	119,664	86	102,500	84
TWFG MGA	19,783	14	19,951	16
Total commission income	\$ 139,447	100 %	\$ 122,451	100 %

Commission income for the nine months ended September 30, 2024 increased by \$17.0 million, or 13.9%, compared to the same period in the prior year. The increase was primarily due to higher premium rates, new business growth and continued rollout of commission income from our Book of Business acquisitions completed in 2023 into the current period. See “—Key Performance Indicators—Total Written Premium” for additional information related to our written premiums.

Commission income for Insurance Services grew by \$17.2 million, or 16.7%, for the nine months ended September 30, 2024 compared to the same period in the prior year. However, during the current period the components shifted between Agency-in-a-Box and Corporate Branches. Agency-in-a-Box commission income for the nine months ended September 30, 2024 decreased by \$4.5 million, or 4.6%, compared to the same period in the prior year. The decrease was mainly attributable to the acquisition of the assets of nine of our independent branches

(which were previously operated as Agencies-in-a-Box) and their conversion to Corporate Branches in January 2024. The branch conversions resulted in a \$16.3 million decrease in the Agency-in-a-Box commission income for the nine months ended September 30, 2024.

Insurance Services Corporate Branches commission income for the nine months ended September 30, 2024 increased by \$21.7 million, or 510.2%, compared to the same period in the prior year. The increase was primarily driven by the branch conversions as previously described. In addition, Corporate Branches commission income for the nine months ended September 30, 2024 included the full period increases from the Book of Business acquisitions in 2023, while the same period in the prior year reflected partial period increases.

TWFG MGA commission income for the nine months ended September 30, 2024 decreased by \$0.2 million, or 0.8%, compared to the same period in the prior year. A decrease of \$2.2 million, or 59.2%, was due to the amendment to the MGA agreement with one of our insurance carriers, as previously discussed, offset by an increase in commission income of \$2.0 million or 12.4% by higher new business written premiums in our TWFG MGA offering.

Contingent income

Contingent income increased by \$0.7 million, or 23.0%, to \$3.7 million for the nine months ended September 30, 2024 from \$3.0 million in the same period in the prior year. The increase in contingent income was driven by underlying carrier profitability and growth in our business. Changes in contingent income are unpredictable and dependent upon the target financial and performance metrics established by the insurance carriers.

Fee income

The following table presents the disaggregation of our fee income by major sources (in thousands):

	Nine Months Ended September 30,			
	2024		2023	
	Amount	% of Total	Amount	% of Total
Policy fees	\$ 2,510	32 %	\$ 1,656	26 %
Branch fees	3,523	45	2,134	34
License fees	1,454	19	2,090	33
TPA fees	324	4	463	7
Total fee income	\$ 7,811	100 %	\$ 6,343	100 %

Fee income for the nine months ended September 30, 2024 increased \$1.5 million, or 23.1% compared to the same period in the prior year. Changes to individual components of fee income are discussed in detail below:

- Policy fees for the nine months ended September 30, 2024 increased by \$0.9 million, or 51.6%, compared to the same period in the prior year. The increase in policy fees was primarily due to higher policy count in our TWFG MGA offering. The increase in policy count was driven primarily by market activities, which created opportunities for us to gain new business.
- Branch fees for the nine months ended September 30, 2024 increased by \$1.4 million, or 65.1%, compared to the same period in the prior year. The increase in branch fees was primarily due to increased branch fee rates and the impact of the distribution of our equity interest in Evolution Agency Management LLC ("EVO") in May 2023 to our owners. Branch fees earned for the nine months ended September 30, 2023 included the elimination of fees paid to EVO for the first four months of 2023, while the current period did not.
- License fees for the nine months ended September 30, 2024 decreased by \$0.6 million, or 30.4%, compared to the same period in the prior year. The decrease in license fees was primarily due to the previously discussed distribution of EVO equity interests and the amendment to the licensing agreement. License fees earned for the current period excluded revenues from EVO's operation, while license fees earned for the prior period included four months of EVO's revenues. In addition, the amendment to the licensing agreement with one of our customers switched from usage-based fees to fixed monthly fees, which capped the fees we earned at a maximum monthly amount.

- TPA fees for the nine months ended September 30, 2024 decreased by \$0.1 million, or 30.0%, compared to the same period in the prior year. The decrease in TPA fees was primarily due to a lower level of TPA services provided by the Company for the nine months ended September 30, 2024 compared to the same period in the prior year.

Other income

Other income for the nine months ended September 30, 2024 was \$3.2 million, compared to \$1.1 million in the same period in the prior year, reflecting an increase of \$2.1 million, or 188.4%. This increase was primarily due to an increase in interest income on bank deposits, including the \$192.9 million of net proceeds received from the IPO.

Expenses

Commission expense

The following table presents the disaggregation of our commission expense by offerings (in thousands):

	Nine Months Ended September 30,			
	2024		2023	
	Amount	% of Total	Amount	% of Total
Insurance Services				
Agency-in-a-Box	\$ 72,649	81 %	\$ 77,873	85 %
Corporate Branches	3,422	4	569	1
Total Insurance Services	76,071	85	78,442	86
TWFG MGA	13,039	15	12,363	14
Other	61	—	48	—
Total commission expense	\$ 89,171	100 %	\$ 90,853	100 %

Commission expense for the nine months ended September 30, 2024 decreased by \$1.7 million, or 1.9%, compared to the same period in the prior year. The decrease was primarily due to the lower commission expense in Insurance Services of \$2.4 million, or 2.6%, of the total decrease driven by the previously discussed branch conversions, offset by an increase in our TWFG MGA offering of \$0.7 million, or 0.7%, of the total decrease in commission expense. See “—Consolidated Results of Operations—Commission Income” for additional information regarding the driver of the changes.

Insurance Services Agency-in-a-Box commission expense for the nine months ended September 30, 2024 decreased by \$5.2 million, or 6.7%, compared to the same period in the prior year. The decrease was primarily due to the branch conversions resulting in a decrease of \$11.6 million, and the one-time favorable accrual adjustment related to the converted branches of \$1.5 million, offset by an increase in commission expense related to the growth of the business of \$7.9 million. In January 2024, nine of our Branches converted to Corporate Branches. Upon conversion, agents of the newly converted Corporate Branches became employees and received salaries, employee benefits, and bonuses for services rendered instead of commissions. As result, we released a portion of the unpaid commissions related to the converted branches that we no longer are required to settle, which resulted in the aforementioned one-time favorable accrual adjustment.

Insurance Services Corporate Branches commission expense for the nine months ended September 30, 2024 increased by \$2.9 million, or 501.4%, compared to the same period in the prior year. The increase was primarily due to the branch conversions, as previously discussed, and the Book of Business acquisitions in 2023.

TWFG MGA commission expense for the nine months ended September 30, 2024 increased by \$0.7 million, or 5.5%, compared to the same period in the prior year. The increase was primarily due to higher new business written premiums, as previously discussed. The higher percentage increase in TWFG MGA commission expense compared to the percentage decrease in the related commission income was primarily driven by the shift in the business mix. As discussed above, TWFG MGA commission income was impacted by the renegotiation of the MGA agreement with one of our insurance carriers. Such renegotiation reduced commission income in the current period but did not result in a corresponding reduction in commission expense.

Salaries and employee benefits

Salaries and employee benefits for the nine months ended September 30, 2024 was \$21.4 million, compared to \$10.1 million in the same period in the prior year, reflecting an increase of \$11.3 million, or 112.0%. This increase was primarily attributable to the branch conversions contributing an increase of approximately \$6.5 million, a \$3.0 million increase from the asset acquisitions in 2023, a \$1.0 million increase in stock-based compensation from the granting of restricted stock units in July 2024 and a \$1.2 million increase due to our continued growth and new roles created in conjunction with our IPO. Partially offsetting these increases was a decrease driven by the distribution of our equity interest in EVO in May 2023 to our owners. Salaries and employee benefits for the nine months ended September 30, 2023 included approximately \$0.5 million compensation attributable to EVO's operations, while the same period in 2024 did not.

Other administrative expenses

Other administrative expenses for the nine months ended September 30, 2024 was \$11.7 million, compared to \$8.0 million in the same period in the prior year, reflecting an increase of \$3.6 million, or 45.3%. This increase was primarily attributable to a \$1.2 million increase in IT costs, a \$1.0 million increase in consultant and professional fees, a \$0.7 million increase in underwriting expenses, and a \$0.7 million increase in other expenses. The increase in our IT costs was primarily due to additional cloud computing costs, and 2024 included fees paid to EVO, while in 2023, fees paid to EVO were eliminated upon consolidation. The increase in our underwriting expenses was driven primarily by the increased business in our MGA offering. The increase in consultant and professional fees was primarily attributable to the increased ongoing costs of becoming a public company. The increase in other expenses was due primarily to higher rent and office expenses driven by our Book of Business acquisitions in 2023 and branch conversions in 2024, partially offset by a reduction in administrative expenses related to the previously discussed distribution of our equity interest in EVO.

Depreciation and amortization

Depreciation and amortization for the nine months ended September 30, 2024 was \$9.0 million compared to \$3.3 million in the same period in the prior year, reflecting an increase of \$5.6 million, or 168.4%. This increase was primarily attributable to the amortization of intangible assets from our recent intangible asset acquisitions and branch conversions.

Other non-operating income (expense)

Other non-operating expense for the nine months ended September 30, 2024 was \$2.1 million compared to \$0.6 million in the same period in the prior year, reflecting an increase of \$1.6 million or 276.0%. The increase was primarily attributable to higher interest expense driven by the increase in our total debt. In 2023, we increased our borrowings to fund our asset acquisitions in 2023 and branch conversions in 2024. The increase was partially offset by the repayment of the outstanding balances under the Term Loan B as defined in the section - "Liquidity and capital resources" and the Revolving Facility in July 2024 and August 2024, respectively.

Income tax expense

Income tax expense for the nine months ended September 30, 2024 was \$0.4 million compared to zero for the same period in the prior year as after consummation of the Reorganization Transactions and IPO, the Company became subject to U.S. federal, state, and local income taxes with respect to its allocable share of taxable income of TWFG Holding Company, LLC assessed at the prevailing corporate tax rates.

Key Performance Indicators

Total Written Premium

Total Written Premium represents, for any reported period, the total amount of current premium (net of cancellation) placed with insurance carriers. We utilize Total Written Premium as a key performance indicator when planning, monitoring and evaluating our performance. We believe Total Written Premium is a useful metric because it is the underlying driver of the majority of our revenue.

The following table presents the disaggregation of Total Written Premium by offerings, business mix and line of business (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Offerings:								
Insurance Services								
Agency-in-a-Box	\$ 261,560	65 %	\$ 284,442	80 %	\$ 736,699	66 %	\$ 761,260	80 %
Corporate Branches	77,636	20	14,286	4	213,689	19	35,156	4
Total Insurance Services	339,196	85	298,728	84	950,388	85	796,416	84
TWFG MGA	60,903	15	55,361	16	164,612	15	150,233	16
Total written premium	\$ 400,099	100 %	\$ 354,089	100 %	\$ 1,115,000	100 %	\$ 946,649	100 %
Business Mix:								
Insurance Services								
Renewal business	\$ 265,026	66 %	\$ 242,258	68 %	\$ 739,624	66 %	\$ 623,773	66 %
New business	74,170	19	56,470	16	210,764	19	172,643	18
Total Insurance Services	339,196	85	298,728	84	950,388	85	796,416	84
TWFG MGA								
Renewal business	46,075	11	47,818	14	125,364	11	127,552	14
New business	14,828	4	7,543	2	39,248	4	22,681	2
Total TWFG MGA	60,903	15	55,361	16	164,612	15	150,233	16
Total written premium	\$ 400,099	100 %	\$ 354,089	100 %	\$ 1,115,000	100 %	\$ 946,649	100 %
Written Premium Retention:								
Insurance Services		89 %		98 %		93 %		96 %
TWFG MGA		83		88		83		90
Consolidated		88		97		91		95
Line of Business:								
Personal lines	\$ 327,159	82 %	\$ 289,032	82 %	\$ 904,372	81 %	\$ 758,297	80 %
Commercial lines	72,940	18	65,057	18	210,628	19	188,352	20
Total written premium	\$ 400,099	100 %	\$ 354,089	100 %	\$ 1,115,000	100 %	\$ 946,649	100 %

Comparison of the Three Months Ended September 30, 2024 and 2023

Total Written Premium for the three months ended September 30, 2024 increased by \$46.0 million, or 13.0%, compared to the same period in the prior year. Drivers of the increase in our Insurance Services offering include higher premium rates, written premiums from our 2023 acquisitions rolling into the current period, and new business growth. This increase was offset by a decline in retention as carriers are now opening up for new business after a period of restricting capacity, which had the effect in the prior year of increased retention and slowing new business growth. As previously discussed, in January 2024, nine of our independent branches converted to Corporate Branches, which shifted approximately \$49.8 million of written premiums for the three months ended September 30, 2024 from Agency-in-a-Box to Corporate Branches. The increase in our TWFG MGA offering was primarily attributable to new business growth and higher premium rates, partially offset by lower premium retention as carriers have opened up for new business which allows agents to shop favorable pricing for our Clients.

For the three months ended September 30, 2024 and 2023, our consolidated written premium retention was 88% and 97%, respectively. For the three months ended September 30, 2024, the composition of our renewal and new business mix shifted under our two product offerings as follows: Insurance Services renewal business as a percentage of the total written premium, decreased to 66% compared to 68% in the same period of the prior year. As a result, premium retention decreased to 89% from 98%, resulting in renewal premium growth of 9.4%, or \$22.8 million, compared to the same period of the prior year. Insurance Services new business, as a percentage of total written premium, increased to 19% from 16%, resulting in a new business growth of 31.3%, or \$17.7 million, compared to the same period in the prior year. The shift in Insurance Services new and renewal business

reflects more carriers seeking new business growth after a period of retrenchment designed to restore carrier profitability. As carriers look to grow after a period of reducing capacity by raising rates and slowing new business growth, consumers and their agents have more choices in terms of carriers and coverage.

TWFG MGA renewal business, as a percentage of the total written premium, decreased to 11% compared to 14% in the same period of the prior year. As a result, premium retention decreased to 83% from 88%, resulting in a decrease in renewal business of 3.6%, or \$1.7 million, compared to the same period in the prior year. TWFG MGA new business, as a percentage of total written premium, increased to 4% from 2%, resulting in a new business growth of 96.6%, or \$7.3 million, compared to the same period in the prior year. The shift in TWFG MGA new and renewal business reflects more carriers seeking new business growth after a period of retrenchment designed to restore carrier profitability.

Comparison of the Nine Months Ended September 30, 2024 and 2023

Total Written Premium for the nine months ended September 30, 2024 increased by \$168.4 million, or 17.8%, compared to the same period in the prior year. Drivers of the increase in our Insurance Services offering are attributable to higher premium rates, written premiums from our 2023 acquisitions rolling into the current period, and new business growth. This increase was offset by a decline in retention as carriers are now opening up for new business after a period of restricting capacity, which had the effect in the prior year of increasing retention and slowing new business growth. As previously discussed, in January 2024, the branch conversions shifted approximately \$136.1 million of written premiums for the nine months ended September 30, 2024 from Agency-in-a-Box to Corporate Branches. The increase in our TWFG MGA offering was primarily attributable to new business growth and higher premium rates, partially offset by lower premium retention as carriers have opened up for new business which allows consumers and agents to shop favorable pricing for our Clients.

For the nine months ended September 30, 2024 and 2023, our consolidated written premium retention was 91% and 95%, respectively. For the nine months ended September 30, 2024, the composition of our renewal and new business mix shifted under our two product offerings as follows: Insurance Services renewal business, as a percentage of the total written premium, was 66% which was consistent with the same period of the prior year and premium retention decreased to 93% from 96%, resulting in renewal premium growth of 18.6%, or \$115.9 million, compared to the same period of the prior year. Insurance Services new business, as a percentage of total written premium, increased to 19% from 18%, resulting in a new business growth of 22.1%, or \$38.1 million, compared to the same period in the prior year. The shift in Insurance Services new and renewal business reflects more carriers seeking new business growth after a period of retrenchment designed to restore carrier profitability. As carriers look to grow after a period of reducing capacity by raising rates and slowing new business growth, consumers and their agents have more choices in terms of carriers and coverage.

TWFG MGA renewal business, as a percentage of the total written premium, decreased to 11% compared to 14% in the same period of the prior year. As a result, premium retention decreased to 83% from 90%, resulting in a decrease in renewal business of 1.7%, or \$2.2 million, compared to the same period in the prior year. TWFG MGA new business, as a percentage of total written premium, increased to 4% from 2%, resulting in a new business growth of 73.0%, or \$16.6 million, compared to the same period in the prior year. The shift in TWFG MGA new and renewal business reflects more carriers seeking new business growth after a period of retrenchment designed to restore carrier profitability.

Non-GAAP Financial Measures

Organic Revenue. Organic Revenue is total revenue (the most directly comparable GAAP measure) for the relevant period, excluding contingent income, fee income, other income and those revenues generated from acquired businesses with over \$0.5 million in annualized revenue that have not reached the twelve-month owned mark.

Organic Revenue Growth. Organic Revenue Growth is the change in Organic Revenue period-to-period, with prior period results adjusted to include revenues that were excluded in the prior period because the relevant acquired businesses had not reached the twelve-month-owned mark but have reached the twelve-month owned mark in the current period. We believe Organic Revenue Growth is an appropriate measure of operating performance because it eliminates the impact of acquisitions, which affects the comparability of results from period to period.

A reconciliation of Organic Revenue and Organic Revenue Growth Rate to Total Revenue and Total Revenue Growth Rate, the most directly comparable GAAP measures, for each of the periods indicated is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total revenues	\$ 54,640	\$ 47,710	\$ 154,219	\$ 132,942
Acquisition adjustments ⁽¹⁾	(898)	(1,153)	(3,582)	(2,648)
Contingent income	(1,383)	(1,035)	(3,717)	(3,023)
Fee income	(2,890)	(2,107)	(7,811)	(6,343)
Other income	(2,127)	(575)	(3,244)	(1,125)
Organic Revenue	\$ 47,342	\$ 42,840	\$ 135,865	\$ 119,803
Organic Revenue Growth ⁽²⁾	\$ 3,349	\$ 5,048	\$ 14,206	\$ 12,986
Total Revenue Growth Rate ⁽³⁾	14.5 %	16.5%	16.0%	13.6%
Organic Revenue Growth Rate ⁽²⁾	7.6 %	13.4%	11.7%	12.2%

(1) Represents revenues generated from the acquired businesses during the first 12 months following an acquisition.

(2) Organic Revenue for the three months ended September 30, 2023 and 2022, and for the nine months ended September 30, 2023 and 2022, used to calculate Organic Revenue Growth for the three months ended September 30, 2024 and 2023, and for the nine months ended September 30, 2024 and 2023, was \$44.0 million, \$37.8 million, \$121.7 million and \$106.8 million, respectively, which is adjusted to reflect revenues from acquired businesses with over \$0.5 million in annualized revenue that reached the twelve-month owned mark during the year ended December 31, 2023 and 2022, respectively. Organic Revenue Growth Rate represents the period-to-period change in Organic Revenue divided by the total adjusted Organic Revenue in the prior period.

(3) Represents the period-to-period change in total revenues divided by the total revenues in the prior period.

Comparison of the Three Months Ended September 30, 2024 and 2023

Revenue growth rate, representing the year-over-year change in total revenues, was 14.5% for the three months ended September 30, 2024 compared to the same period in 2023 and 16.5% for the three months ended September 30, 2023 compared to the same period in 2022. Revenue growth for both periods reflected the impact of higher premium rates, growing Books of Business and the mix of the new and renewal businesses. Revenue growth for the three months ended September 30, 2024 compared to the same period in 2023 included the impact of the continued rollout of commission income from our Book of Business acquisitions in 2023 into the current period, higher fee income and higher interest income on bank deposits, including the \$192.9 million of net proceeds received from the IPO. See “—Consolidated Results of Operations” for additional discussions regarding the changes in our revenues.

Organic Revenue Growth Rate was 7.6% for the three months ended September 30, 2024 compared to the same period in 2023 and 13.4% for the three months ended September 30, 2023 compared to the same period in 2022. Organic Revenue Growth for both periods reflects ongoing, but normalizing rate increases being implemented by carriers, the underlying growth of our business, and healthy economic growth offset by a decrease in commission income in our MGA offering. Effective January 1, 2024, the MGA agreement with one of our insurance carriers was renegotiated and amended, which shifted our volume based commission to a flat monthly fee. The switch capped the income we earned at a maximum monthly amount. See “—Consolidated Results of Operations—Commission Income” for additional discussions regarding the changes in our commission income.

In addition, revenue growth and Organic Revenue Growth for the three months ended September 30, 2023 compared to the same period in 2022 reflected the impact of enhanced data collected from external sources, which improved our assumptions for estimating revenues starting in 2022.

Applying the use of enhanced data consistently throughout the prior periods, revenue growth rate for the three months ended September 30, 2023 compared to the same period in 2022 would have been 17.4%, and Organic Revenue Growth Rate for the three months ended September 30, 2023 compared to the same period in 2022 would have been 14.3%.

Comparison of the Nine Months Ended September 30, 2024 and 2023

Revenue growth rate, representing the year-over-year change in total revenues, was 16.0% for the nine months ended September 30, 2024 compared to the same period in 2023 and 13.6% for the nine months ended September 30, 2023 compared to the same period in 2022. Revenue growth for both periods reflected the impact of higher premium rates, growing Books of Business and the mix of the new and renewal businesses. Revenue growth for the nine months ended September 30, 2024 compared to the same period in 2023 included the impact of the continued rollout of commission income from our Book of Business acquisitions in 2023 into the current period, higher fee income and higher interest income on bank deposits, including the \$192.9 million of net proceeds received from the IPO.

Organic Revenue Growth Rate was 11.7% for the nine months ended September 30, 2024 compared to the same period in 2023 and 12.2% for the nine months ended September 30, 2023 compared to the same period in 2022. Organic Revenue Growth for both periods reflects ongoing, but normalizing, rate increases being implemented by carriers, the underlying growth of our business, and healthy economic growth offset by a decrease in commission income in our MGA offering. Effective January 1, 2024, the MGA agreement with one of our insurance carriers was renegotiated and amended, which shifted our volume based commission to a flat monthly fee. The switch capped the income we earned at a maximum monthly amount.

Applying the use of enhanced data consistently throughout the prior periods, revenue growth rate for the nine months ended September 30, 2023 compared to the same period in 2022 would have been 16.4%, and Organic Revenue Growth Rate for the nine months ended September 30, 2023 compared to the same period in 2022 would have been 15.7%.

Adjusted Net Income. Since the second quarter of 2024, we have used the revised calculation methodology for Adjusted Net Income, which includes amortization expenses among the add-back adjustments to our net income when calculating our Adjusted Net Income. Our legacy calculation methodology reflected the impact of intangible asset amortization as a reduction to our Adjusted Net Income. The revised calculation methodology excludes the effect of the intangible asset amortization when calculating our Adjusted Net Income by reflecting it among the add-back adjustments to our net income. We believe that the revised calculation of Adjusted Net Income is more consistent with the method and presentation used by most of our peers and will allow management to better evaluate our performance relative to our peer companies. We believe that the revised calculation more effectively represents what our stakeholders consider useful in assessing our performance.

Adjusted Net Income is a supplemental measure of our performance and is defined as net income (the most directly comparable GAAP measure) before amortization, non-recurring or non-operating income and expenses, including equity-based compensation, adjusted to assume a single class of stock (Class A) and assuming noncontrolling interests do not exist. We believe Adjusted Net Income is a useful measure because it adjusts for the after-tax impact of significant one-time, non-recurring items and eliminates the impact of any transactions that do not directly affect what management considers to be our ongoing operating performance in the period. These adjustments generally eliminate the effects of certain items that may vary from company to company for reasons unrelated to overall operating performance.

We are subject to U.S. federal income taxes, in addition to state, and local taxes, with respect to our allocable share of any net taxable income of TWFG Holding Company, LLC. Adjusted Net Income pre-IPO did not reflect adjustments for income taxes since TWFG Holding Company, LLC is a limited liability company and is classified as a partnership for U.S. federal income tax purposes. Post-IPO, the calculation will incorporate the impact of federal and state statutory tax rates on 100% of our adjusted pre-tax income as if the Company owned 100% of TWFG Holding Company, LLC.

Adjusted Net Income Margin. Adjusted Net Income Margin is Adjusted Net Income divided by total revenues. We believe that Adjusted Net Income Margin is a useful measurement of operating profitability for the same reasons we find Adjusted Net Income useful and also because it provides a period-to-period comparison of our after-tax operating performance.

A reconciliation of Adjusted Net Income and Adjusted Net Income Margin to Net income and Net income margin, the most directly comparable GAAP measures, for each of the periods indicated is as follows (in thousands):

Revised Calculation Methodology Applied to Current Period					
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2024	2023	2024	2023	
Total revenues	\$ 54,640	\$ 47,710	\$ 154,219	\$ 132,942	
Net income	\$ 6,893	\$ 7,608	\$ 20,440	\$ 20,881	
Acquisition-related expenses	—	—	—	168	
Restructuring and related expenses	—	—	—	17	
Discontinued operation income	—	—	—	(834)	
Equity-based compensation	1,012	—	1,012	—	
Other non-recurring items ⁽¹⁾	—	—	(1,477)	—	
Amortization expense	2,920	1,078	8,771	3,143	
Adjusted income before income taxes	10,825	8,686	28,746	23,375	
Adjusted income tax expense ⁽²⁾	(2,482)	—	(6,591)	—	
Adjusted Net Income	\$ 8,343	\$ 8,686	\$ 22,155	\$ 23,375	
Net Income Margin	12.6 %	15.9 %	13.3 %	15.7 %	
Adjusted Net Income Margin	15.3 %	18.2 %	14.4 %	17.6 %	

Legacy Calculation Methodology Applied to Current Period					
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2024	2023	2024	2023	
Total revenues	\$ 54,640	\$ 47,710	\$ 154,219	\$ 132,942	
Net income	\$ 6,893	\$ 7,608	\$ 20,440	\$ 20,881	
Acquisition-related expenses	—	—	—	168	
Restructuring and related expenses	—	—	—	17	
Discontinued operation income	—	—	—	(834)	
Equity-based compensation	1,012	—	1,012	—	
Other non-recurring items ⁽¹⁾	—	—	(1,477)	—	
Adjusted income before income taxes	7,905	7,608	19,975	20,232	
Adjusted income tax expense ⁽²⁾	(1,813)	—	(4,580)	—	
Adjusted Net Income	\$ 6,092	\$ 7,608	\$ 15,395	\$ 20,232	
Net Income Margin	12.6 %	15.9 %	13.3 %	15.7 %	
Adjusted Net Income Margin	11.2 %	15.9 %	10.0 %	15.2 %	

(1) Represents a one-time adjustment reducing commission expense, which resulted from the branch conversions. In January 2024, nine of our Branches converted to Corporate Branches. Upon conversion, agents of the newly converted Corporate Branches became employees and received salaries, employee benefits, and bonuses for services rendered instead of commissions. As a result, we released a portion of the unpaid commissions related to the converted branches that we no longer are required to settle.

(2) Post-IPO, we are subject to United States federal income taxes, in addition to state, local, and foreign taxes, with respect to our allocable share of any net taxable income of TWFG Holding Company, LLC. For the three and nine months ended September 30, 2024, the calculation of adjusted income tax expense is based on a federal statutory rate of 21% and a blended state income tax rate of 1.93% on 100% of our adjusted income before income taxes as if we owned 100% of the TWFG Holding Company, LLC.

Adjusted Diluted Earnings Per Share. Adjusted Diluted Earnings Per Share is Adjusted Net Income divided by diluted shares outstanding after adjusting for the effect of (i) the exchange of 100% of the outstanding Class B common stock of the Company (the "Class B Common Stock") and Class C common stock of the Company (the "Class C Common Stock") (together with the related LLC Units) into shares of Class A common stock of the Company ("Class A Common Stock") and (ii) the vesting of 100% of the unvested equity awards and exchange

into shares of Class A Common Stock. This measure does not deduct earnings related to the noncontrolling interests in TWFG Holding Company, LLC for the period of time prior to July 19, 2024 when we did not own 100% of the business. The most directly comparable GAAP financial metric is diluted earnings per share. We believe Adjusted Diluted Earnings Per Share may be useful to an investor in evaluating our operating performance and efficiency because this measure is widely used by investors to measure a company's operating performance without regard to items excluded from the calculation of such measure, which can vary substantially from company to company depending upon acquisition activity and capital structure. This measure also eliminates the impact of expenses that do not relate to core business performance, among other factors.

A reconciliation of Adjusted Diluted Earnings Per Share to diluted earnings per share, the most directly comparable GAAP measure, for each of the periods indicated is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024		2024	
Earnings per share of common stock – diluted	\$	0.08	\$	0.08
Plus: Impact of all LLC Units exchanged for Class A Common Stock ⁽¹⁾		0.04		0.29
Plus: Adjustments to Adjusted net income ⁽²⁾		0.03		0.03
Adjusted Diluted Earnings Per Share	\$	0.15	\$	0.40
Weighted average common stock outstanding – diluted		14,890,382		14,890,382
Plus: Impact of all LLC Units exchanged for Class A Common Stock ⁽¹⁾		41,171,461		41,171,461
Adjusted Diluted Earnings Per Share diluted share count		56,061,843		56,061,843

(1) For comparability purposes, this calculation incorporates the net income that would be distributable if all shares of Class B Common Stock and Class C Common Stock, together with the related LLC Units, were exchanged for shares of Class A Common Stock. For the three and nine months ended September 30, 2024, this includes \$5.7 million and \$19.3 million of net income, respectively, on 56,061,843 weighted-average shares of common stock outstanding - diluted, for both the three and nine months ended September 30, 2024. For both the three and nine months ended September 30, 2024, 41,171,461 weighted average outstanding Class B Common Stock and Class C Common Stock were considered dilutive and included in the 56,061,843 weighted-average shares of common stock outstanding - diluted within diluted earnings per share calculation. See Note 13, "Earnings Per Share" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information about the earnings per share.

(2) Adjustments to Adjusted Net Income are described in the footnotes of the reconciliation of Adjusted Net Income to Net Income in "Adjusted Net Income and Adjusted Net Income Margin", which represent the difference between Net Income of \$6.9 million and \$20.4 million and Adjusted Net Income of \$8.3 million and \$22.1 million for the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2024, Adjusted Diluted Earnings Per Share include adjustments of \$1.4 million and \$1.7 million to Adjusted Net Income, respectively, on 56,061,843 weighted-average shares of common stock outstanding - diluted for both periods presented.

Adjusted EBITDA. Adjusted EBITDA is a supplemental measure of our performance and is defined as EBITDA adjusted to exclude equity-based compensation and other non-operating items, including, certain nonrecurring or non-operating gains or losses, including equity-based compensation. EBITDA is defined as net income (the most directly comparable GAAP measure) before interest, income taxes, depreciation and amortization. We believe that Adjusted EBITDA is an appropriate measure of operating performance because it adjusts for significant one-time, non-recurring items and eliminates the ongoing accounting effects of certain capital spending and acquisitions, such as depreciation and amortization, that do not directly affect what management considers to be our ongoing operating performance in the period. These adjustments generally eliminate the effects of certain items that may vary from company to company for reasons unrelated to overall operating performance.

Adjusted EBITDA Margin. Adjusted EBITDA Margin is Adjusted EBITDA divided by total revenue. We believe that Adjusted EBITDA Margin is a useful measurement of operating profitability for the same reasons we find Adjusted EBITDA useful and also because it provides a period-to-period comparison of our operating performance.

A reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin to Net income and Net income margin, the most directly comparable GAAP measures, for each of the periods indicated is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total revenues	\$ 54,640	\$ 47,710	\$ 154,219	\$ 132,942
Net income	\$ 6,893	\$ 7,608	\$ 20,440	\$ 20,881
Interest expense	411	295	2,125	553
Depreciation and amortization	2,985	1,145	8,966	3,340
Income tax expense	437	—	437	—
EBITDA	10,726	9,048	31,968	24,774
Acquisition-related expenses	—	—	—	168
Restructuring and related expenses	—	—	—	17
Equity-based compensation	1,012	—	1,012	—
Discontinued operation income	—	—	—	(834)
Other non-recurring items ⁽¹⁾	—	—	(1,477)	—
Adjusted EBITDA	\$ 11,738	\$ 9,048	\$ 31,503	\$ 24,125
Net Income Margin	12.6 %	15.9 %	13.3 %	15.7 %
Adjusted EBITDA Margin	21.5 %	19.0 %	20.4 %	18.1 %

(1) Represents a one-time adjustment reducing commission expense, which resulted from the branch conversions. In January 2024, nine of our Branches converted to Corporate Branches. Upon conversion, agents of the newly converted Corporate Branches became employees and received salaries, employee benefits, and bonuses for services rendered instead of commissions. As a result, we released a portion of the unpaid commissions related to the converted branches that we no longer are required to settle.

Adjusted Free Cash Flow. Adjusted Free Cash Flow is a supplemental measure of our performance. We define Adjusted Free Cash Flow as cash flow from operating activities (the most directly comparable GAAP measure) less cash payments for tax distributions, purchases of property, plant, and equipment and acquisition-related costs. We believe Adjusted Free Cash Flow is a useful measure of operating performance because it represents the cash flow from the business that is within our discretion to direct to activities including investments, debt repayment, and returning capital to stockholders.

A reconciliation of Adjusted Free Cash Flows to Cash flow from Operating Activities, the most directly comparable GAAP measures, for each of the periods indicated is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cash Flow from Operating Activities	\$ 11,725	\$ 7,394	\$ 28,879	\$ 24,103
Purchase of property and equipment	(233)	(163)	(280)	(217)
Tax distribution to members ⁽¹⁾	—	(2,599)	(6,104)	(9,526)
Acquisition-related expenses	—	—	—	168
Net cash flow provided by operating activities from discontinued operation	—	—	—	(839)
Adjusted Free Cash Flow	\$ 11,492	\$ 4,632	\$ 22,495	\$ 13,689

(1) Tax distributions to members represents the amount distributed to the members of TWFG Holding Company, LLC in respect of their income tax liability related to the net income of TWFG Holding Company, LLC allocated to its members.

Organic Revenue, Organic Revenue Growth, Adjusted Net Income, Adjusted Net Income Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow and Adjusted Diluted Earnings Per Share are not measures of financial performance under GAAP and should not be considered substitutes for GAAP measures, including revenues (for Organic Revenue and Organic Revenue Growth), net income (for Adjusted Net Income, Adjusted Net

Income Margin, Adjusted EBITDA and Adjusted EBITDA Margin), cash flow from operating activities (for Adjusted Free Cash Flow) and diluted earnings per share (for Adjusted Diluted Earnings Per Share), which we consider to be the most directly comparable GAAP measures. These non-GAAP financial measures have limitations as analytical tools, and when assessing our operating performance, you should not consider these non-GAAP financial measures in isolation or as substitutes for revenues, net income, operating cash flow or other consolidated financial statement data prepared in accordance with GAAP. Other companies may calculate any or all of these non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

Liquidity and capital resources

Historical liquidity and capital resources

We have managed our historical liquidity and capital requirements primarily through the receipt of revenues from our operations. Prior to the IPO, our primary cash flow activities involved: (1) generating cash flow from our operations; (2) making strategic acquisitions; (3) making distributions to GHC Woodlands Holdings, LLC, Bunch Family Holdings, LLC, RenaissanceRe Ventures U.S. LLC, and TWFG, Inc. (collectively, and together with each of their permitted transferees, the "Pre-IPO LLC Members"); and (4) making borrowings, interest payments and repayments under our Credit Agreements. On July 19, 2024, we completed the IPO of 11,000,000 shares of Class A Common Stock at an IPO price of \$17.00 per share. On July 23, 2024, the underwriters purchased an additional 1,650,000 shares of Class A Common Stock in connection with the underwriters' full exercise of their option to purchase additional shares. We received approximately \$192.9 million of net proceeds from the IPO, including from the full exercise of the underwriters' option, after deducting underwriting discounts and commissions and related offering expenses. As of September 30, 2024, and December 31, 2023, our cash and cash equivalents were \$191.2 million, and \$39.3 million, respectively. We have used cash flow from operations primarily to pay compensation and related expenses, general, administrative and other expenses, debt service and distributions to our owners.

Credit agreements

On June 5, 2017, TWFG Holding Company, LLC, as borrower, entered into a credit agreement (as subsequently amended, the "Term Loan Credit Agreement") with PNC Bank, National Association, as lender. On July 30, 2019, TWFG Holding Company, LLC entered into a third amendment to the Term Loan Credit Agreement pursuant to which it borrowed \$4.0 million pursuant to a Term Loan B and used these proceeds for permitted acquisitions. On December 4, 2020, TWFG Holding Company, LLC entered into a fifth amendment to the Term Loan Credit Agreement pursuant to which it borrowed an additional \$13.0 million pursuant to a Term Loan C and used these proceeds for permitted acquisitions (such amount, together with the amount borrowed on July 30, 2019, the "Term Loans"). On May 23, 2023, TWFG Holding Company, LLC entered into a ninth amendment to the Term Loan Credit Agreement to, among other things, provide additional flexibility under the covenants contained therein. The Term Loan B was fully repaid by its maturity on July 30, 2024. The aggregate principal amounts of the Term Loan C as of September 30, 2024 is \$6.4 million as follows (in thousands):

Remainder of 2024	\$	469
Year ended December 31, 2025		1,912
Year ended December 31, 2026		1,972
Year ended December 31, 2027		2,034
Total	\$	6,387

On May 23, 2023, TWFG Holding Company, LLC, the guarantors party thereto, the lenders party thereto, PNC Bank, National Association and PNC Capital Markets LLC entered into a credit agreement that provides a revolving credit facility to the Company, with commitments in an aggregate principal amount not to exceed \$50.0 million (as amended on June 20, 2024, the "Revolving Facility," and together with the Term Loan Credit Agreement, the "Credit Agreements").

The Revolving Facility provides for a revolving credit facility to TWFG Holding Company, LLC, in an aggregate principal amount not to exceed \$50.0 million that matures on May 23, 2028. The proceeds from borrowings under the Revolving Facility have been used for permitted acquisitions, and may in the future be used for acquisitions, working capital and general corporate purposes. On August 5, 2024, we repaid the outstanding balance of the Revolving Facility amounting to \$41.0 million using a portion of the net proceeds from the IPO. As of September 30, 2024, there was no outstanding balance under the Revolving Facility.

The Credit Agreements contain covenants that, among other things and subject to certain exceptions, restrict our ability to make restricted payments, incur additional debt, engage in asset sales, mergers, acquisitions or similar transactions, create liens on assets, engage in transactions with affiliates, change our business or make investments. We may voluntarily prepay in whole or in part the outstanding principal under our Term Loans at any time prior to the maturity date. In addition, the Credit Agreements contain financial covenants that require us, subject to certain exceptions, to maintain a Consolidated Debt Service Coverage Ratio (as defined in the Credit Agreement) of at least 1.50 to 1.00 and a Consolidated Leverage Ratio (as defined in the Credit Agreement) of not more than 2.00 to 1.00, in each case, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, and as of September 30, 2024, we are in compliance with each such covenant.

Pursuant to the Credit Agreements, a change of control default will be triggered if: (i) any person or group (other than the Pre-IPO LLC Members or Richard F. ("Gordy") Bunch III and his affiliates) acquires beneficial ownership (within the meaning of Rule 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of more than 35% of the total voting power represented by our outstanding voting stock, (ii) we cease to be the managing member of TWFG Holding Company, LLC, (iii) any person (other than us, the Pre-IPO LLC Members or Richard F. ("Gordy") Bunch III and his affiliates) owns more than 35% of the membership interests of TWFG Holding Company, LLC or (iv) TWFG Holding Company, LLC shall cease to own, free and clear of all liens or other encumbrances (other than Permitted Liens as defined in our Credit Agreements), 100% of the outstanding voting equity interests of each guarantor (other than us) on a fully diluted basis, except as a result of a merger, consolidation or disposition permitted under the Credit Agreement. Such a default could result in the acceleration of repayment of our and our subsidiaries' indebtedness, including borrowings under our Term Loan Credit Agreement (as defined below) and any amounts then outstanding under the Revolving Facility if not waived by the lenders under our Credit Agreements. Such a default could result in the acceleration of repayment of our and our subsidiaries' indebtedness, including borrowings under the Term Loan Credit Agreement if not waived by the lenders thereunder.

Interest on Term Loan B and Term Loan C accrue at Daily Simple SOFR plus the Benchmark Replacement Adjustment of 0.11448%, 0.26161%, or 0.42826% for the one-month, three-month, or six-month borrowing periods, respectively. At our option, the revolving credit facility under the Revolving Facility accrues interest on amounts drawn at the Term SOFR Rate or Daily SOFR plus the SOFR Adjustment of 0.10% and Applicable Margin of 2.00% to 2.75%, each as defined in the Revolving Facility. The Term Loans and the Revolving Facility are collateralized by substantially all the Company's assets, which includes rights to future commissions.

Comparative cash flows

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net cash provided by operating activities from continuing operations	\$ 11,725	\$ 7,394	\$ 28,879	\$ 23,264
Net cash used in investing activities from continuing operations	(366)	(766)	(21,589)	(6,006)
Net cash provided by (used in) financing activities from continuing operations	153,033	(2,651)	147,147	(6,086)
Net change in cash, cash equivalents and restricted cash from continuing operations	164,392	3,977	154,437	11,172
Cash, cash equivalents and restricted cash from continuing operations, beginning of period	36,513	37,457	46,468	30,262
Cash, cash equivalents and restricted cash from continuing operations, end of period	\$ 200,905	\$ 41,434	\$ 200,905	\$ 41,434
Cash paid during the period for interest	\$ 405	\$ 159	\$ 2,298	\$ 328

Comparison of the Three Months Ended September 30, 2024 and 2023

Operating activities

Operating activities from continuing operations provided \$11.7 million and \$7.4 million of cash for the three months ended September 30, 2024 and 2023, respectively. The increase in net cash provided by operating activities from continuing operations was primarily attributable to the \$6.9 million increase in total revenues, decrease in commission expense amounting to \$1.7 million, and approximately \$2.1 million in net inflows from the changes in our net working capital between periods, partially offset by the increases in salaries and employee benefits and

other administrative expenses amounting to \$4.9 million and \$2.0 million, respectively. See “—Consolidated Results of Operations” above for additional information regarding the results of our operations.

Investing activities

Investing activities from continuing operations used \$0.4 million and \$0.8 million of cash for the three months ended September 30, 2024 and 2023, respectively. Our net investing outflows decreased primarily due to the lower level of intangible asset acquisitions in the current period of \$0.2 million compared to \$0.6 million in the prior period. See Note 4, “Intangible Assets” to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information regarding our asset acquisitions.

Financing activities

Financing activities from continuing operations provided \$153.0 million of cash for the three months ended September 30, 2024 and used \$2.7 million of cash for the three months ended September 30, 2023. Our net financing inflows increased primarily due to \$200.7 million in proceeds from the IPO, net of underwriting costs, and no cash distributions in the current period compared to \$2.6 million cash distributions the prior period. These changes were partially offset by the repayment of the outstanding balance of the Revolving Facility amounting to \$41.0 million using a portion of the net proceeds from the IPO and repayment of the term loans amounting to \$0.6 million in the current period while the prior period had repayment of \$0.7 million, \$1.9 million in net outflows from the change in carrier liabilities in the current period compared to \$0.7 million inflows in the prior period, and the \$3.9 million and \$0.2 million in payments of deferred offering costs and deferred acquisition payable, respectively, in the current period while the prior period had \$0.1 million and none, respectively.

Comparison of the Nine Months Ended September 30, 2024 and 2023**Operating activities**

Operating activities from continuing operations provided \$28.9 million and \$23.3 million of cash for the nine months ended September 30, 2024 and 2023, respectively. The increase in net cash provided by operating activities from continuing operations was primarily attributable to the \$21.3 million increase in total revenues and the decrease in commission expense amounting to \$1.7 million, partially offset by the increases in salaries and employee benefits, other administrative expenses and interest expense amounting to \$11.3 million, \$3.6 million, \$1.6 million, respectively, and approximately \$1.6 million in net outflows from the changes in our net working capital between periods. See “—Consolidated Results of Operations” for additional information regarding the results of our operations.

Investing activities

Investing activities from continuing operations used \$21.6 million and \$6.0 million of cash for the nine months ended September 30, 2024 and 2023, respectively. Our net investing outflows increased primarily due to the higher level of intangible asset acquisitions in the current period of \$21.4 million compared to \$6.3 million in the prior period. In January 2024, we acquired the assets of nine of our independent branches for a total purchase price of \$40.8 million, of which approximately \$20.4 million was paid in cash, with the remainder settled through the issuance of Class A common units. In addition, the Company purchased customer lists intangible assets totaling \$0.9 million, of which approximately \$0.4 million was paid in cash, for the nine months ended September 30, 2024 representing purchases of assets with annualized revenues less than \$0.5 million. The prior period included three customer list acquisition transactions representing purchases of assets with annualized revenues greater than \$0.5 million. See Note 4, “Intangible Assets” to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information regarding our asset acquisitions.

Financing activities

Financing activities from continuing operations provided \$147.1 million and used \$6.1 million of cash for the nine months ended September 30, 2024 and 2023, respectively. Our net financing inflows increased primarily due to \$200.7 million in proceeds from the IPO, net of underwriting costs, the \$8.3 million lower cash distributions in the current period compared to the prior period, and \$3.1 million in higher net inflows from the change in carrier liabilities in the current period compared to the prior period. These changes were partially offset by the decrease of \$10.0 million in proceeds from the drawdown of the Revolving Facility in the prior period while the current period has none, repayment of the outstanding balance of the Revolving Facility amounting to \$41.0 million using a

portion of the net proceeds from the IPO and repayment of the term loans amounting to \$2.0 million in the current period while the prior period had repayment of \$2.0 million, and the \$7.1 million and \$0.8 million in payments of deferred offering costs and deferred acquisition payable, respectively, in the current period while the prior period had \$0.1 million and none, respectively.

Future sources and uses of liquidity

Our sources of liquidity will be (1) cash on hand, (2) net working capital, (3) cash flows from operations and (4) borrowings on our Credit Agreements. We expect that our primary liquidity needs will comprise cash to (1) provide capital to facilitate the organic growth of our business, (2) pay operating expenses, including cash compensation to our independent agents and our employees, (3) make payments under the TRA, (4) fund acquisitions, (5) pay interest and principal due on borrowings under our Credit Agreements and (6) pay income taxes. We expect to have sufficient financial resources to meet our business requirements in the next 12 months and in the long term, including the ability to service our debt and contractual obligations, finance capital expenditures and make distributions, including tax distributions, to our stockholders. Although cash from operations is expected to be sufficient to service these activities, we have the ability to borrow under our Credit Agreements to accommodate any timing differences in cash flows. Additionally, we may in the future access the capital markets to obtain equity or debt financing, if needed, including to pursue acquisition opportunities.

We have certain obligations related to debt maturities and operating leases. As of September 30, 2024, we had \$1.1 million of non-cancelable operating lease obligations for the next 12 months. For the periods following the next 12 months, we have an additional \$1.4 million of non-cancelable operating lease obligations. See Note 5, "Operating Leases," to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information. In addition, as of September 30, 2024, we had \$2.4 million of debt maturities for the next 12 months comprised of \$1.9 million of the remaining balance under the Term Loan C, and \$0.5 million in acquisition-related notes. For the periods following the next 12 months, we have an additional \$5.4 million of debt maturities representing \$4.5 million under the Term Loan C, and \$0.9 million in acquisition-related notes. As of September 30, 2024, there was no outstanding balances under our Revolving Facility. Any outstanding balances under our Revolving Facility, if any, will become due and payable during 2028. Annual interest rates on the acquisition-related notes are 3.75% and 5.0%, and our effective interest rates on the Term Loan C for the three and nine months ended September 30, 2024 were both 3.06%. As of September 30, 2024, we have an interest rate swap agreement associated with the Term Loan C, which converted the floating interest rates on these loans to fixed interest rates. See Note 6 "Derivatives" and Note 8, "Debt" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Tax receivable agreement

As a result of our ownership of LLC Units in TWFG Holding Company, LLC, we are now subject to U.S. federal, state and local income taxes with respect to our allocable share of any taxable income of TWFG Holding Company, LLC and are taxed at the prevailing U.S. federal income tax rates applicable to corporations. In addition to tax expenses, we also incur expenses related to our operations and we are required to make payments under the TRA. Due to the uncertainty of various factors, we cannot precisely quantify the likely tax benefits we will realize as a result of LLC Unit exchanges and the resulting amounts we are likely to pay out to holders of LLC Units pursuant to the TRA; however, we estimate that such tax benefits and the related TRA payments may be substantial.

We expect that, as a result of the increases in the tax basis of the tangible and intangible assets of TWFG Holding Company, LLC attributable to taxable redemptions, exchanges or purchases of LLC Units from any of the Pre-IPO LLC Members, the payments that we may make to the Continuing Pre-IPO LLC Members could be substantial. For example, if we acquired all of the LLC Units of the Continuing Pre-IPO LLC Members in taxable transactions as of the IPO, at the IPO price of \$17.00 per share based on certain assumptions, including that (i) there are no material changes in relevant tax law and (ii) we earn sufficient taxable income in each year to realize on a current basis all tax benefits that are subject to the TRA, we expect that the resulting reduction in tax payments for us, as determined for purposes of the TRA, would aggregate to approximately \$182.4 million, substantially all of which would be realized over the next 15 years, and we would be required to pay the Continuing Pre-IPO LLC Members 85% of such amount, or \$155.1 million, over the same period. The actual increases in tax basis with respect to future taxable redemptions, exchanges or purchases of LLC Units, as well as the amount and timing of any payments we are required to make under the TRA in respect of future taxable redemptions, exchanges or purchases of LLC Units, may differ materially from the amounts set forth above because the potential future reductions in our tax payments, as determined for purposes of the TRA, and the payments we will be required to make under the

TRA, will each depend on a number of factors, including the market value of our Class A Common Stock at the time of purchase, redemption or exchange, the prevailing U.S. federal income tax rates applicable to us over the life of the TRA (as well as the assumed combined state and local tax rate), the amount and timing of the taxable income that we generate in the future and the extent to which future redemptions, exchanges or purchases of LLC Units are taxable transactions.

Payments under the TRA are not conditioned on the Continuing Pre-IPO LLC Members' continued ownership of us. There may be a material negative effect on our liquidity if, as described below, the payments under the TRA exceed the actual benefits we receive in respect of the tax attributes subject to the TRA and/or distributions to us by TWFG Holding Company, LLC are not sufficient to permit us to make payments under the TRA.

The TRA acceleration event provisions in the TRA may result in situations where the Continuing Pre-IPO LLC Members have interests that differ from or are in addition to those of our other stockholders.

Finally, because we are a holding company with no operations of our own, our ability to make payments under the TRA depends on the ability of TWFG Holding Company, LLC to make distributions to us. To the extent that we are unable to make payments under the TRA for any reason, such payments will be deferred and will accrue interest until paid, which could negatively impact our results of operations and could also affect our liquidity in periods in which such payments are made.

Off-balance sheet arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our unaudited condensed consolidated financial statements.

Critical accounting estimates

We prepare our unaudited condensed consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our unaudited condensed consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe our significant accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates or judgments. The accounting policies that we believe reflect our more significant estimates, judgments and assumptions that are most critical to understanding and evaluating our reported financial results are: revenue recognition, intangible assets, leases and acquisitions.

Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our IPO Prospectus. There have been no material changes to our critical accounting policies and estimates disclosed in our IPO Prospectus. See Note 2, "Summary of Significant Accounting Policies," to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a summary of our significant accounting policies.

Recent accounting pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, see Note 2, "Summary of Significant Accounting Policies," to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Emerging growth company

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and we may remain an emerging growth company for up to five years following the IPO. For so long as we remain an emerging growth company, we are permitted and intend to rely on certain exemptions from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation, and exemptions from the

requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued after the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with certain new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as premium amounts, interest rates, and equity prices. We are exposed to market risk through our Book of Business, investments and borrowings under our Credit Agreements. We use derivative instruments to mitigate our risk related to the effect of rising interest rates on our cash flows. However, we do not use derivative instruments for trading or speculative purposes.

Insurance premium pricing within the P&C insurance industry has historically been cyclical, based on the underwriting capacity of the insurance industry and economic conditions. External events, such as terrorist attacks, man-made and natural disasters, can also have significant impacts on the insurance market. We use the terms “soft market” and “hard market” to describe the business cycles experienced by the industry. A soft market is an insurance market characterized by a period of declining premium rates, which can negatively affect commissions earned by insurance agents. A hard market is an insurance market characterized by a period of rising premium rates, which, absent other changes, can positively affect commissions earned by insurance agents.

Our investments are held primarily as cash and cash equivalents. These investments are subject to interest rate risk. The fair values of cash and cash equivalents as of September 30, 2024 and December 31, 2023 approximated their respective carrying values due to their short-term duration and therefore, such market risk is not considered to be material. We do not actively invest or trade in equity securities.

As of September 30, 2024, we had approximately \$6.4 million under our Term Loan Credit Agreement. We repaid the outstanding balances of our Term Loan B and Revolving Facility in full as of September 30, 2024. As of December 31, 2023, we had approximately \$8.4 million and \$41.0 million of borrowings outstanding under our Term Loan Credit Agreement and Revolving Facility, respectively. These borrowings accrue interest tied to SOFR and therefore interest expense under these borrowings is subject to change. The effect of an immediate hypothetical 10% change in interest rates would not have a material effect on our unaudited condensed consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Principal Executive Officer (our Chief Executive Officer) and Principal Financial Officer (our Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2024. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2024, our Principal Executive Officer and Principal Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the nine months ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we may be involved in various legal proceedings and subject to claims that arise in the ordinary course of business. Although the results of litigation and claims are inherently unpredictable and uncertain, we are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed under the heading "Risk Factors" of our IPO Prospectus.

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

Recent Sales of Unregistered Securities

In connection with the Reorganization Transactions, we issued (i) 2,161,874 shares of the Company's Class A Common Stock in exchange for LLC Units, (ii) 7,277,651 shares of the Company's Class B Common Stock for consideration of \$0.00001 per share (or \$72.78 in the aggregate) and (iii) 33,893,810 shares of the Company's Class C Common Stock for consideration of \$0.00001 per share (or \$338.94 in the aggregate), to certain members of TWFG Holding Company, LLC. The shares were issued in reliance on the exemption contained in Section 4(a)(2) of the Securities Act, on the basis that the transaction did not involve a public offering.

Use of Proceeds

On July 19, 2024, we closed our IPO in which we sold 12,650,000 shares of Class A Common Stock, including 1,650,000 shares of Class A Common Stock pursuant to the underwriters' full exercise of their 30-day option, at a public offering price of \$17.00 per share. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to our Registration Statement.

We received approximately \$192.9 million of net proceeds after deducting underwriting discounts and commissions of \$14.4 million and related offering expenses of approximately \$7.8 million. We used the net proceeds from the IPO (including the net proceeds received from the underwriters' exercise of their option to purchase additional shares of Class A Common Stock) to acquire a number of newly issued LLC Units equal to the number of shares of Class A Common Stock in the IPO from TWFG Holding Company, LLC, at a purchase price per LLC Unit equal to the initial public offering price of Class A Common Stock after underwriting discounts and commissions. TWFG Holding Company, LLC used a portion of the proceeds it received from the sale of LLC Units to pay the expenses in connection with the IPO and the Reorganization Transactions and to repay in full outstanding debt under our Revolving Facility in the amount of \$41.0 million.

Item 5. Other Information

(a) We are reporting the following information in lieu of reporting on a Current Report on Form 8-K under Item 1.01 - Entry into a Material Definitive Agreement.

On November 12, 2024, the Company entered into a lease agreement with Parkwood 2, LLC (the "Lease"), a related party, for additional office space located in The Woodlands, Texas. Parkwood 2, LLC is owned by the Continuing Pre-IPO LLC Members. The Lease is anticipated to commence on December 1, 2024 with an initial term of 120 months with an option to renew. The Company has the right to extend the term of the Lease for an additional 120 months at the then-prevailing market rate. The total future minimum lease payments related to the Lease are approximately \$2.6 million. In addition, the Lease provides for additional rent for operating expenses under the terms of the Lease. The foregoing description is qualified in its entirety by the full text of the Lease, which is attached hereto as Exhibit 10.11, and is incorporated herein by reference.

(b) None.

(c) During the period covered by this Quarterly Report on Form 10-Q, none of the Company's directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those

terms are defined in Regulation S-K, Item 408, that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c).

Item 6. Exhibits

The following exhibits are filed as part of this report:

Exhibit number	Description
3.1	Amended and Restated Certificate of Incorporation of TWFG, Inc., dated July 17, 2024 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-42177) filed on July 23, 2024)
3.2	Amended and Restated By-Laws of TWFG, Inc., dated July 17, 2024 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-42177) filed on July 23, 2024)
10.1	Third Amended and Restated Limited Liability Company Agreement of TWFG Holding Company, LLC, dated as of July 17, 2024, among TWFG Holding Company, LLC, TWFG, Inc. and the other signatories party thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-42177) filed on July 23, 2024)
10.2	Registration Rights Agreement, dated as of July 19, 2024, by and among TWFG, Inc. and the stockholders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-42177) filed on July 23, 2024)
10.3	Tax Receivable Agreement, dated as of July 19, 2024, by and among TWFG, Inc., TWFG Holding Company, LLC and each member of TWFG Holding Company, LLC party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-42177) filed on July 23, 2024)
10.4	Reorganization Agreement, dated as of July 17, 2024, by and among TWFG, Inc., TWFG Holding Company, LLC and the other signatories party thereto (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-42177) filed on July 23, 2024)
10.5+	TWFG, Inc. 2024 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K (File No. 001-42177) filed on July 23, 2024)
10.6+	Form of TWFG, Inc. 2024 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (Employees) (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-280439) filed on June 24, 2024)
10.7+	Form of TWFG, Inc. 2024 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (Non-Employee Directors) (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (File No. 333-280439) filed on June 24, 2024)
10.8	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 001-42177) filed on July 23, 2024)
10.9	First Amendment to Credit Agreement, dated as of June 20, 2024, by and among TWFG Holding Company, LLC, the Guarantors party thereto, the Lenders party thereto and PNC Bank, National Association, as Administrative Agent, Swingline Loan Lender and Issuing Lender (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (File No. 333-280439) filed on June 24, 2024)
10.10*	Amended Managing General Agency and Claims Administration Agreement by and between The Woodlands Insurance Company and TWFG General Agency, LLC dated as of September 1, 2024
10.11*	Office Lease Agreement, dated as of November 12, 2024, by and between Parkwood 2, LLC and TWFG Holding Company, LLC
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Schema Document

101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL)

*Filed herewith.

** Furnished.

+ Indicates a management contract or compensatory plan or agreement.

Signatures

Pursuant to the requirements 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.

Date: November 13, 2024

TWFG, Inc.

By: /s/ Richard F. Bunch III

Name: Richard F. Bunch III

Title: Chief Executive Officer

(Principal Executive Officer)

Date: November 13, 2024

By: /s/ Janice E. Zwinggi

Name: Janice E. Zwinggi

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

AMENDED MANAGING GENERAL AGENCY AND CLAIMS ADMINISTRATION AGREEMENT

This Amended Managing General Agency And Claims Administration Agreement (“Agreement”) dated as of September 1, 2024 (“Effective Date”) is entered into by and between The Woodlands Insurance Company (the “Company”), an insurance company organized under the laws of the State of Texas, and TWFG General Agency, LLC (“MGA” or “Agency”), a Texas limited liability company.

WHEREAS, the Company and MGA previously entered into a Managing General Agency Agreement with an effective date of January 1, 2017, as amended from time to time;

WHEREAS, the Company and MGA wish to amend the terms of the previous Managing General Agency Agreement and to replace that agreement with this Agreement;

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Company and MGA agree as follows:

1. Representations

1.1 The Company is an insurance company organized and existing under the laws of the State of Texas and has its principal place of business in The Woodlands, Texas.

1.2 Agency is a Texas limited liability company organized and existing under the laws of the State of Texas, licensed by the Texas Department of Insurance as a managing general agent, and has its principal place of business in The Woodlands, Texas.

2. Appointment

2.1 The Company hereby appoints the Agency as its managing general agent (“MGA”) for the production of business as further set out in Schedule I of this Agreement, which may be amended from time to time.

2.2 The Agency accepts such appointment and agrees to perform faithfully and diligently its duties as managing general agent to the best of its knowledge, skill, and judgment.

2.3 This Agreement is subject to the restrictions imposed upon the Company and Agency by the Texas Department of Insurance and the Texas Insurance Code.

3. Administrative Services to Be Provided by MGA

The Company is authorized in Texas to write Property & Casualty (“P&C”) policies. The Company seeks assistance and expertise from the MGA in certain aspects of its insurance operations. The MGA warrants it has extensive experience in the insurance industry.

The specific administrative services to be provided by the MGA are:

- 3.1 Licensing – This will include the following:
- a) Contracting P&C agents to write with the Company and appointing agents with the Department of Insurance.
 - b) Obtaining and maintaining licenses to sell insurance in Texas and other states where requested by the Company.
 - c) Compliance with Departments of Insurance and maintaining licenses once obtained. This will include all aspects of the Company’s operations.
 - d) Coordinating within the department(s) of the Company to assist in gathering and data procurement of information needed pursuant to the regulations or administrative code of those states where the Company does business.
- 3.2 Statistical Accounting – MGA will provide the statistical analysis expertise to perform the necessary functions needed by the Company. This includes:
- a) Providing reports of written and earned premiums;
 - b) Providing statistical reports required by the Texas Department of Insurance and/or other states where the Company writes policies.
 - c) Coordinating independent audits requested by the Company.
- 3.3 Management – MGA will provide executive management for the overall operation of the Company. MGA will be under the direct control and supervision of the CEO of the Company. These management tasks will include the following:
- a) Provide day-to-day management of routine operational matters;
 - b) Interface with agents/brokers who sell the Company’s products;
 - c) Represent the Company in matters with the Texas Department of Insurance or like department/commissions in those states where the Company does business;
 - d) Recommend to the Company’s Board of Directors and CEO measures to increase efficiency and productivity;
 - e) Recommend the key financial officers and operational personnel of the Company;
and

- f) Oversee and manage the financial aspects of the Company in conjunction with the Company's CEO, President and Board of Directors.

4. Lines of Insurance

4.1 The lines of insurance covered by this Agreement, which MGA is authorized to solicit, receive, and accept, are limited to those set forth in Schedule I, and are further subject to the limits set forth in the Company's Program and Products Manual ("Manual"), as amended and updated by the Company from time to time in its sole discretion, and incorporated herein by reference. Amendments and updates to the Manual may include, without limitation, the addition or deletion of lines of insurance. Amendments and updates shall be delivered to MGA as they are adopted by the Company and shall become effective at such time as is designated by the Company, but not less than sixty (60) days after notice to MGA unless otherwise mutually agreed.

5. Underwriting Authority of MGA

5.1 Subject to the limitations and requirements contained in this Agreement and in the Manual, MGA shall, on behalf of the Company, have the authority to receive and accept proposals for insurance coverage under the products set forth in the Manual ("Products").

5.2 MGA has the authority to charge or caused to be charged premiums for such insurance as authorized by this Agreement and the Manual, and to collect, receive, and receipt for premiums on insurance tendered to the Company, and shall collect, receive, and receipt for insurance premiums becoming due for the insurance subject hereto in accordance with the terms of this Agreement, the Manual, and in compliance with the Texas Insurance Code.

5.3 MGA shall be responsible for underwriting risks and charging rates in accordance with the rules, regulations, rates, rating plans, rate filings, and terms included in the Manual and in accordance with the Texas Department of Insurance and the Texas Insurance Code. The Company reserves the right, in its sole discretion, to direct MGA to cancel or non-renew any policy written by MGA on behalf of the Company, in accordance with applicable law, by so notifying MGA. The Company further reserves the right, in its sole discretion, to decline or reject any risk submitted by MGA to the Company by so notifying MGA.

5.4 MGA shall notify the Company immediately on knowledge or receipt of any complaint filed by or with a regulatory entity (including the Texas Department of Insurance) with respect to insurance tendered to or written by or against the Company, MGA, or any Authorized Agent (as defined in paragraph 5.6). Within ten (10) days of receipt of any such complaint, or such shorter period as necessary to adequately respond to such complaint, MGA shall provide the Company with a copy of all documentation relating to such complaint, including without limitation a written summary of all facts relevant to such complaint. The Company, or, at the Company's written request MGA, will then respond to such complaint in such form as the Company and MGA determine necessary. The parties agree to work together to promptly and adequately respond to

any such complaint. The Company shall have the same duty to notify MGA and follow the same procedures set forth above with respect to any complaint against MGA which the Company receives or of which it acquires knowledge.

5.5 MGA, the Company, and their respective directors, officers, employees, representatives, and agents shall, in complying with all the terms of this Agreement, conform with all laws, general standards, rules and regulations of the insurance industry in Texas and the states in which the Company conducts business, including the regulations set forth by The Texas Department of Insurance, the Texas Insurance Code, and the Texas Administrative Code.

5.6 MGA is authorized to appoint Authorized Agents (as defined below) on behalf of the Company for the purpose of soliciting and accepting proposals for policies of insurance, renewals or receipts, certificates, and endorsements pertaining to the lines of insurance, and in such amounts as allowed in the Manual or otherwise in this Agreement.

5.7 MGA has no authority to insert any advertisement respecting the Company in any publication whatsoever, to provide advertising to Authorized Agents, or to disseminate any written materials with the Company's name without the prior written consent of the Company. In the event an advertisement containing the Company's name is approved by the Company and used by MGA or any Authorized Agent, MGA shall maintain, and provide to the Company upon request, an original copy of the advertisement and full details concerning where, when, and how it will be used.

5.8 MGA has no authority, either for itself or for any Authorized Agent, to make, alter, vary, or discharge any policy contract; to waive or extend any policy obligation or condition; or to incur any liability on behalf of the Company, unless in each case expressly so authorized in advance by the Company.

5.9 Except as permitted under Section 5 and Section 10.1 of this Agreement, MGA has no authority to, and may not, delegate any of its authority granted under this Agreement to any person or entity without prior written consent of the Company.

5.10 MGA has no authority to bind reinsurance retrocessions on behalf of the Company, nor may it commit the Company to participate in insurance or reinsurance syndicates.

5.11 MGA has no authority to collect payment from a reinsurer or commit the Company to a claim settlement with a reinsurer without prior written approval of the Company. If prior approval is given to MGA, MGA must promptly (within 48 hours) forward a report, notifying the Company.

5.12 MGA may not cede reinsurance on behalf of the Company to any reinsurer that is rated less than “A” by A.M. Best Company or that would not qualify for reinsurance credit under the Texas Insurance Code Chapters 492 or 493 and the rules adopted by the Texas Department of Insurance.

6. Appointment of MGA

6.1 MGA may sell insurance or market insurance authorized herein through agents and solicitors who are licensed pursuant to Article 21.14 of the Texas Insurance Code and who are duly authorized and appointed by the Company to act on the Company’s behalf (“Authorized Agents”) pertaining to the lines of insurance covered by, and subject to the limitations contained in, this Agreement and the Manual.

6.2 Notwithstanding the requirements of Paragraph 5.6, a proposed Authorized Agent must be approved by the Company in its sole discretion and must execute a Producer’s Agreement in a form approved by the Company prior to being considered an Authorized Agent under this Agreement.

6.3 MGA shall supervise Authorized Agents and shall limit their authority to soliciting and accepting proposals for such insurance as shall be in accordance with this Agreement; the rules, regulations, rates, rating plans, and terms included in the Manual; the Producer’s Agreement; and any restrictions placed upon such Authorized Agents by the laws of the State of Texas. MGA shall maintain a listing of all appointments of Authorized Agents appointed by the Company and shall maintain originals of all Producers’ Agreements. On the Company’s request, MGA shall allow the Company to review, or provide copies to the Company, of this listing or of any agreement with Authorized Agents.

6.4 MGA may not permit solicitation by or through unlicensed agents or agents not appointed by the Company pursuant to this Section 6, except through proposals received on occasion through licensed agents brokering policies pursuant to and in accordance with 28 Texas Administrative Code §19.905.

6.5 MGA may only perform such acts on behalf of the Company as are authorized by the type of insurance agent license required by the Texas Insurance Code and any corresponding regulations and by this Agreement, and shall hold the required agent license or licenses (e.g., LRA, MGA, Surplus Lines, etc., herein referred to as the “Licenses”) prior to performing any such acts. Only such acts as are authorized under a particular License type shall be performed under that License.

6.6 MGA may not appoint a sub-managing general agent for the business of the Company.

6.7 MGA is authorized to terminate Authorized Agents in its sole discretion and in accordance with all applicable laws and regulations governing such terminations. In addition, Company may terminate any Authorized Agent in its sole discretion at any time.

7. Application, Binders and Policies

7.1 MGA shall be responsible for all policies entrusted to MGA, whether issued or not, and shall issue policies only in accordance with the terms of this Agreement and the rules, regulations, rates, rating plans, and terms included in the Manual and in compliance with all applicable laws.

7.2 MGA shall cause all contracts of insurance which are affected pursuant to this Agreement to be properly evidenced by written policies or endorsement upon forms authorized by the Company and which are in compliance with all applicable laws.

7.3 MGA shall be responsible for procuring any renewal, extension, or new policy of insurance that may be required by the Company or by any applicable law, and such renewals, extensions, or new policies shall be issued in accordance with the terms of the policies, this Agreement, and all applicable laws.

7.4 MGA is authorized to effect non-renewal or cancellation on binders and policies written pursuant to this Agreement, but such non-renewals and cancellations shall be strictly in compliance with the terms of the policies and all applicable laws. The Company, in its sole judgment and discretion, may review and require the non-renewal or cancellation of any policies written by or through MGA. The Company reserves the right to directly cancel or non-renew any policy or insurance at any time, provided that the Company shall immediately notify MGA and that any such cancellation and/or non-renewal shall comply with Title 5, Subtitle C, Chapter 551 of the Texas Insurance Code and corresponding regulations.

7.5 MGA shall provide, at the Company's request, evidence of any or all insurance written, modified, or terminated, including, without limitation, exact copies of all applications, binders, daily reports, monthly reporting forms, and endorsements issued by or through Authorized Agents.

7.6 MGA shall be responsible for, shall maintain originals of, and shall keep accurate and separate records relating to all policies written by or through MGA on the Company's behalf, and MGA shall account to the Company, upon Company's request, for all outstanding and unused policy supplies. All unused policies, supplies, and forms of every kind furnished to MGA by the Company shall always remain the property of the Company and shall be surrendered to the Company upon the Company's demand.

8. Compensation

8.1 For the Administrative Services described in Section 3 of this Agreement, the Company shall pay to MGA the fees and rates set forth in Schedule II to this Agreement, which may be amended from time to time by mutual agreement of the parties.

8.2 For the Underwriting Services provided by MGA in this Agreement, the Company shall pay to MGA for all authorized business placed with the Company under this Agreement the commissions and fees at the rates set forth in Schedule III to this Agreement, which may be amended from time to time by mutual agreement of the parties.

8.3 Commission will be reduced in the event the Company writes business directly with other agents or brokers not appointed through MGA. The reduction of commissions will be equal to the commission the Company pays directly to agents or brokers.

8.4 Agency shall not be required to return, as commission or return commission, monies greater than the total commission paid or otherwise payable to MGA.

9. Accounting and Remittance

9.1 Unless otherwise directed in writing by the Company, MGA and Authorized Agents shall be responsible for the collection of all premiums, fees, and monies on business written by the Company hereunder.

9.2 All premiums, less MGA's commissions, received by MGA and Authorized Agents for business written by the Company hereunder, whether before or after termination of this Agreement, shall be held in a fiduciary capacity as trustee for the Company.

9.3 MGA shall maintain and keep current a set of books and records relating to the business written pursuant to this Agreement. Such books and records shall be separate from all other books and records of MGA and shall accurately show the status of its accounts with the Company, and each Authorized Agent appointed hereunder, and shall be open for inspection, audit, and copying at any reasonable time by representatives of the Company or examiners for the Texas Department of Insurance. Such records shall be maintained for no less than five (5) years or until the completion of a financial examination of such records by the Texas Department of Insurance, whichever period is longer.

9.4 MGA shall, on all business placed by MGA and Authorized Agents and accepted by the Company, render to the Company on a monthly basis an itemized statement ("Agent's Report"), which statement shall be forwarded to the Company on or before the fifteenth (15th) day of the close of each month for which business is reported. The Company and MGA may agree to extend this deadline; however, the Agent's Report must be received by the Company no later than

sixty (60) days from the close of the month for which business is reported. Such Agent's Report shall reflect business placed by MGA with the Company during the preceding month and shall include, without limitation, the following information:

- a) Net written and earned premium for the month;
- b) Commissions, thereon;
- c) Unearned premium at the end of the month;
- d) Premiums and policy count by program and major line of business;
- e) Paid losses and loss adjustment expense for the month;
- f) Outstanding losses and loss adjustment expenses outstanding at the end of the month;
- g) New claims by program and major line of business;
- h) A listing of losses, both open and closed (in the preceding month) by policy and claim including the coverage code for each claim and its status, loss reserves, and loss reserve changes by program and major line of business; and
- i) Fees for Administrative Services and Underwriting Services.

Such Agent's Report shall be maintained by the Company for not less than three (3) years and will be made available to the Texas Department of Insurance for review, as required by law. MGA, upon request and at the expense of MGA, shall render detail on a policyholder name and policy number basis to support the information contained in the Agent's Report.

9.5 MGA shall use its best efforts to provide the Company prior to the 15th day of each month preliminary information with respect to each of the items to be included in the Agent's Report for the preceding month.

9.6 All premium monies collected by MGA, less commissions and claims paid, shall be held in trust in a premium trust account or accounts for the Company until payment is made to the Company. All funds deposited shall be held in a bank which is a member of the Federal Reserve System having equity capital (as shown on such bank's latest quarterly report of condition filed with its primary federal regulatory MGA) of not less than \$100 million and in accounts which are insured by the Federal Deposit Insurance Corporation. Such accounts shall be established and maintained in accordance with all laws, rules and regulations of the State of Texas and any requirements of the Company. The interest on such premium accounts shall be the property of MGA.

9.7 MGA shall not mingle any premium funds with any personal or business accounts, other MGA funds, or funds held in any other capacity. The accounts and records of MGA shall be kept in such a manner and form generally recognized as acceptable in the insurance industry and as may be reasonably required by the Company.

9.8 MGA shall remit to the Company on a monthly basis within thirty (30) days from the end of the month in which coverage is written the following:

- a) Net collected premium during the month; less
- b) Commissions, less
- c) Claims Paid.

The positive balance of (a) less (b) less (c) shall be remitted by MGA to the Company with the Agent's Report. The Company and MGA may agree to extend this deadline; however, funds must be received by the Company no later than ninety (90) days from the close of the month for which coverage is written. Any balance shown to be due MGA shall be remitted by the Company as promptly as possible after receipt and verification of the Agent's Report, but not later than ninety (90) days after the end of the month in which such coverage is issued.

9.9 MGA hereby grants to the Company a security interest in all expirations of business placed with the Company pursuant to this Agreement. Such grant of security interest is without warranty by MGA as to the actual ownership of such expirations by MGA; it being acknowledged that actual ownership of policy expirations may be the property of the local producing agent.

9.10 MGA will be responsible for the collection of premiums resulting from audits on canceled policies or on audits of policies not renewed by MGA.

9.11 MGA shall refund ratably to the Company, on business placed with the Company, commissions on canceled policies and on reduction in premiums at the same rate at which such commissions were originally retained or paid.

9.12 MGA may not offset balances due under this contract with any balances due under any other contract.

10. Claims

10.1 The Company delegates to the MGA claims handling authority for all claims adjusting, setting of loss reserves, and settlements. The payment of all loss and loss adjustment expenses shall be handled pursuant to Schedule IV, as the Company and MGA may amend by mutual agreement from time to time. The Company retains final authority over disputes regarding claims settlements and setting of reserves. Notwithstanding the provisions of Paragraph 5.9, MGA may delegate all or a portion of its claims handling authority without the written consent of the Company.

10.2 Upon determination that a claim involves (a) a coverage dispute, (b) a demand in excess of policy limits, or (c) allegations of bad faith, violations of the Texas Deceptive Trade Practices Act, or violations of the Texas Insurance Code Article 21.21, MGA shall report such instance to the Company within thirty (30) days of the determination. Upon receipt of notices that a suit of any type (coverage dispute, excess of policy limits, bad faith, violation of Deceptive Trade Practices Act, or any violations of Texas Insurance Code, Chapter 541) has been filed against the Company, MGA shall immediately give notice to the Company within forty-eight (48) hours after receipt of notice of such suit, which notice shall be accompanied by a copy of such suit.

10.3 MGA has claims settlement authority with a maximum dollar amount of such authority, per claim, which in no event shall exceed 1.0% of the Company's policyholder surplus as of December 31st of the last completed calendar year, or \$30,000, whichever is greater as outlined in TEX ADM Code §19.1204(b)(17). Any settlement above this amount must be pre-approved by the Company.

10.4 MGA shall submit all electronic claim files in a timely manner by not more than 15 days after the end of each month.

10.5 All Loss Adjustment Expenses shall be paid by the Company according to Schedule IV and Schedule V, as the Company and MGA may amend by mutual agreement from time to time.

11. Expenses Other than Loss Adjustment Expenses

11.1 MGA Expenses. Except as otherwise provided in this Agreement, MGA shall pay all expenses incurred by MGA in connection with the underwriting, production, marketing, and servicing of the policies and claims administration, including but not limited to the following:

- a) Printing of proposals, policy jackets, contracts of insurance, endorsements, cancellation notices, premium notices, records and reports, and all other documents required to fulfill the obligation of MGA under this Agreement;
- b) Advertising and public relations expenses authorized by MGA;
- c) MGA's general office expenses, including rent, salaries and benefits, utilities, data processing costs, transportation, furniture, fixtures, equipment, supplies, telephone, postage, and other general overhead expenses;
- d) Company's financial reporting and accounting related to programs written under this Agreement, including but not limited to general ledger accounting, financial statements, and MGA audits;
- e) Fees paid to independent contractors retained by MGA, licensing fees of MGA, commissions to Authorized Agents (unless agents are appointed directly with Company); and
- f) Any other expenses associated with underwriting business on behalf of the Company and any other MGA expenses of whatever kind or description.

11.2 Company's Expenses. The Company shall pay directly all charges and expenses directly attributable to Company's operations, including but not limited to the following: Board

and Bureau fees; guarantee funds assessments and other assessments for, or based on, business written pursuant to this Agreement; premium taxes and any other assessments levied by a state or local governmental authority on business written hereunder; cost of reinsurance; legal and auditing expense, statutory financial reporting, regulatory compliance reporting, actuarial fees, banking fees, investment fees incurred at the direction of the Company, and any other reports or investigations initiated or required by Company.

12. Term and Termination

12.1 This Agreement is effective as of the Effective Date and shall continue to be effective until terminated in accordance with the terms of this Agreement.

12.2 This Agreement may be terminated without cause by the Company on or after three (3) years from its Effective Date in compliance with the notice and renewal provisions of Article 21.11-1 of the Code, or at any other time by mutual agreement of the parties.

12.3 Notwithstanding any provision contained in this Agreement to the contrary, either party may terminate this Agreement for cause on failure of the other party to comply with any provision of this Agreement (a “default”) after giving the other party written notice of the alleged default and a reasonable time (not less than thirty (30) days or more than (6) months) to cure such default; provided that the right to cure a default shall not apply to the following, and termination shall be effective immediately upon the giving of such notice:

- a) Failure by MGA to pay premiums to the Company within the time set forth in this Agreement;
- b) Failure by MGA to deliver to the Company an Agent’s Report within the time set forth in this Agreement;
- c) Revocation of a license necessary to a party’s performance hereunder;
- d) Issuance of a final, non-appealable, restraining order, injunction, or other order by a governmental authority having proper jurisdiction which prohibits a party from carrying out this Agreement;
- e) Any party filing or becoming the subject of a petition seeking protection or satisfaction of debts under the bankruptcy, receivership or creditor’s rights laws of the party’s domiciliary state or country;
- f) At the option of the Company, the transfer or attempted transfer of a controlling interest in MGA without first obtaining the Company’s consent.

At the Company’s option, the Company may suspend any or all authority of MGA during the pendency of any material default of MGA, any dispute regarding any material default of MGA, or during any period, if any, allowed to cure any such material default. Any exercise by the Company of its rights under this provision to suspend any and all authority of MGA shall not be considered a default under the terms of this Agreement.

12.4 All power and authority of MGA granted under the terms of this Agreement shall cease upon termination of this Agreement.

12.5 In the event of termination of this Agreement when MGA is not in default and has accounted for and paid over to the Company all monies for which MGA is liable, then the Company shall permit MGA to retain all records of the business written pursuant to this Agreement, as well as use and control of expirations on the business written pursuant to this Agreement subject to any prior agreements with local producing agents regarding such policy expirations. In the event that MGA is in default under any provision of this Agreement and MGA has not cured such default within the time specified in Section 12.3, above, all records relating to the business written pursuant to this Agreement shall be vested in, returned immediately to, and become the exclusive property of the Company.

12.6 All software programs that are developed by MGA remain the property of MGA. In the event proprietary data of the Company has been collected and stored by MGA on behalf of the Company, such data shall remain the property of the Company.

12.7 Upon termination of this Agreement, MGA shall immediately cause to be delivered to the Company all property of the Company, including, without limitation, unused drafts, policies, manuals, forms, and where applicable, all records, including those related to expirations.

13. Indemnity

13.1 The Company (“indemnifying party”) agrees to indemnify, defend, and hold harmless the MGA from and against any and all claims, demands, monetary losses, judgments, and expenses (including reasonable attorneys’ fees and costs of court) to MGA caused by the Company’s failure to timely fund claims and/or authorized expenses. This section is intended to protect MGA from the homeowner property losses/claims which are expected to arise from the insurance policies placed in this Program and which the Company accepts the risk therefore by taking premiums.

13.2 MGA (“indemnifying party”) agrees to indemnify, defend and hold harmless the Company (“indemnified party”) from and against any and all claims, demand, monetary losses, judgments and/or expenses (including reasonable attorneys’ fees and costs of court) to the Company caused by the MGA or Agents:

- a) Placing any insurance that is not authorized by this Agreement or the Manual.
- b) Negligent claims handling including, but not limited to, monies paid out for extra-contractual exposure.
- c) Premium monies not properly accounted for or turned over to the Company due to any negligence or omission of the Agent and/or its employees or subagents.
- d) Fraud or embezzlement of the MGA, Agents, and/or their employees or subagents.

The MGA/Agent will procure any error and omission insurance to cover items (a) and (b) above.

14. Statistical Data

14.1 MGA shall furnish, or cause to be furnished, to the Company as soon as practicable after the close of each of the respective periods indicated in this section (in such formats as may

be agreed to by the parties) reports showing the statistical data set forth in this section in respect of the business written hereunder.

14.2 Monthly, with the data segregated by major lines, the following information shall be provided:

- a) Net premiums written (gross premiums less returns during the month) and unearned premium at the end of the month.
- b) Net losses paid (gross losses less salvages and other recoveries) and adjustments expenses paid during the month and loss reserves outstanding at the end of the month.

14.3 Annually, with the data segregated by major lines, the following information shall be provided:

- a) Annual summaries of net premiums written, during the year in such form so as to enable the Company to record such data in its annual statement. In force and unearned premium aggregated as to advance premiums, premiums running twelve (12) months or less from the inception date of the policy, and premiums running more than twelve (12) months or less from the inception date of the policy in such form as to enable the Company to record such data in its convention annual statement.
- b) Annual summaries of net premiums for property business written by geographical location within Texas in such form as to enable the Company to record such premiums in its annual report to the Texas Catastrophe Property Insurance Association.

14.4 Periodically, with the data segregated by major lines, the following information shall be provided:

- a) Statistical or other data as may be required from time to time by regulatory authorities.
- b) Statistical or other data as may be requested from time to time by the Company.

15. Errors and Omissions Insurance

15.1. MGA hereby agrees to maintain in full force and effect during the term of this Agreement a policy (or policies) of Errors and Omissions Insurance, issued by an insurer rated no less than "A-" by A. M. Best Company, which afford(s) coverage in the minimum amount of \$5,000,000, with a deductible not to exceed \$50,000. When MGA's in-force gross written premium with the Company exceeds \$25,000,000, MGA agrees to a reasonable increase in the amount of Errors and Omissions Insurance as determined by the Reinsurer, taking into consideration other amounts of in-force annual written premium in excess of \$25,000,000. Such Errors and Omissions Insurance shall be maintained by MGA at their sole cost and expense and shall be primary and non-contributing coverage over any valid and collectible insurance available to the Company and Reinsurer. MGA shall immediately provide notification to the Company and

Reinsurer in the event of a lapse of the insurance coverages and shall furnish proof of such insurance at the inception of this Agreement and at each subsequent renewal.

16. Audit

16.1 The Company shall audit MGA's records and systems related to the performance of this contract annually. Audits shall be at the Company's expense and may focus on claims procedures, timeliness of claims payments, timeliness of premium reporting and collection, compliance with underwriting guidelines and reconciliation of policy inventory. Results of such audits will be shared with MGA and corrective measures, if any, put in place. Audit results may also be made available to the Commissioner for review and remain on file with the Company for at least three (3) years.

16.2 If the Company's aggregate premium volume increases by 30% in any 30-day period, the Company shall cause an examination to be conducted within 90 days of any Texas MGA that writes more than 20% of an insurer's volume and that has experienced an increase of 20% in premium volume during the same 30-day period as outlined in TEX. ADM. CODE §19.1204(b)(19)(C).

17. Arbitration

17.1 As used in this paragraph the following terms have the indicated meanings:

- a) "AAA" means the American Arbitration Association (or any successor thereto).
- b) "Claim(s)" means all claims by either party hereto against the other (including any claims with respect to the interpretation or validity of this Agreement, the existence or scope of any duties owed hereunder or thereunder, whether or not any such duties have been performed or breached in any circumstances, or the extent or enforcement of any property rights created hereunder or thereunder or subject hereto or thereto).
- c) "Disputed Matters" means all Claims, all defenses against any Claims, and all controversies relating thereto.
- d) "Chosen Arbitrator" means the arbitrator selected by the party.
- e) "Drawn Arbitrator" means one of the persons listed in Attachment "A".

17.2 If either party hereto ever desires to assert a Claim against the other, the party asserting such Claim will give written notice thereof to the other party. During the five (5) business day period following receipt of such notice by the other party, both parties will discuss such Claim and the validity thereof. If the parties cannot come to an agreement about such Claim by the end of such period (as such period may be extended by mutual agreement), then within fifteen (15) days after the end of such period either party hereto shall submit such Claim and all Disputed Matters in any way related thereto to arbitration under the procedures in this paragraph.

17.3 All Disputed Matters shall be resolved by arbitration conducted by three (3) arbitrators in accordance with this paragraph and, to the extent not in conflict herewith, the Commercial Arbitration Rules of the AAA then in effect. Each such chosen arbitrator must be independent and impartial and have at least ten (10) years of experience in the property and

casualty insurance business or managing general agency business. Within ten (10) days after the sending and receipt of a notice invoking arbitration as provided in subparagraph 14.2, each party hereto shall specify (by notice to the other) the name and address of an arbitrator. If a party has made a specification but has not received notice of a similar specification by the other party, then the party which has made a specification shall give notice to the other party that it has not received a specification from the other party. If the other party does not act to specify its arbitrator within an additional seven (7) days after the giving of such notice, the party who has made its specification may appoint the second arbitrator in place of the party who has failed to do so. Within fifteen (15) days after the first two (2) arbitrators have been appointed, they shall select the third arbitrator. If a third arbitrator has not been selected within such period, the third arbitrator will be randomly drawn in front of the parties' representatives from a list of arbitrators/mediators attached hereto as Exhibit "A".

17.4 Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, provide the other with copies of documents relevant to the issues raised by the Disputed Matter. Other discovery may be ordered by the arbitrators to the extent they deem relevant and appropriate, and any dispute regarding discovery, including disputes as to the need, the relevance, or scope thereof, shall be determined by the arbitrators, whose determination shall be conclusive. Unless both parties hereto agree otherwise, all arbitrations hereunder shall be held in The Woodlands, Texas.

17.5 Each party hereto shall proceed expeditiously with any such arbitration and shall conclude all proceedings thereunder, including any hearing, in order to allow a decision based on applicable law to be rendered within ninety (90) days after the appointment of the third arbitrator. The decision of any two (2) such arbitrators on the issues before them shall be final. Any award or order so decided may be enforced in any court having personal jurisdiction over the party against whom enforcement is sought. Each party shall bear its own expenses, including attorneys' fees and expenses or arbitration, in connection with any such arbitration. The fees of all three (3) arbitrators shall be totaled together and each party shall owe one-half of such cost at the conclusion of the arbitration.

17.6 Although the foregoing arbitrations shall be conducted under the rules of the AAA, the AAA itself shall not conduct such arbitrations, nor shall such arbitrations be considered under the auspices of the AAA, nor shall any fee be due to the AAA.

17.7 The arbitrators shall render their decision in accordance with the substantive laws of the State of Texas and the facts, rights, and duties established by this Agreement. The arbitrators are not empowered to award consequential, punitive or exemplary damages on any Claim, and EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO RECOVER PUNITIVE OR EXEMPLARY DAMAGES ON ANY CLAIM, SAVE AND EXCEPT INSTANCES OF FRAUD OR EMBEZZLEMENT BY EITHER PARTY.

17.8 The arbitration process shall be kept confidential and such conduct, statements, promises, offers, views and opinions shall not be discoverable or admissible in any legal proceeding for any purpose.

18. Notification of Material Changes

18.1 MGA must notify the Company in writing within 30 days if there is a change in:

- a) Ownership of 10% or more of the outstanding stock of the MGA;
- b) Any principal officer of the MGA; or
- c) Any director of the MGA.

19. Entire Agreement

19.1 This Agreement sets forth the entire understanding between the parties and supersedes any and all prior agreements, whether written or oral, between the parties hereto.

20. General

20.1 The Company has no right of control over MGA as to the time, means, or manner of their performance of this Agreement, and nothing contained in this Agreement shall be construed to create the relationship of employer and employee between the Company and MGA, or any employees, representatives, or agents of MGA, or between the Company and any Authorized Agent.

20.2 MGA shall abide by all the limitations, warranties, restrictions, and terms contained in any reinsurance agreements put in place with or for the benefit of the Company, so long as MGA has been notified and provided with true and accurate copies of such agreements.

20.3 Except as otherwise provided in this Agreement, all changes to this Agreement shall be mutually agreed upon by the parties hereto in writing and shall state the effective date of such amendment or change.

20.4 All notices or other communication under this Agreement shall be in writing and shall be deemed given if (i) delivered to the addressee in person with written receipt of delivery; (ii) sent by an internationally recognized courier; or (iii) sent by facsimile in conjunction with one of the other approved methods of notice to the party at the address listed below or at such other address as may from time to time be furnished, and in each such event, effectively only upon actual receipt.

If to MGA: TWFG General Agency, LLC
1201 Lake Woodlands Dr., Ste 4020
The Woodlands, TX 77380
Attention: RICHARD F BUNCH III
Telephone: (281) 367-3424
Facsimile: (281) 298-8626

If to the Company: The Woodlands Insurance Company
1201 Lake Woodlands Dr., Ste 4020
The Woodlands, TX 77380
Attention: RICHARD F BUNCH III
Telephone: (281) 367-3424

Facsimile: (281) 298-8626

20.5 All section headings in this Agreement are intended for convenience only and shall not control or affect the meaning, construction, or effect of this Agreement or any other provisions of this Agreement.

20.6 This Agreement shall be binding upon and inure to the benefit of MGA and the Company as well as their representatives, successors and permitted assigns.

20.7 If any provision of this Agreement is held to be unenforceable, this Agreement shall be considered divisible, and such provision shall be deemed inoperative to the extent it is deemed unenforceable, and all other respects of this Agreement shall remain in full force and effect; provided, however, that if any such provision may be made enforceable by limitation thereof, then such provisions shall be deemed to be so limited and shall be enforceable to the maximum extent permitted by applicable law.

20.8 The rights and remedies provided in this Agreement shall be cumulative and not exclusive of any rights or remedies provided in this Agreement or by applicable law.


20.9 This Agreement has been made pursuant to and shall be governed by and construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

20.9 This Agreement has been made pursuant to and shall be governed by and construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

THE WOODLANDS INSURANCE COMPANY

By: 
Name: Richard F Bunch, III
Title: President

TWFG GENERAL AGENCY, LLC


By: 
Name: Richard F Bunch, III
Title: President

EXHIBIT "A"

List of arbitrators to be randomly drawn per Section 17 of the Agreement:

Terry Fry
3555 Timmons Lane
Suite 1705
Houston, Texas 77027-6438

Katie Kennedy Former District Court Judge
4208 Sunset
Houston, Texas 77005-1908

Jerry Hoover
1700 West Loop South
Suite 1250B
Houston, Texas 77027-3006
(713) 622-0650

SCHEDULE I

To the

**AMDNED MANAGING GENERAL AGENCY AND CLAIMS ADMINISTRATION
AGREEMENT**

By and Between

TWFG GENERAL AGENCY, LLC

And

THE WOODLANDS INSURANCE COMPANY

The MGA is authorized as follows:

Authorized Coverages: Homeowners

Applicable States: Texas

Maximum Annual Net Written Premium Production: \$100,000,000.00 or to the extent permitted by applicable law or regulation. The Company has sole authority to restrict the amount of Net Written Premium which may be produced by MGA hereunder at any time upon thirty (30) days advance written notice.

SCHEDULE II

To the

**AMENDED MANAGING GENERAL AGENCY AND CLAIMS ADMINISTRATION
AGREEMENT**

By and Between

TWFG GENERAL AGENCY, LLC

And

THE WOODLANDS INSURANCE COMPANY

COMPENSATION FOR ADMINISTRATIVE SERVICES

MGA shall receive the following compensation for the Administrative Services described in Section 3 of this Agreement:

Direct reimbursement for actual expenses incurred or allocated.

This Schedule may be amended at any time with written consent of MGA and Company.

SCHEDULE III

To the

**AMENDED MANAGING GENERAL AGENCY AND CLAIMS ADMINISTRATION
AGREEMENT**

By and Between

TWFG GENERAL AGENCY, LLC

And

THE WOODLANDS INSURANCE COMPANY

COMPENSATION FOR UNDERWRITING SERVICES

Commission Applicable to New and Renewal Business for MGA Services:

Company and MGA agree to the following commission schedule for the Underwriting Services described in this Agreement with respect to Company's new and renewal business.

MGA shall retain 20% of the Company's net collected premium as commission for its Underwriting Services under this Agreement, as set forth in the table immediately below. Such commission shall be based upon net collected premium due and payable by Company to MGA on a monthly basis pursuant to the terms of this Agreement.

Commissions will be paid to MGA on a monthly basis.

All policy and billing fees shall belong to MGA.

This Schedule may be amended at any time with written consent of MGA and Company.

SCHEDULE IV

To the

**AMENDED MANAGING GENERAL AGENCY AND CLAIMS ADMINISTRATION
AGREEMENT**

By and Between

TWFG GENERAL AGENCY, LLC

And

THE WOODLANDS INSURANCE COMPANY

Loss Adjustment Expenses

1. Payment of "Loss Adjustment Expense."

The Company shall be responsible to pay all Loss Adjustment Expenses. For purposes of this Agreement, Loss Adjustment Expense(s) shall mean any expense, internal and external, which is chargeable or attributable to the investigation, coverage analysis, estimating, adjustment, negotiation, disbursement, settlement, defense or general handling of any Claim(s) or action(s) related thereto, or to the protection and/or perfection of the Company's and/or its insured's right of subrogation, contribution or indemnification. Loss Adjustment Expense(s) includes, but is not limited to, the following:

- a) Attorney's fees and disbursements incurred in connection with the determination of coverage and/or the adjustment, defense, negotiation or settlement of any Claim as well as attorney's fees incurred for representation at depositions, hearings, pretrial conferences and/or trials;
- b) Litigation management expenses and other costs incurred in handling any Alternative Dispute Resolution proceeding ("ADR"), legal actions, including trials or appeals, or in pursuing any declaratory judgment action, including deposition fees, cost of appeal bonds, court reporter or stenographic service fees, filing fees, and other court costs, fees and expenses, transcript or printing costs and all discovery expenses; fees for service of process; and fees for witnesses' testimony, opinions, or attendance at hearings or trial;
- c) Statutory fines or penalties as well as pre and post-judgment interest paid as a result of litigation, unless legal requirements define such interest as indemnity payments;
- d) Fees, salaries and expenses of adjusters and others incurred in the adjustment, negotiation, settlement or defense of any Claim;

- e) Subcontractor's fees and travel expenses, including but not limited to automobile and property appraisers, to the extent that same are incurred in the adjustment, negotiation, settlement or defense of any Claim;
- f) Experts' fees and expenses including reconstruction experts, engineers, cause and origin reports, photographers, accountants, economists, metallurgists, cartographers, architects, hand-writing experts, physicians, appraisers and other natural and physical science experts, plus the costs associated with preparation of expert reports, depositions, and testimony;
- g) Fees and expenses for surveillance, undercover operative and detective services or any other investigations;
- h) Fees and expenses for medical examinations, or autopsies, including diagnostic services, and related transportation costs, fees for medical reports and rehabilitation evaluations;
- i) Fees and expenses for any public records, medical records, credit bureau reports, and other like reports;
- j) Fees and expenses incurred where MGA determines it is reasonable to pursue the rights of contribution, indemnification or subrogation of the Company and/or its insured, including attorney and collection agency fees and/or expenses;
- k) Fees and expenses for maintaining records, general clerical, secretarial, office maintenance, occupancy costs, utilities, computer maintenance, supervisory and executive duties, supplies and postage;
- l) Fees, salaries and expenses for adjusters, appraisers, private investigators, hearing representatives, reinspectors, fraud investigators and others, if working in defense of a claim;
- m) Any other expenses incurred by MGA and approved by Company in connection with the adjusting, recoding and paying of claims which are not otherwise payable under this Agreement. MGA shall not make any determination that any Expense incurred pursuant to this Agreement is a Loss Adjustment Expense. Company agrees that it is responsible for determining if an Expense incurred pursuant to this Agreement is a Loss Adjustment Expense.

SCHEDULE V

To the

AMENDED MANAGING GENERAL AGENCY AND CLAIMS ADMINISTRATION AGREEMENT

By and Between

TWFG GENERAL AGENCY, LLC

And

THE WOODLANDS INSURANCE COMPANY

Fee Schedule

The following fee schedule shall apply to certain claim services provided by MGA or MGA's designee:

FNOL	<i>Actual Incurred</i>
3rd Party Field Adjusting Fees - Gross Loss	
Daily (Non-CAT)	<i>Actual Incurred</i>
CAT - Named Storm (Category 1-5)	<i>Actual Incurred</i>
Internal Field Adjusting Fees - Gross Loss	
Daily (Non-CAT) \$0 - \$20,000	\$ 450.00
Daily (Non-CAT) \$20,001 - \$50,000	\$ 750.00
Daily (Non-CAT) \$50,001+	2% of Gross Loss (\$1,000 min)
CAT \$0 - \$20,000	\$ 850.00
CAT \$20,001 - \$50,000	\$ 1,200.00
CAT \$50,001+	2% of Gross Loss (\$1,200 min)
Specialty Claims	
Claim Withdrawn at Initial Contact	\$ 150.00
Casualty Non-Litigated & Litigated	\$ 1,200.00
Other Fees	
Desk Adjusting Fee	\$ 350.00
Allowable Overhead Fee	\$ 140.00

A. Legal Fees & Expenses

Attorney	\$235-275/hour
Paralegal/Legal Assistant	\$125/hour
Legal Costs, Expenses & Fees	Actual incurred

This Fee Schedule may be amended at any time with written consent of MGA and Company.

10055 Grogans Mill Road Office Lease

Between

PARKWOOD 2, LLC

(“Landlord”)

And

TWFG Holding Company, LLC

(“Tenant”)

10055 GROGANS MILL ROAD

OFFICE LEASE

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are acknowledged, the Landlord named below leases to the Tenant named below, and Tenant leases from Landlord, the Premises described below pursuant to this Office Lease (this "Lease") entered into effective as of the Date of Lease specified below:

1. **BUSINESS POINTS.** The key business terms used in this Lease are defined as follows:

(a) "Date of Lease": November 12, 2024

(b) "Landlord": PARKWOOD 2, LLC, a Texas limited liability company.

(c) "Tenant": TWFG Holding Company, a Texas limited liability company.

(d) "Building": Office building commonly known as "10055 Grogans Mill Road"; Street Address: 10055 Grogans Mill Road, The Woodlands, Texas 77380. RSF of the Building: 101,056.

RSF = Rentable Square Feet (pursuant to Paragraph 3(a))

(e) "Premises": Suites 100, 200 and 500, on the first, second and fifth floors of the Building, as shown on the floor plan attached as **Exhibit "B"**. RSF of the Premises: 28,971.

(f) "Term": One Hundred Twenty (120) months, subject to Paragraph 4.

(g) "Commencement Date": Estimated to be December 1, 2024, subject to Paragraph 4.

(h) "Base Rent":

<u>Months of Term</u>	<u>Annual Base Rent Rate/RSF</u>	<u>Monthly Base Rent</u>
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CD through ED*	\$10.00	\$24,142.50
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*Subject to abatement rights provided in Paragraph 6(b) below.

CD = Commencement Date (pursuant to Paragraph 4)

ED = Expiration Date (pursuant to Paragraph 4)

Month - A full calendar month for example, if the Commencement Date occurs on September 21, Month 1 will be October 1 through October 31, Month 2 will be November 1 through November 30, and so on.

(i) "Security Deposit": \$24,142.50 (payable upon execution of the Lease).

(j) "Parking Spaces": Landlord agrees to make available to Tenant (i) one hundred and five (105) unreserved, non-exclusive automobile parking spaces, at no cost to Tenant, and (ii) of the unreserved parking, up to twenty (20) may be designated as reserved (during the hours

specified in Paragraph 8(c)) automobile parking spaces (“Reserved Spaces”), in locations determined by Landlord in the parking facilities (“Parking Facilities”) now or hereafter serving the Project (as defined herein).

(k) “Permitted Use”: General office use and such other uses that are incidentally related thereto, subject to Paragraph 9(a).

(l) “*Tenant’s Broker*”: N/A.

(m) Addresses:

LANDLORD’S ADDRESS FOR NOTICE:

Parkwood 2, LLC
c/o The J. Beard Property Management Company, LLC
10077 Grogans Mill Road, Suite 135
The Woodlands, Texas 77380
Attention: Misty Kelly, Executive Director of Property Management
Telephone: (281) 367-2220, Ext. 138
E-Mail: Misty.Kelly@svn.com

TENANT’S ADDRESS FOR NOTICE PRIOR TO THE COMMENCEMENT DATE:

TWFG Holding Company, LLC
1201 Lake Woodlands Drive, Ste 4020
The Woodlands, Texas 77380
Attention: Richard F. Bunch III
Telephone: 281-466-1123
E-Mail: gordy@twfg.com

with a copy to:

Parkwood 2, LLC
1201 Lake Woodlands Dr., Suite 4020
The Woodlands, Texas 77380
Attention: Richard F. Bunch III
E-Mail: gordy@twfg.com

LANDLORD’S ADDRESS FOR PAYMENTS:

Parkwood 2, LLC
c/o The J. Beard Property Management Company, LLC
10077 Grogans Mill Road, Suite 135
The Woodlands, Texas 77380
Attention: Misty Kelly

TENANT’S ADDRESS FOR NOTICE ON AND AFTER THE COMMENCEMENT DATE:

The Premises
Attention: Richard F. Bunch III
Telephone: 281-466-1123
E-Mail: gordy@twfg.com

2. INTERPRETING THIS LEASE.

(a) Usage of Certain Words. Bold italicized print in quotation marks, e.g., “Transfer”, indicates definition of a term. A defined term includes all grammatical variations which are also shown with initial capital letters. For example, the defined word “Transfer” includes “Transferee”, “Transferring”, “Transferred”, etc., as grammatically appropriate in the

text. Cross-references to other provisions of this Lease are in bold print following the word "Paragraph". The word "including" shall not be construed restrictively to limit or exclude other items not listed. Unless the context otherwise requires, the singular includes the plural and the plural the singular, and the masculine, feminine and neuter genders are interchangeable. Unless otherwise specified as a business day, a "day" means a calendar day.

(b) **Building Standard**. "Building Standard" means the type, brand, quantity or quality of materials, equipment, services, insurance coverages, methods, scheduling and usages Landlord designates or determines from time to time to be standard for the Building or the Project.

(c) **Applicable Law**. "Applicable Law" means all laws, statutes, ordinances, court rulings, regulations, guidelines, public or private restrictions and requirements now or hereafter adopted by any governmental or other authority, board of fire underwriters, utility company, property association, declarant or similar body, affecting the Project or this Lease, including Title III of The Americans with Disabilities Act of 1990, the Accessibility Guidelines for Buildings and Facilities and any other law pertaining to disabilities and architectural barriers (collectively, "ADAError! Bookmark not defined.") and the regulations, guidelines, restrictions or requirements of The Woodlands Development Standards Committee. The validity, performance and enforcement of this Lease are governed by the Applicable Law of the State of Texas. All obligations under this Lease are performable in Montgomery County, Texas, which shall be venue for all legal actions.

(d) **Entire Agreement**. This Lease contains the parties' entire agreement regarding the subject matter hereof. There are no representations or warranties between the parties not contained in this Lease. No amendment of this Lease shall be effective unless in writing and duly signed by the party against whom enforcement is sought. Any invalidated provision of this Lease shall be severed from, and shall not impair the validity of, this Lease. The exhibits and riders attached hereto are incorporated herein and made a part of this Lease for all purposes.

3. **UNDERSTANDING THE PROJECT**.

(a) **Project and Rentable Area**. The "Project" consists of the tract of land described on **Exhibit "A"** (the "Land"), the Building and all appurtenances including the Parking Facilities and parking, utility, and access easements, landscaping, fixtures, Common Areas, service buildings and related improvements now or hereafter constructed thereon or on land acquired by Landlord (or its affiliates) and added to the Project from time to time. The "RSF" is the then-current square footage of rentable area of a given space calculated using Building Standard methods of measurement, which is currently the most current standards published by the Building Owners and Managers Association International. If the RSF of the Premises is modified for any reason, the provisions of this Lease that are contingent upon the size of the Premises (including, without limitation, Base Rent, Tenant's Share, and the Construction Allowance) shall be automatically adjusted to reflect the modification of the RSF of the Premises, effective as of the date of the determination made in accordance with this Paragraph. If the RSF of the Building is modified for any reason, the provisions of this Lease that are contingent upon the size of the Building (including, without limitation, Tenant's Share) shall automatically be adjusted to reflect the modification of the RSF of the Building, effective as of the date of the determination made in accordance with this Paragraph. The parties shall memorialize all such adjustments in an amendment to this Lease as

soon as reasonably possible thereafter. Landlord reserves the right, from time-to-time, without Tenant's consent, to increase or decrease the size of, or reconfigure, improve, or repair the Building (including, but not limited to, the entrances, corridors, elevators, stairs, restrooms and other public components of the Building), the Land, the Service Areas, and the parking and other Common Areas. Landlord reserves the right to name, as well as change the name of, from time to time, the Building. Landlord shall have the right to remeasure the Building from time to time. If the RSF of the Building is adjusted as the result of any such remeasurement, then the Base Rent, "Tenant's Share", as defined below, and other amounts in this Lease that are calculated based on the RSF of the Building shall be appropriately adjusted as of the date of such adjustment pursuant to an amendment to this Lease. If an adjustment is made to the RSF of the Building based on a remeasurement, then Landlord shall provide Tenant with a copy of the calculations associated with such remeasurement.

(b) Common Areas and Service Areas. Landlord grants Tenant a non-exclusive right to use the Common Areas during the Term for their intended purposes, in common with others and subject to the provisions of this Lease. "Common Areas" are all present and future areas, facilities and equipment in the Project designated by Landlord, from time to time, for the common use of the occupants of the Building and their respective customers, employees and invitees, including walkways, and driveways, lobbies, landscaped areas, loading areas, public corridors, public restrooms, stairs and elevators, and drinking fountains. "Service Areas" are all present and future areas, facilities and equipment serving the Project which are not generally accessible to Tenant or other occupants of the Building, including mechanical, telecommunications, electrical and similar rooms, roof, risers and heating, ventilation, and air conditioning ("HVAC") equipment areas.

4. TERM. The Term shall commence on the earlier of (a) the date of Substantial Completion of the Work (as defined in the Construction Agreement (as defined herein)); and (b) the date Tenant takes possession of any part of the Premises for purposes of conducting business (such earlier date being the "Commencement Date"), and shall end on the last day of the calendar month in the month in which the Term set forth in Paragraph 1(f) would otherwise expire (the "Expiration Date"). Landlord shall not be liable or responsible for Claims made or incurred by Tenant due to any delay in tendering the Premises. If the Term is extended, the Expiration Date shall be the last day of the calendar month in which the extended Term would otherwise expire. If the Lease is terminated prior to the Expiration Date, the effective date of termination shall become the Expiration Date, except for purposes of Paragraph 17. This Lease governs the relationship between Landlord and Tenant with respect to the Premises from the Date of Lease through the Expiration Date, unless terminated early in accordance with this Lease.

5. PREPARING THE PREMISES.

(a) Condition. Tenant agrees to accept the Premises "as-is". However, all initial improvements, if any, shall be constructed in the Premises, and the cost thereof paid, in accordance with the "Construction Agreement" attached as Exhibit "C" (if applicable). Except as expressly provided in this Lease or the Construction Agreement, Landlord has not undertaken to perform any alteration or improvement to the Premises.

(b) Acceptance. BY TAKING POSSESSION OF THE PREMISES, AND TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, TENANT WAIVES (I)

ANY CLAIMS DUE TO DEFECTS IN THE PREMISES AND/OR THE PROJECT EXCEPT (A) MINOR FINISH ADJUSTMENTS IN WORK PERFORMED BY LANDLORD PURSUANT TO THE CONSTRUCTION AGREEMENT (“PUNCHLIST ITEMS”) SPECIFIED IN REASONABLE DETAIL BY TENANT CONTEMPORANEOUSLY WITH TAKING POSSESSION, AND (B) LATENT DEFECTS IN WORK PERFORMED BY LANDLORD PURSUANT TO THE CONSTRUCTION AGREEMENT OF WHICH TENANT NOTIFIES LANDLORD WITHIN ONE HUNDRED EIGHTY (180) DAYS AFTER TAKING POSSESSION, AND (II) ALL EXPRESS AND IMPLIED WARRANTIES OF SUITABILITY, HABITABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE. Except to the extent otherwise expressly provided in this Lease, Tenant waives the right to terminate this Lease due to Punchlist Items or the condition of the Premises, the Building or the Project. Tenant shall, within fifteen (15) days after Landlord’s request, execute and deliver a Certificate of Acceptance of the Premises substantially in the form attached as Exhibit “D”.

(c) RSF Measurement. Tenant acknowledges that it has been provided an opportunity to inspect and measure the Premises and agrees that the RSF numbers specified in this Lease are accurate, binding and conclusive for all purposes.

6. RENT AND SECURITY DEPOSIT.

(a) Definition. The term “Rent” includes Base Rent, Tenant’s Share (as defined below) of Operating Expenses (as defined below) and any and all other sums payable by Tenant under this Lease. All Rent (plus any applicable taxes thereon) shall be payable to Landlord at the Address for Payments set forth above, or to such other place or entity as may from time to time be designated in writing by Landlord, in lawful money of the United States of America. Tenant shall pay and be liable for Tenant’s Share of all rental, gross receipts, sales and use, or other taxes, if any, imposed upon or measured by rents, receipts or income attributable to ownership, use, occupancy, rental, leasing, operation or possession of the Project. Tenant shall pay Landlord monthly installments of Base Rent and Tenant’s Share of Operating Expenses in advance on or before the first day of each calendar month during the Term, without deduction, setoff or prior request for payment. Rent for any partial month shall be prorated on a daily basis based on a 365-day calendar year. Notwithstanding anything in this Lease to the contrary, Tenant shall make all Rent and other payments to Landlord by ACH or other electronic transfer method approved by Landlord in accordance with Landlord’s instructions.

(b) Rent Payment. Beginning on the Commencement Date, Tenant shall pay Landlord the Base Rent and Tenant’s Share of Operating Expenses. Concurrently with its execution of this Lease, Tenant shall pay Landlord prepaid rent equal to the aggregate of (i) Base Rent, plus (ii) Tenant’s Share of Operating Expenses, each payable through the end of the first full calendar month of the Term (after any abatement). Notwithstanding the foregoing, provided no Event of Default of Tenant occurs, Base Rent shall be abated for the first twelve (12) full calendar months of the Term (such total abated Base Rent amount being the “Abated Amount”); if the Commencement Date occurs on a date that is not the first day of a month, then Base Rent accruing from the Commencement Date to the end of the calendar month in which the Commencement Date occurs shall not be a part of the Abated Amount, and Tenant shall pay Landlord the applicable Base Rent for such period. During the abatement period specified above, Tenant will still be

responsible for the payment of all Tenant's Share of Operating Expenses and other monetary obligations under the Lease. If an Event of Default occurs during the Term, then any remaining Base Rent abatement shall cease on the date of such Event of Default, and, in addition to all other rights and remedies of Landlord, Tenant shall immediately pay to Landlord all Base Rent amounts previously abated.

(c) Security Deposit. Concurrently with its execution of this Lease, Tenant shall pay Landlord the Security Deposit in order to secure Tenant's faithful performance under this Lease (without being considered Rent or a measure of Landlord's damages and without prejudice to any other rights or remedies of Landlord). The Security Deposit shall be held without interest and may be commingled with other funds. Landlord may apply the Security Deposit as necessary to pay the cost of curing an Event of Default by Tenant or reimburse Landlord for expenditures made or damages suffered due to an Event of Default by Tenant. If all or any portion of the Security Deposit is ever applied under this Lease, Tenant shall immediately deposit additional funds with Landlord equal to the amount so applied. Provided no uncured Event of Default then exists under this Lease (and no condition exists which, with the passage of time or giving of notice, would become an Event of Default), the Security Deposit (or the remaining balance after application under this Lease) shall be refunded to Tenant within 30 days after the latest of (i) the Expiration Date; (ii) payment of all Rent due under this Lease; (iii) surrender of possession of the Premises to Landlord in accordance with this Lease; and (iv) Landlord's receipt of Tenant's forwarding address and written request for refund.

7. OPERATING EXPENSES.

(a) Calculation. During the Term, Tenant shall pay Landlord Tenant's Share of Operating Expenses (prorated for any partial Fiscal Year) as provided herein. As used herein, the term "Fiscal Year" shall mean Landlord's fiscal year for accounting purposes which currently is the 12-month period beginning January 1 and ending December 31. Landlord shall have the right to change the Fiscal Year, from time to time, and, in such event, Landlord shall notify Tenant in writing of such change. Tenant's Share is equal to the RSF of the Premises divided by the RSF of the Building. Operating Expenses are computed on an accrual basis in accordance with sound accounting principles consistently applied. If the Building is less than fully occupied or Building Standard services are not provided to the entire Building during any Fiscal Year, all Operating Expenses which vary directly with occupancy shall be "grossed-up" by Landlord as if the Building had been fully occupied and Building Standard services had been provided to the entire Building during such Fiscal Year. The 2024 Operating Expenses are currently estimated at \$10.00 RSF and are subject to change in accordance with this Section 7.

(b) Operating Expenses. "Operating Expenses" are all costs and expenditures of every kind incurred by Landlord in connection with the ownership, operation, maintenance, management (inclusive of the management fee charged to the Project in the amount of two percent (2.0 %) of gross rents), repair and security of the Project, including Landlord's personal property used in connection with the Project and including all costs and expenditures within the following expense categories:

(i) Operation, maintenance, repair and replacements, including the mechanical, electrical, plumbing, HVAC, vertical transportation, fire prevention and warning and security

systems (collectively, "Project Systems"); materials and supplies (such as light bulbs and ballasts); equipment and tools; floor, wall and window coverings; personal property; required or beneficial easements including any parking easements; and related service agreements and rental expenses. The foregoing shall not imply a duty for Landlord to perform such activities unless it is otherwise expressly obligated to do so under other provisions of this Lease.

(ii) Administrative and management fees, including accounting, information and professional services (except for negotiations and disputes with specific tenants not affecting other parties); management office(s); and wages, salaries, benefits, reimbursable expenses and taxes (or allocations thereof) for full and part time personnel involved in operation, maintenance and management.

(iii) Janitorial service; window cleaning; waste disposal; gas, water and sewer charges (including add-ons); and landscaping, including all applicable tools and supplies; the foregoing shall not imply a duty for Landlord to perform such activities or supply such utilities unless it is otherwise expressly obligated to do so under other provisions of this Lease.

(iv) Property, liability and other insurance coverages carried by Landlord, including deductibles and an allocation of a portion of the cost of blanket insurance policies maintained by Landlord and/or its affiliates.

(v) Real estate taxes, assessments, business taxes, excises, association dues, fees, levies, charges and other taxes of every kind and nature whatsoever, general and special, extraordinary and ordinary, foreseen and unforeseen, including interest on installment payments, which may be levied or assessed against or arise in connection with ownership, use, occupancy, rental, leasing, operation or possession of the Project, or paid as rent under any ground lease ("Tax Expenses"). Tax Expenses shall include, without limitation: (i) any tax on the rent or other revenue from the Project, or any portion thereof, or as against the business of owning or leasing the Project, or any portion thereof, including any business, margin, franchise, or similar tax payable by Landlord which is attributable to rent or other revenue derived from the Project, (ii) any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Rent payable hereunder, (iii) personal property taxes for property that is owned by Landlord and used in connection with the operation, maintenance and repair of the Project, (iv) any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises, and (v) any assessment, tax, fee, levy or charge substituted, in whole or in part, for a tax previously in existence, or assessed in lieu of a tax increase. Tax Expenses shall not include Landlord's estate, excise, or federal income taxes.

(vi) Compliance with Applicable Law, including license, permit and inspection fees; and all expenses and fees, including attorneys' fees and court costs, incurred in negotiating or contesting real estate taxes or the validity and/or applicability of any governmental enactments that may affect Operating Expenses; provided Landlord shall credit against Operating Expenses any refunds received from such negotiations or contests to the extent originally included in Operating Expenses (less Landlord's costs). Goods and services purchased from Landlord's subsidiaries and affiliates to the extent the cost of same is generally consistent with rates charged by unaffiliated third parties for similar goods and services (except no such limitation shall apply in emergencies).

(vii) Amortization of capital expenditures incurred: (A) to conform with Applicable Law; (B) to provide or maintain Building Standards, including replacement (as opposed to additions or new improvements) of items located in the Common Areas and other facilities used in connection with the Building, or involving the exterior of the Building, including the roof and structural elements; or (C) with the intention of promoting safety or reducing or controlling increases in Operating Expenses, such as lighting retrofit and installation of energy management systems. Each such expenditure shall be depreciated or amortized uniformly over a reasonable period of time determined by Landlord, together with interest on the undepreciated or unamortized balance at the Prime Rate plus two percent (2.0%).

(viii) The costs incurred by Landlord for all (A) electrical services used in the operation, maintenance and use of the Project; (B) sales, use, excise and other taxes assessed by governmental authorities on electrical services supplied to the Project, and (C) other costs of providing electrical services to the Project.

(c) Estimated Monthly Payments. During each Fiscal Year of the Term, Tenant shall pay Landlord, in advance concurrently with each monthly payment of Base Rent, 1/12th of Landlord's good faith estimate of the Operating Expenses to be payable by Tenant for such calendar year. Within 120 days following the completion of each Fiscal Year, or as soon thereafter as practical, Landlord shall furnish Tenant a statement of actual Operating Expenses for the preceding Fiscal Year. Provided no uncured Event of Default then exists hereunder (and no condition exists which, with the passage of time or giving of notice, would become an Event of Default), Landlord shall promptly refund any overpayment to Tenant for the prior Fiscal Year (or, at Landlord's option, apply such amount against Rent due or to become due hereunder). Likewise, Tenant shall, within 30 days of Landlord's invoice, pay Landlord any underpayment for the prior Fiscal Year. The foregoing obligations shall survive the Expiration Date. Landlord may alter its billing procedures at any time, including adjusting estimated Operating Expenses based on actual or expected increases in Operating Expenses.

(d) Right to Audit. Tenant shall have the right for a period of 30 days after Landlord delivers to Tenant the statement of Landlord's actual Operating Expenses for the previous Fiscal Year (the "Review Period") to cause a certified public accounting firm of recognized national standing to audit and/or inspect that portion of Landlord's books and records pertaining only to the actual Operating Expenses for such preceding calendar year; provided (i) such audit and/or inspection commences within 30 days after Landlord makes such books and records available to Tenant's auditor and thereafter proceeds reasonably to conclusion, (ii) such audit and/or inspection does not unreasonably interfere with the conduct of Landlord's business, (iii) both Tenant and the accounting firm conducting the audit and/or inspection executes a confidentiality agreement for the benefit of Landlord, in the form reasonably requested by Landlord, prior to the commencement of the audit or inspection, (iv) such audit is not conducted for a contingent fee, and (v) the firm's report reflecting the results of such audit is promptly delivered to Landlord. This paragraph shall not be construed to limit or abate Tenant's obligation to pay the Tenant's Share of estimated Operating Expenses when due as set forth hereinabove. If such audit conducted by Tenant discloses that Tenant has overpaid or underpaid Tenant's proportionate share of actual Operating Expenses, then, after verification of such audit by Landlord or by accountants selected by Landlord, any overpayment shall, at Landlord's election, either be refunded to Tenant (so long as Tenant is not then in default of any of the terms of this Lease, in which event such overpayment

shall be applied against any amount Tenant owes as a result of such default) within 30 days after the verification of the audit or credited against Rent obligations next due, and any underpayment shall be paid to Landlord within 30 days after the verification of the audit.

(e) Notwithstanding any other provision herein to the contrary, it is agreed that in the event the Building is not fully occupied during any Fiscal Year during the Term or any renewal or extension thereof, an adjustment shall be made in computing the Operating Expenses for any such Fiscal Year so that the Operating Expenses for such Fiscal Year shall be increased to the amount that, in Landlord's reasonable judgment, would have been incurred had the Building been 100% occupied during such year.

(f) Cap on Controllable Operating Expenses. Notwithstanding Paragraph 7(a), for purposes of this Lease, beginning with the first full Fiscal Year after the Fiscal Year in which the Commencement Date occurs, "Controllable Operating Expenses" used in calculating Operating Expenses under this Lease (for determination of Tenant's Share of Operating Expenses) will not be increased from one Fiscal Year to the next by more than five percent (5%) on a cumulative and compounding annual basis, over the amount used in such calculation for the immediately preceding full Fiscal Year. "Controllable Operating Expenses" means all Operating Expenses other than Non-Controllable Operating Expenses. "Non-Controllable Operating Expenses" means (A) expenses for property, liability and other insurance coverages carried by Landlord, including deductibles and an allocation of a portion of the cost of blanket insurance policies, if any, maintained by Landlord and/or its affiliates; (B) Tax Expenses, (C) utility costs (including, but not limited to electrical, telecommunication, water, sewer, and gas costs), (D) license, permit, and inspection fees, (E) costs resulting from increases in the minimum wage under Applicable Laws, (F) costs resulting from a force majeure event, (G) management fees (which percentage is capped pursuant to Paragraph 7(b)), (H) costs resulting from a change in Applicable Law occurring after the Date of Lease, and (I) repair and maintenance costs.

8. LANDLORD SERVICES.

(a) Basic Services. Landlord shall, as an Operating Expense, furnish the following services to the Premises (to which services Landlord may at any time and from time to time make reasonable changes): (i) running tap water from the local utility at the supply points provided for general tenant use; (ii) heating, ventilating and air conditioning ("HVAC"), in season, on weekdays between 7:00 a.m. and 6:00 p.m. and Saturdays between 8:00 a.m. and 1:00 p.m., excluding New Year's Day, Memorial Day, July 4, Labor Day, Thanksgiving Day, the Friday after Thanksgiving Day, Christmas Day, and any generally recognized business holidays adopted by Landlord for the Project (collectively, "Holidays"); (iii) Building Standard janitorial service 5 days per week (excluding Holidays); (iv) exterior window washing; (v) non-exclusive passenger elevators sufficient for ingress and egress to the Premises, subject to proper authorization and the Rules and Regulations; (vi) routine maintenance of the Common and Service Areas; and (vii) replacement of Building Standard light bulbs, tubes and ballasts.

(b) Electrical Service.

(i) Landlord shall furnish Building Standard electrical service to the Premises sufficient to operate customary lighting, office machines and other equipment of similar low

electrical consumption. If Tenant's requirements for electricity are in excess of those generally provided by the Landlord for tenants in the Building, Landlord shall charge Tenant for such excess use at a rate of \$45 per hour or such hourly rate as Landlord may determine in its reasonable discretion. Landlord may, at any time and from time to time, calculate Tenant's actual electrical consumption in the Premises either by a survey conducted by a reputable consultant selected by Landlord, or through separate meters installed, maintained and read by Landlord. If such survey determines that Tenant's use of electrical service exceeds Building Standard, then Tenant shall pay for the cost of installing and maintaining the submeter. Any ABS electrical consumption determined by survey shall be paid by Tenant in accordance with Paragraph 8(d).

(ii) Landlord reserves the right to select the provider of electrical services to the Building and/or the Project. To the fullest extent permitted by Applicable Law, Landlord shall have the continuing right, upon 30 days written notice, to change such utility provider. All charges and expenses incurred by Landlord due to any such changes in electrical services, including maintenance, repairs, installation and related costs, shall be included in the electrical services costs referenced in Paragraph 7(b)(viii), unless paid directly by Tenant.

(iii) If submetering is installed for the Premises, Landlord may charge for Tenant's actual electrical consumption monthly in arrears at commercially reasonable rates determined by Landlord, except as to electricity directly purchased by Tenant from third party providers. Even if the Premises are submetered, Tenant shall remain obligated to pay Tenant's Share of the cost of electrical services as provided in Paragraph 7(b)(viii), except that Tenant shall be entitled to a credit against electrical services costs equal to that portion of the amounts actually paid by Tenant separately and directly to Landlord which is attributable to Building Standard electrical services submetered to the Premises.

(c) Parking.

(i) Tenant and Tenant's employees, agents, contractors, customers, and visitors shall not use more than the number of parking spaces specified for Tenant in Paragraph 1(j). No deductions from the monthly charge shall be made for days on which the Parking Facilities are not used by Tenant. Landlord shall have the continuing right to change the designation of parking spaces including Reserved Spaces, if any, to a reasonably comparable location or facility. Tenant, its employees, contractors and invitees, shall at all times comply with the applicable parking rules issued from time to time. Neither Tenant nor its employees shall use any parking spaces designated for visitors or other occupants of the Project. Tenant shall, within 15 days of Landlord's written request, furnish Landlord a complete list of license plate numbers for all vehicles operated by any Tenant Party. Tenant's sole remedy for any period during which Tenant's use of any parking is precluded for any reason shall be abatement of parking charges for such precluded spaces. Landlord shall have the right, but not the obligation, to (A) police said Parking Facilities, (B) cause unauthorized and/or unregistered motor vehicles to be towed away at the sole risk and expense of the owner of such motor vehicles, (C) designate certain areas of the Parking Facilities for the exclusive use of motor vehicles having handicapped designations on their license plates, for the exclusive use of visitors to the Project, or for the exclusive use of electrical vehicles, or (D) use any portion of the Parking Facilities from time to time to deny access to the same in order to repair, maintain or restore such Parking Facilities or to construct improvements under, over, along, across and upon the same for the benefit of the Project.

(ii) The Parking Fee shall be paid to Landlord as additional Rent on or before the 1st day of each month during the Term. If the Term is renewed or extended, the Parking Fee may be adjusted by Landlord to the then prevailing rates being charged by Landlord for parking spaces in the Parking Facilities for unreserved parking spaces or Reserved Spaces, as applicable. Notwithstanding anything contained herein to the contrary, the Reserved Spaces shall only be reserved during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday.

(iii) Tenant acknowledges that the Parking Facilities may be subject to shared use by parties working in, occupying or visiting buildings adjacent to or in the immediate vicinity of the Building. Neither Landlord's obligation to provide parking pursuant to this Lease nor the Parking Fee shall be reduced by virtue of such shared use.

(d) ABS Services. Building Standard services are furnished based upon Building Standard (i) leasehold improvements; (ii) population density; (iii) electrical consumption; (iv) electrical design capacity; and (v) hours of operation, and any other applicable qualifications set forth in this Lease. "ABS" means over and above Building Standard (including related modifications and equipment changes). All requests for ABS services, whether HVAC, electrical, janitorial or other services, shall be made in writing and are subject to Landlord's prior written approval, which may include, as a condition to such approval, the imposition of restrictions or other requirements by Landlord. Landlord shall install any equipment or other modifications necessary to furnish any approved ABS services, all at Tenant's expense (including all related consulting, acquisition, installation and maintenance costs). Unless otherwise specified in this Lease, Tenant shall, within 15 days of invoicing, pay the foregoing expenses, plus a 15% administrative fee, and Landlord's then-quoted standard charges for any ABS services furnished to or necessitated by any Tenant Party. Landlord may withhold its consent to any ABS services or, having previously granted consent, terminate or suspend any ABS services (and remove any related equipment or modifications at Tenant's expense), if (A) Landlord determines the provision or continuation of such ABS services could damage the Building or Project Systems, create a dangerous condition, entail unreasonable Alterations or expense, or disturb other tenants in the Building; or (B) there exists an Event of Default or other condition which, with the passage of time or giving of notice, would become an Event of Default. ABS HVAC shall be furnished upon Tenant's written request given no later than 12:00 noon of the preceding business day.

(e) Service Interruptions. Upon interruption of any service furnished by Landlord to the Premises under this Lease (a "Service Interruption") other than a Service Interruption for scheduled maintenance, tests and inspections, Tenant shall immediately notify Landlord, in which event Landlord shall use commercially reasonable efforts to restore such service to the Premises. No Service Interruption shall (i) constitute a breach by Landlord under this Lease; (ii) relieve Tenant of any obligation under this Lease (except as provided below); or (iii) be deemed a constructive eviction of Tenant from the Premises. Commencing on the eleventh (11th) consecutive business day of any Service Interruption within Landlord's reasonable control, and except to the extent such Service Interruption is caused by a Tenant Party, Tenant shall, as its sole remedy, be entitled to an equitable diminution of Base Rent based upon the pro rata portion of the Premises rendered unfit for occupancy for the Permitted Use. EXCEPT AS PROVIDED IN THE PRECEDING SENTENCE, AND TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, TENANT WAIVES ALL CLAIMS AGAINST THE LANDLORD

PARTIES ARISING FROM SERVICE INTERRUPTIONS. In the event of any conflict between this Paragraph 8(e) and the casualty and condemnation provisions of Paragraphs 15 and 16, the latter shall control.

(f) Third Party Services. If Tenant desires any service that Landlord has not specifically agreed to provide in this Lease, such as private security systems or telecommunications services serving the Premises, Tenant may, subject to the requirements of this paragraph and elsewhere in this Lease, procure such service directly from a reputable third party service provider (“Provider”) for Tenant’s own account. Tenant shall require each Provider to comply with the Rules and Regulations, Applicable Law and Landlord’s reasonable policies and practices for the Building. Tenant acknowledges Landlord’s current policy that requires all Providers utilizing any areas of the Building outside the Premises to be approved by Landlord and to enter into a written agreement acceptable to Landlord prior to gaining access to, or making any installations in or through, such areas. Accordingly, Tenant shall give Landlord advance written notice sufficient for such purposes.

9. OCCUPANCY AND CONTROL.

(a) Permitted Uses. The Premises shall be used by Tenant (and its permitted Transferees) solely for the “Permitted Use” consistent with Building Standard services, population density and hours of operation. The following ancillary uses shall not be permitted in the Premises unless they are strictly limited to the exclusive use of Tenant’s employees and do not, in the aggregate, occupy more than 10% of the RSF of the Premises or of any single floor (whichever is less): credit union; data processing; schools, training and other educational purposes; telemarketing; collection agency; reservation centers; or storage. Tenant agrees that the following uses are expressly prohibited in the Premises: government offices or agencies; personnel agencies; medical treatment and health care; restaurants and other retail uses; customer service offices of a public utility company; or any other purpose which would, in Landlord’s reasonable opinion, impair the reputation or quality of the Building, create unreasonable or excessive demands or loads on any Project Systems, Common Areas, Service Areas or parking facilities, impair Landlord’s efforts to lease space or otherwise interfere with the operation of the Project.

(b) Rules and Regulations. During the Term, Tenant shall comply with the “Rules and Regulations” established by Landlord for the Project, as amended from time to time. The current Rules and Regulations are attached as Exhibit “E”. This Lease shall control in the event of any conflict between this Lease and any Rules and Regulations.

(c) Signage. Tenant shall not, without Landlord’s prior written approval, paint, affix, erect, display or distribute any signs, advertisements or notices upon (or visible from) the exterior of the Premises or elsewhere in the Project, except for Building Standard tenant identification information permitted by Landlord in the main building directory or adjacent to the main entrance to the Premises.

(d) Consents. Where Landlord’s consent or approval is required in this Lease, Landlord may withhold such consent or approval in its sole discretion, except as otherwise specified in the applicable provision. If Tenant requests Landlord’s consent or approval under any

provision of this Lease and Landlord fails or refuses to give such consent or approval, Tenant's sole remedy shall be an injunction or an action for specific performance.

10. **TENANT'S COVENANTS.** Tenant covenants and agrees as follows:

(a) **Tenant's Operations.** Tenant shall, at its expense, promptly comply with Applicable Law in its use and occupancy of the Premises (including construction of Alterations required by Applicable Law). Tenant shall not do or permit anything to be done in the Premises which shall in any way (i) obstruct or interfere with the operation of the Project or with the rights of other tenants of the Project; (ii) injure, disturb or annoy other tenants of the Project, including the emission of offensive odors, noises or vibrations; (iii) tend to harm the reputation of Landlord or the Project; (iv) deceive or defraud the public; or (v) cause an increase in Landlord's insurance premiums.

(b) **No Recordation of Liens.** Tenant shall not record this Lease (or a memorandum thereof). Tenant shall not in any way encumber any interest in the Premises or the Project and shall cause any liens (or affidavits claiming a lien) arising from acts or omissions of a Tenant Party or due to a Claim against a Tenant Party to be promptly discharged by payment, bonding or otherwise. If Tenant fails to timely discharge any such lien (or affidavit claiming a lien), Landlord may, without further notice to Tenant, discharge such lien (or affidavits claiming a lien) in any reasonable manner determined by Landlord on Tenant's behalf and at Tenant's expense, payable within 30 days of Landlord's invoice.

(c) **Security.** Tenant shall (i) lock the doors to the Premises and take other reasonable steps to secure the Premises and the personal property of all Tenant Parties (defined in Paragraph 13) and any of Tenant's transferees, contractors or licensees in the Common Areas and Parking Facilities of the Building and Project, from unlawful intrusion, theft, fire and other hazards; (ii) keep and maintain in good working order all security and safety devices installed in the Premises by or for the benefit of Tenant (such as locks, smoke detectors and burglar alarms); and (iii) cooperate with Landlord and other tenants in the Building on Building safety matters. Tenant acknowledges that any access control or safety measures employed by Landlord are for the protection of Landlord's own interests; that Landlord is not a guarantor of the security or safety of the Tenant Parties or their property; and that such security and safety matters are the responsibility of Tenant and the local law enforcement authorities.

(d) **Taxes.** Tenant shall promptly pay directly to the taxing authority all sales and/or ad valorem taxes now or hereafter levied on Tenant's personal property and ABS leasehold improvements. To the extent Tenant's leasehold improvements are not separately assessed, Landlord may make appropriate allocation of taxes to Tenant to avoid inequitable treatment of other tenants in the Building. Tenant waives all rights under Applicable Law (including, but not limited to, all rights under Section 41.413 and Section 42.015 of the Texas Tax Code) to protest appraised values or receive notice of reappraisal regarding the Project (including Landlord's personal property), irrespective of whether Landlord contests same. To the extent such waiver is prohibited, Tenant appoints Landlord as Tenant's attorney-in-fact, coupled with an interest, to appear and take all actions that Tenant would otherwise be entitled to take under Applicable Law.

(e) **Third Party Commissions.** Tenant represents and warrants that no broker or agent has represented Tenant in connection with this Lease except Tenant's Broker, which is acting as Tenant's agent in connection with this Lease. Tenant shall indemnify, hold harmless and defend each Landlord Party against any Claims for real estate commissions or fees in connection with this Lease made by any party Claiming through Tenant.

(f) **Estoppel Certificates and Financial Statements.** Within 10 business days after written request, Tenant shall execute and deliver to Landlord and/or its designee (i) a current and complete financial statement for Tenant certified as true and correct by Tenant's chief financial officer; and (ii) an estoppel certificate certifying (A) as true and correct, a copy of this Lease and any amendments; (B) the then-effective business terms under Paragraph 1; (C) whether Landlord is in default and, if so, the nature of such default; (D) the date to which Rent has been paid; and (E) any other matters Landlord, Landlord's Mortgagee or any prospective purchaser may require; provided such statements are true and accurate. Tenant's failure to timely execute and return the requested estoppel certificate shall be conclusive evidence of the matters set forth therein. Additionally, any failure by Tenant to deliver the requested estoppel certificate in compliance with this Paragraph 10(f) shall be an Event of Default; no notice or cure or grace period provided in this Lease shall apply to Tenant's obligations to timely deliver an estoppel certificate.

11. **REPAIRS, MAINTENANCE AND ALTERATIONS.**

(a) **Landlord's Obligations.** Landlord shall maintain the roof, foundation, exterior windows and surfaces, load-bearing components of the Building and the Project Systems, except (i) for wiring, ducts, conduit, plumbing or pipes necessary to extend services from the existing Project Systems to or within leased space (even if installed by Landlord); (ii) for damage caused by a Tenant Party; or (iii) as otherwise provided in this Lease.

(b) **Tenant's Obligations.** Tenant shall throughout the Term keep the Premises and all furnishings, trade fixtures, equipment and leasehold improvements therein in good condition and repair, including all necessary repairs and replacements, but excluding ordinary wear and tear and damage from casualty or condemnation. If Tenant fails to do so within 15 days after written notice, Landlord may make the necessary repairs or replacements, and Tenant shall reimburse Landlord therefor, plus a 15% administrative fee, within 15 days of Landlord's invoice. Tenant shall not in any manner deface or injure any part of the Project, and shall, upon demand, pay the cost (plus 15%) of Landlord's repair and replacement of any damage or injury caused by any Tenant Party.

(c) **Alterations.** Except as expressly provided below, Tenant may make alterations or improvements to the Premises (collectively, "Alterations") without Landlord's prior written consent. Notwithstanding the foregoing, in no event shall Alterations (i) interfere with construction in progress or other tenants in the Project; (ii) adversely affect or alter the Project Systems, structural integrity or exterior appearance of the Building; (iii) impair Building Standard services or require ABS services (either during or after such work); (iv) be visible from the exterior of the Premises or the Building; or (v) be permitted if any uncured Event of Default then exists (or any condition exists which, with the passage of time or giving of notice, would become an Event of Default). At least 15 business days prior to commencing construction, Tenant shall furnish complete plans and specifications for any proposed Alterations for Landlord's review and

approval. All Alterations shall be constructed at Tenant's expense (plus, if Landlord is performing such Alteration, a construction management fee to Landlord equal to 5.0% of the contract price) in a good and workmanlike manner, and otherwise in compliance with Applicable Law, the Rules and Regulations, Building Standard construction criteria and Landlord's other reasonable requirements. Tenant acknowledges that Landlord is not an architect or engineer, and that the Alterations will be reviewed by Landlord using independent architects, engineers and contractors (except for Alterations for which Landlord's prior written consent is not required, which shall be constructed by Tenant using Landlord's approved contractors). Accordingly, Landlord does not guarantee or warrant that the applicable construction documents will comply with Applicable Law or be free from errors or omissions, nor that the Alterations will be free from defects, and Landlord will have no liability therefor. Upon completion, Tenant shall, at its expense, provide Landlord with "as built" plans on Landlord's CAD system (or other format requested by Landlord).

(d) **Tenant's Acknowledgements.** Tenant acknowledges that the relationship between Landlord and Tenant is that of "landlord-tenant" only, and in no way shall Tenant be considered a contractor or an agent of Landlord. Tenant has no rights to enter into a contract on Landlord's behalf in connection with any repair, maintenance or alteration of any portion of the Project.

12. **ASSIGNMENT AND SUBLETTING BY TENANT.**

(a) **Transfer.** Tenant shall not, without Landlord's prior written consent in each instance in accordance with Paragraph 12(c), convey, assign or encumber this Lease or any interest herein, directly or indirectly, voluntarily or by operation of law, including the merger or conversion of Tenant with or into another entity, or sublet all or any portion of the Premises, or permit the use or occupancy of any part of the Premises by anyone other than Tenant (collectively, "Transfer"). If Tenant is other than an individual, any change in "control" of Tenant shall constitute a Transfer, and the surviving party in control shall be the Transferee. "Control" means the direct or indirect power to direct or cause direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise. Conversely, Tenant shall not sublease space from, or assume the lease obligations of, another tenant in the Project without Landlord's prior written consent. Following any Transfer, Tenant (and any guarantors and prior tenants under this Lease) shall remain fully liable under this Lease, as then or thereafter amended with or without notice to or consent of Tenant (or any guarantors or prior tenants under this Lease), and Landlord may proceed directly under this Lease against Tenant (or any guarantor or prior tenant under this Lease) without first proceeding against any other party. Tenant shall give Landlord written notice of any proposed Transfer at least 30 days prior to the anticipated effective date of the proposed Transfer, which notice shall include a complete detailed written description of the Transfer; the name, address, business and intended use of the Transferee; a current audited financial statement for the Transferee certified by a recognized accounting firm; a copy of the proposed Transfer document; appropriate evidence of the existence, good standing and signature authority of the Transferee in the State; and such other pertinent information as Landlord reasonably requests, together with Landlord's Transfer processing fee set forth in Paragraph 12(c). In addition to the other terms and conditions of this Paragraph, Landlord shall have the right to require that Tenant deliver to Landlord a written agreement, satisfactory to Landlord, in Landlord's sole discretion, from each guarantor of the Lease and each prior tenant under the Lease reaffirming such party's obligations and liabilities under the guaranty or the Lease after any such

Transfer. If the proposed Transferee is subject to any new requirements under Applicable Law (including ADA), (i) Tenant shall be liable for any costs or expenses to comply with such requirements, and (ii) to the extent such requirements require Alterations, Tenant shall deliver for Landlord's approval plans and specifications complying with such additional requirements and acceptable security assuring timely, lien-free completion of construction. If Landlord consents to a Transfer (other than a change of control of Tenant), then Tenant shall pay Landlord an amount equal to any "Transfer Premium". "Transfer Premium" means (A) in the case of an assignment, any consideration (including payment for leasehold improvements) paid by the assignee for such assignment, and (B) in the case of a sublease, license, or other occupancy agreement, for each month of the term of such agreement, the amount by which all rent and other consideration paid by the Transferee to Tenant pursuant to such agreement exceeds the Rent payable by Tenant hereunder with respect to the portion of the Premises subject to such Transfer. Tenant shall pay the Transfer Premium (I) in the case of an assignment, within 10 days after Tenant receives the consideration described above, and (II) in the case of a sublease, license, or other occupancy agreement, for each month of the term of such agreement, within five (5) business days after Tenant receives the rent and other consideration described above. If an Event of Default by Tenant occurs, then Landlord is irrevocably authorized, as Tenant's agent and attorney-in-fact, to direct any Transferee under any sublease, license, or other occupancy agreement to make all payments under such agreement directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease) until, if applicable, such Event of Default is cured. Such Transferee shall have the right to rely upon any representation by Landlord that an Event of Default by Tenant has occurred, whether or not confirmed by Tenant.

(b) **Landlord's Options.** Within 30 days after receipt of all required Transfer information, Landlord shall give Tenant written notice of its election (i) to consent to the Transfer; or (ii) to terminate this Lease as of the effective date of the Transfer as to the space covered by such Transfer for the remainder of the Term, in which event Tenant shall, subject to Paragraph 18, be relieved of its obligations accruing after the termination date with respect to the terminated interest; or (iii) not to consent to the Transfer, in which event this Lease shall continue in full force and effect. If Landlord fails to timely make such election, then Landlord shall be deemed to have elected option (iii) above. Any Transfer occurring without Landlord's consent shall be void and shall constitute an Event of Default hereunder; no notice or cure or grace period provided in this Lease shall apply to any Transfer occurring without Landlord's consent. In any event, all renewal options, expansion options, rights of first refusal, rights of first offer, and other preferential rights under this Lease are personal to the original Tenant under this Lease and shall not be exercisable by any Transferee. Neither Landlord's acceptance of any name for listing on the Building directory or other signage, nor Landlord's acceptance of Rent from any Transferee, shall be deemed, or substitute for, Landlord's consent to a Transfer.

(c) **Consent.** Landlord shall not unreasonably withhold consent to any Transfer (other than an encumbrance of this Lease) pursuant to this Paragraph. Among the reasons Landlord may withhold its consent are (the following is not intended to be an exhaustive list): (i) Transferee's financial condition is not reasonably satisfactory to Landlord or does not evidence Transferee's ability to pay its obligations (including those undertaken in connection with the Transfer) when due; (ii) the net worth of Transferee (plus any guarantor) is less than that of Tenant (plus any guarantor) as of the Date of Lease or the effective date of Transfer, whichever is greater; (iii) Transferee refuses to provide additional security required by Landlord as a result of a change

in financial creditworthiness or legal structure, such as increased security deposit, guaranties, etc.; (iv) Transferee's use of the Premises conflicts with the Permitted Use or any exclusive usage rights granted to any other tenant in the Building; (v) the use, nature, business, activities or reputation in the business community of Transferee (or its principals, employees or invitees) are not acceptable to Landlord; (vi) an uncured Event of Default exists under this Lease (or a condition exists which, with the passage of time or giving of notice, would become an Event of Default); (vii) Transferee is an occupant of, or Landlord is otherwise engaged in lease negotiations with Transferee for, other premises in the Project; (viii) Transferee is or has been involved in a dispute or litigation with any Landlord Party; or (ix) the rental to be paid by the Transferee is not equivalent to the then market rental rate for similar space in The Woodlands, Texas. Notwithstanding anything contained herein to the contrary, Landlord shall not be obligated to entertain or consider any request by Tenant to consent to any proposed assignment of this Lease or sublease of all or any part of the Premises unless each request by Tenant is accompanied by a nonrefundable fee payable to Landlord in the amount of \$1,000 to cover Landlord's administrative, legal, and other costs and expenses incurred in processing each of Tenant's requests. Neither Tenant's payment nor Landlord's acceptance of the foregoing fee shall be construed to impose any obligation whatsoever upon Landlord to consent to Tenant's request.

(d) No Consent Required. Notwithstanding the foregoing and for purposes of this Lease, the following shall not be considered a Transfer prohibited hereunder or otherwise require Landlord's consent: (i) (if Tenant is a corporation or a limited liability company) the addition of stockholders or members and the withdrawal of stockholders or members in the normal course of Tenant's business or (ii) the assignment of this Lease to any successor of Tenant (A) into which or with which Tenant is merged or consolidated, (B) arising from the transfer of Tenant's interest under this Lease made in conjunction with the transfer of a majority of the assets and liabilities of Tenant, or (C) arising from the acquisition of the assets and liabilities of another entity by Tenant or any entity owned or controlled by Tenant, so long as in each of the circumstances described in (i) and (ii) above, the surviving entity or assignee shall (I) assume all obligations of Tenant hereunder and (II) have a net worth greater than or equal to Tenant. In any event, Tenant shall provide prior written notice of the foregoing so as to permit Landlord a reasonable amount of time to make a determination concerning Tenant's compliance with the requirements of (I) and (II) above.

13. INDEMNITY. Subject to Paragraph 14(c), Tenant shall hold Landlord, its trustees, affiliates, subsidiaries, members, principals, beneficiaries, partners, officers, directors, shareholders, employees, Landlord's Mortgagee(s) (defined in Paragraph 20) and agents (including the manager of the Project) (collectively, "Landlord Parties") harmless from, and indemnify and defend such parties against, all liabilities, obligations, damages, penalties, claims, actions, costs, charges and expenses, including reasonable attorneys' fees and other professional fees (each a "Claim" and collectively "Claims4") that may be imposed upon, incurred by or asserted against any of such indemnified parties that arise out of or in connection with any damage or injury occurring in the Premises. Provided Landlord Parties are properly named as additional insureds in the policies required to be carried under this Lease, and except as otherwise expressly provided in this Lease, the indemnity set forth in the preceding sentence shall be limited to the greater of (A) \$3,000,000, and (B) the aggregate amount of general/umbrella liability insurance actually carried by Tenant. Subject to Paragraphs 11(b), 14(c) and 23, Landlord shall hold Tenant, its trustees, members, principals, beneficiaries, partners, officers, directors, shareholders,

employees and agents (collectively, "Tenant Parties") harmless from, and indemnify and defend such parties against, all Claims that arise out of or in connection with any damage or injury occurring in or on the Project (excluding the Premises), to the same extent the Tenant Parties would have been covered had they been named as additional insureds on the commercial general liability insurance policy required to be carried by Landlord under this Lease. The indemnity set forth in the preceding sentence shall be limited to the amount of \$3,000,000.

14. INSURANCE.

(a) **Tenant's Insurance.** Tenant shall maintain the following insurance ("**Tenant's Insurance**"), at its sole cost and expense: (1) commercial general liability insurance on the most current edition of ISO form CG 00 01, providing, on an occurrence basis, a per occurrence limit of no less than \$1,000,000 and shall include broad form contractual liability coverage; (2) causes of loss-special form (formerly "all risk") property insurance on the most current ISO form CP 10 30, covering all ABS leasehold improvements and Tenant's trade fixtures, equipment, furniture and other personal property within the Premises ("**Tenant's Property**") in the amount of the full replacement cost thereof; (3) business income (formerly "business interruption") and extra expense insurance on the most current edition of ISO form CP 00 30 providing coverage not less than six (6) months of Tenant's annual Rent under the Lease; (4) business automobile liability insurance, on an occurrence basis, on the most current edition of ISO form CA 00 01 to cover all owned, hired and nonowned automobiles owned or operated by Tenant providing a minimum combined single limit of \$1,000,000; (5) workers' compensation insurance as required by the state in which the Premises is located and in amounts as may be required by applicable statute (provided, however, if no workers' compensation insurance is statutorily required, Tenant shall carry workers' compensation insurance in a minimum amount of \$1,000,000); (6) employer's liability insurance in an amount of at least \$1,000,000 per occurrence; and (7) umbrella liability insurance, on an occurrence basis, that follows form in excess of the limits specified in (1), (4) and (6) above, of no less than \$2,000,000 per occurrence and in the aggregate, and such coverage must "drop down" for exhausted aggregate limits. Any company underwriting any of Tenant's Insurance shall have, according to A.M. Best Insurance Guide, a Best's rating of not less than A- and a Financial Size Category of not less than VIII and authorized to sell insurance in the state in which the Premises is located. All commercial general liability, business automobile liability and umbrella liability insurance policies shall (i) name Landlord (or any successor), Landlord's property manager, Landlord's Mortgagee (if any), and their respective members, principals, beneficiaries, partners, officers, directors, employees, and agents, and other designees of Landlord as the interest of such designees shall appear, as "additional insureds", and the commercial general liability policy shall include the most current edition of ISO CG 20 11 Additional Insured Endorsement without exclusion for the acts or omissions of the additional insureds, and (ii) be endorsed to be primary with Landlord's policy being secondary and noncontributory. All Tenant's insurance policies shall be endorsed to waive all rights of subrogation by insurer in favor of the Landlord Parties. Tenant shall cause Landlord to be designated as a loss payee with respect to Tenant's causes of loss-special form (formerly "all risk") property insurance with respect to all ABS leasehold improvements. If any aggregate limit is reduced because of losses paid to below 75% of the limit required by this Lease, Tenant will notify Landlord in writing within 10 days of the date of reduction. All policies of Tenant's Insurance shall contain endorsements that the insurer(s) shall give Landlord and its designees at least 30 days' advance written notice of any change, cancellation, termination or lapse of insurance. Tenant shall provide Landlord with a certificate(s)

of insurance, executed by an authorized representative of the insurers, and all required endorsements evidencing Tenant's Insurance prior to the earlier to occur of the Commencement Date or the date Tenant is provided access to the Premises for any reason, and upon renewals at least 10 days prior to the expiration of the insurance coverage. All of Tenant's Insurance policies, endorsements and certificates will be on forms and with deductibles and self-insured retention, if any, reasonably acceptable to Landlord. The limits of Tenant's insurance shall not limit Tenant's liability under this Lease.

(b) **Landlord's Insurance.** Landlord shall maintain: (1) commercial general liability insurance applicable to the Project which provides, on an occurrence basis, a minimum combined single limit of no less than \$2,000,000 (coverage in excess of \$1,000,000 may be provided by way of an umbrella/excess liability policy); and (2) causes of loss-special form (formerly "all risk") property insurance on the Building in the amount of the replacement cost thereof, as reasonably estimated by Landlord. The foregoing insurance and any other insurance carried by Landlord may be effected by a policy or policies of blanket insurance and shall be for the sole benefit of Landlord and under Landlord's sole control. Consequently, Tenant shall have no right or claim to any proceeds thereof or any other rights thereunder.

(c) **Mutual Waiver of Subrogation.** Notwithstanding anything in this Lease to the contrary, Tenant waives, and shall cause its insurance carrier(s) and any other party claiming through or under such carrier(s), by way of subrogation or otherwise, to waive any and all rights of recovery, Claim, action or causes of action against all Landlord Parties for any loss or damage to Tenant's business, any loss of use of the Premises, and any loss, theft or damage to Tenant's Property (including Tenant's automobiles or the contents thereof), **INCLUDING ALL RIGHTS (BY WAY OF SUBROGATION OR OTHERWISE) OF RECOVERY, CLAIMS, ACTIONS OR CAUSES OF ACTION ARISING OUT OF THE NEGLIGENCE OF ANY LANDLORD PARTY**, which loss or damage is (or would have been, had the insurance required by this Lease been maintained) covered by insurance. In addition, Landlord waives, and shall cause its insurance carrier(s) and any other party claiming through or under such carrier(s), by way of subrogation or otherwise, to waive, any and all rights of recovery, Claim, action or causes of action against all Tenant Parties for any loss of or damage to or loss of use of the Building, any additions or improvements to the Building, or any contents thereof, **INCLUDING ALL RIGHTS (BY WAY OF SUBROGATION OR OTHERWISE) OF RECOVERY, CLAIMS, ACTIONS OR CAUSES OF ACTION ARISING OUT OF THE NEGLIGENCE OF ANY TENANT PARTY**, which loss or damage is (or would have been, had the insurance required by this Lease been maintained) covered by insurance.

15. **FIRE OR CASUALTY.**

(a) **No Restoration.** Within 90 days after discovering any damage to the Project resulting from any fire or other casualty, Landlord may, whether or not the Premises are affected, terminate this Lease by notifying Tenant in writing if (i) any "Landlord's Mortgagee", as defined in Paragraph 20, requires that any insurance proceeds be used to pay any mortgage debt; (ii) any damage to the Building or other portions of the Project is not fully covered (other than applicable deductibles) by Landlord's insurance policies; (iii) Landlord is prohibited by Applicable Law from rebuilding the Building or Common Areas so that it and they will be substantially the same structurally and architecturally; (iv) the damage occurs during the last 12 months of the Term; or

(v) the Building or other portions of the Project are damaged by fire or other casualty to the extent that reconstruction cannot reasonably be completed within 1 year after the date of damage, as determined by Landlord. Additionally, if (A) the Premises or Building are damaged by fire or other casualty to the extent that reconstruction cannot reasonably be completed within 1 year after the date of damage, as determined by Landlord, or (B) more than 50% of the RSF of the Premises becomes untenantable due to casualty damage during the last 12 months of the Term, then Tenant may, by written notice given within 90 days of such damage, terminate this Lease. If the Lease is terminated pursuant to this Paragraph 15(a), then Tenant shall be entitled to a fair diminution of Base Rent while and to the extent Tenant is unable to conduct its business in the Premises prior to such termination. Provided however, if the provisions of this Paragraph are not as stringent as provided for in the loan agreements, mortgages, or deeds of trust, or any other agreement or document of any Landlord's Mortgagee, then such agreement or document of the Landlord's Mortgagee shall be controlling, and this Paragraph 15 shall be subordinate to such agreement or document.

(b) Restoration. If this Lease is not so terminated, Landlord shall reconstruct the Premises and/or the Building to substantially the same condition as existed immediately prior to the date of damage, except that Landlord shall not be required to spend more than the insurance proceeds made available for such purposes by Landlord's Mortgagee. However, Landlord shall only be required to reconstruct the Building Standard leasehold improvements existing in the Premises on the date of damage ("*Landlord's Contribution*"). Tenant shall pay the difference between the total cost of reconstructing the Premises and Landlord's Contribution ("*Tenant's Contribution*"). Prior to Landlord's commencement of reconstruction, Tenant shall place Landlord's estimate of Tenant's Contribution in escrow with Landlord (or furnish Landlord with other commercially reasonable assurances of payment). Tenant shall be entitled to a fair diminution of Base Rent while and to the extent Tenant is unable to conduct its business in the Premises.

16. CONDEMNATION. If any portion of the Premises becomes permanently untenantable following condemnation (or conveyance by deed in lieu thereof) of any portion of the Project, then either Landlord or Tenant may, by written notice given within 60 days after the date of taking, terminate this Lease as to the untenantable portion of the Premises effective as of the date of taking. If this Lease is so terminated as to only part of the Premises, Landlord shall (a) grant a fair diminution of Base Rent; and (b) make all repairs necessary to convert the remaining Premises to a complete architectural and tenantable unit, but only to the extent proceeds attributable to the area taken (based on an equitable allocation excluding any award for land) are made available for such purpose by Landlord's Mortgagee. Tenant waives the right to assert any claim for the taking or conveyance of any right, interest or estate under this Lease, and assigns such right to Landlord. However, Tenant may, to the extent permitted by Applicable Law, pursue a claim against the condemner for its moving expenses, inconvenience and business interruption in a proceeding independent of Landlord's condemnation suit, so long as Landlord's award is not thereby reduced or delayed.

17. DEFAULTS AND REMEDIES.

(a) Events of Default. Each of the following shall be an "Event of Default" under this Lease: (i) Tenant fails to pay any monetary obligation under this Lease when due; or (ii) except

as otherwise expressly provided in this Lease, Tenant fails to comply with any non-monetary obligation under this Lease within 10 days after written notice or, if such non-monetary failure is of a nature requiring more than 10 days to cure using reasonable diligence, fails to promptly commence such cure within such 10-day period and thereafter diligently prosecute same to completion within 10 additional days (provided that the foregoing notice procedure shall not apply to the occurrences described in clauses (iii) through (ix) below for which only a single informative notice without opportunity to cure is necessary); or (iii) Tenant fails to comply with any single provision of this Lease more than 2 times during any consecutive 12 month period during the Term regardless of cure; (iv) the failure to dismiss any petition filed by or against Tenant or any guarantor under the U.S. Bankruptcy Code (or similar law) within 45 days; or (v) the assignment of, or appointment of a receiver or trustee for, Tenant's leasehold interest or substantially all of the assets of Tenant or any guarantor; or (vi) Tenant fails to take possession of, or subsequently abandons or vacates, the Premises; or (vii) if Tenant is a legal entity, Tenant dissolves, liquidates or otherwise ceases to exist in good standing in the State; or (viii) the death or dissolution of any guarantor; or (ix) Tenant becomes or is declared insolvent according to Applicable Law.

(b) Remedies. Upon any Event of Default, Landlord shall have the right: (i) to terminate this Lease as to all or any interest therein; (ii) to terminate Tenant's right of possession of all or any part of the Premises (including any parking attributable thereto) without terminating this Lease; (iii) to re-enter the Premises, change or pick locks, alter security devices and lock out or expel Tenant and any other occupant of the Premises without complying with Applicable Law, the benefits of which are waived by Tenant to the fullest extent permitted; (iv) to remove and store, at Tenant's expense, all property in the Premises using such lawful force as may be necessary; (v) to apply any Security Deposit as permitted under this Lease; (vi) to cure such Event of Default for Tenant at Tenant's expense (plus a 15% administrative fee); (vii) to withhold or suspend payment of sums Landlord would otherwise be obligated to pay to Tenant under this Lease, as amended; and/or (viii) to require all future payments to be made by cashier's check or money order after the first time any check is returned for insufficient funds, or the second time any sum due hereunder is more than 5 days late. In addition, Landlord may, without regard to any notice or cure provision and whether or not an Event of Default exists, (A) impose a late charge of 10% on any amount not paid within 5 days after becoming due and (B) charge interest on any amount not paid when due from the due date through the date of payment at the "Default Rate", which is the lesser of 18% per annum or the highest interest rate permitted by Applicable Law. **TENANT SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LANDLORD PARTIES AGAINST CLAIMS ARISING FROM ANY BREACH OF TENANT'S OBLIGATIONS UNDER THIS LEASE.**

(c) Election of Remedies. Landlord may exercise the foregoing rights and remedies, as well as any other rights or remedies available under Applicable Law, without (i) judicial process; (ii) further notice to Tenant; (iii) incurring liability of any kind to Tenant, including liability for trespass or conversion; (iv) constituting an eviction of Tenant; (v) releasing Tenant or any guarantor from any obligation under this Lease; (vi) waiting until the Expiration Date; or (vii) prejudicing any other right or remedy of Landlord. All such rights and remedies, together with any rights and remedies available under Applicable Law, are cumulative with no exercise of any one or more of them prohibiting or waiving the exercise of any other. Landlord may, at any time after terminating Tenant's right to possess the Premises without terminating this Lease, elect

to terminate this Lease and thereupon pursue any and all other rights and remedies otherwise available upon such latter election.

(d) Measure of Damages. If Landlord either terminates this Lease or terminates Tenant's right to possess the Premises without terminating this Lease, Tenant shall immediately surrender and vacate the Premises and pay Landlord (i) the cost of recovering the Premises; (ii) all Rent accrued through the end of the month in which the termination becomes effective; (iii) all expenses reasonably incurred by Landlord in enforcing its rights and remedies under this Lease, including attorneys' fees, court costs and interest at the Default Rate; (iv) "**Landlord's Reletting Expenses**" equal to commercially reasonable costs, losses and expenses incurred by Landlord in reletting all or any portion of the Premises, including the cost of removing and storing Tenant's Property or other property, repairing and/or demolishing the Premises, removing and/or replacing Tenant's signage and other fixtures, making the Premises ready for a new tenant, including the cost of advertising, commissions, architectural fees and leasehold improvements (even if such items are amortized over a new lease term which exceeds the balance of the Term), and any allowances and/or concessions provided by Landlord; and (v) "**Landlord's Rental Damages**" equal to the amount (never less than zero) by which (A) the total Rent payable by Tenant for the portion of the Term that is or would be remaining after the month in which the termination becomes effective exceeds (B) the Fair Rental Value of the Premises for such period. For purposes of calculating Landlord's Rental Damages, each monthly payment of Rent and Fair Rental Value shall be discounted at the Prime Rate from its respective due date to its present value as of the date of termination. The "Fair Rental Value" is the total rental that would be received from a comparable tenant for a comparable lease of premises in the Building of equivalent quality, size, condition, remaining lease term and location as the Premises, taking into account rental rates and concessions then generally prevailing in the market place, the period of time the Premises are reasonably expected to remain vacant before commencement of rental payments by a suitable new tenant, and all other relevant factors. If any portion of the Premises is relet, the Fair Rental Value for such relet portion shall be calculated based upon the rental receivable by Landlord for the applicable reletting term. The "Prime Rate" is the prime rate then published by Citibank, N.A., its successors or assigns, or another major financial institution selected by Landlord. Until the earlier of the termination of this Lease or the final determination of all damages under this Lease, all Rent payable under this Lease shall continue to accrue and be payable when due during the Term. Once the aggregate amount of damages is determined pursuant to the foregoing provisions, the unpaid balance, if any, shall thereafter accrue interest at the Default Rate until paid in full.

(e) Mitigation of Damages. Upon termination of Tenant's right to possess the Premises, Landlord shall, to the extent required by Applicable Law (and no further), use objectively reasonable efforts to mitigate damages by reletting the Premises. Landlord shall not be deemed to have failed to use objectively reasonable efforts to mitigate damages if Landlord refuses to lease the Premises to a prospective new tenant with respect to whom Landlord would be entitled to withhold its consent pursuant to Paragraph 12(c), or who (i) is an affiliate, parent or subsidiary of Tenant; (ii) is not acceptable to Landlord's Mortgagee(s); (iii) requires improvements to the Premises to be made at Landlord's expense; or (iv) is unwilling to accept lease terms then proposed by Landlord, including: (A) leasing for a shorter or longer term than remains under this Lease, (B) re-configuring or combining the Premises with other space, (C) taking all or only a part of the Premises, and/or (D) changing the use of the Premises.

(f) **Attorneys' Fees.** In any dispute regarding this Lease, the prevailing party shall be entitled to recover reasonable attorneys' fees, court costs and expenses from the other party.

(g) **Landlord's Lien.** To secure Tenant's obligations under this Lease, Tenant grants Landlord a contractual security interest on all of Tenant's Property now or hereafter situated in the Premises and all proceeds therefrom, including insurance proceeds (collectively, "Collateral"). No Collateral shall be removed from the Premises without Landlord's prior written consent until all of Tenant's obligations are fully satisfied (except in the ordinary course of business and then only if replaced with items of same value and quality). Upon any Event of Default, Landlord may, to the fullest extent permitted by Applicable Law and in addition to any other remedies provided herein, enter upon the Premises and take possession of any Collateral without being held liable for trespass or conversion, and sell the same at public or private sale, after giving Tenant at least 5 days written notice (or more if required by Applicable Law) of the time and place of such sale. Such notice may be sent with or without return receipt requested. Unless prohibited by Applicable Law, any Landlord Party may purchase any Collateral at such sale. The proceeds from such sale, less Landlord's expenses, including reasonable attorneys' fees and other expenses, shall be credited against Tenant's obligations. Any surplus shall be paid to Tenant (or as otherwise required by Applicable Law) and any deficiency shall be paid by Tenant to Landlord upon demand. Upon request, Tenant shall execute and deliver to Landlord a financing statement sufficient to perfect the foregoing security interest or Landlord may, at its option, file a copy of this Lease as a financing statement, as permitted under Applicable Law. Notwithstanding anything contained herein to the contrary, Landlord shall not be obligated to entertain or consider any request by Tenant for Landlord to subordinate Landlord's security interest and lien in the Collateral unless each request by Tenant is accompanied by a nonrefundable fee payable to Landlord in the amount of \$500.00 to cover Landlord's administrative, legal, and other costs and expenses incurred in processing each of Tenant's requests.

(h) **Force Majeure.** Time is of the essence. However, if either party is unable to perform any obligations under this Lease due to unavailability of materials or equipment, strikes or other labor difficulties, governmental restrictions, casualties, acts of terrorism, cyber-attacks, acts of public enemy, acts of bioterrorism, plagues, epidemics, pandemics, outbreak of a communicable disease leading to extraordinary restrictions including quarantine or movement of people or goods, or other causes beyond such party's reasonable control, such obligation shall be stayed for the duration of such condition. This Paragraph shall not affect or postpone the payment of Rent or other monies by Landlord or Tenant, except as otherwise expressly provided in the attached Construction Agreement (if any).

18. **END OF TERM.**

(a) **Surrender.** Upon the earlier of the Expiration Date or Landlord's termination of Tenant's right of possession of the Premises, Tenant shall peaceably surrender the Premises (including all Alterations and leasehold improvements) to Landlord, vacuum-clean, free of debris and in the same condition existing as of the Commencement Date, subject to ordinary wear and tear and except for damage due to casualty and condemnation.

(b) **Removal of Improvements and Tenant's Property.** Upon the earlier of the Expiration Date or Landlord's termination of Tenant's right of possession of the Premises pursuant

to Paragraph 17(b), and except as otherwise expressly provided in writing by Landlord at the time of installation, (i) all leasehold improvements and Alterations installed in the Premises, including all built-in fixtures and cabling, shall become Landlord's property; and (ii) Tenant shall, at its expense, immediately remove all of Tenant's Property from the Premises; notwithstanding the foregoing, however, if there then exists an uncured Event of Default, then Tenant shall remove the Tenant's Property only upon Landlord's written demand for such removal. However, except as otherwise expressly provided in writing by Landlord at the time of installation, Landlord may, at Tenant's expense, remove from the Premises (or require to be removed by Tenant or an approved third party contractor) any or all Alterations, cabling and/or ABS leasehold improvements. Tenant shall, within 30 days after Landlord's invoice, reimburse Landlord for the cost to restore the Premises and otherwise repair any damage caused by any of the foregoing removal work. All of Tenant's foregoing obligations shall survive the Expiration Date. If Tenant's Property is not timely removed, Landlord may, upon 10 days written notice to Tenant's address (which notice Tenant agrees shall be deemed "reasonable"), and to the fullest extent permitted by Applicable Law: (A) treat such property as abandoned by Tenant with full rights of ownership in Landlord; (B) remove and store such property at Tenant's expense with reimbursement by Tenant to Landlord upon demand; and/or (C) sell or dispose of such property without delivering any proceeds to Tenant. Tenant waives all Claims against the Landlord Parties arising from any right available to Tenant under Applicable Law restricting Landlord's foregoing rights, and the right to assert any Claim against Landlord for the value or use of any property abandoned by Tenant in the Premises.

(c) **Hold Over.** If any Tenant Party remains in possession of the Premises after the Expiration Date, whether or not with Landlord's consent but without executing a new lease ("Hold Over"), the Term shall not be extended, nor shall any rights or remedies of Landlord be adversely affected, even if Landlord thereafter accepts Rent. Instead, during the Hold Over, Tenant shall be deemed a tenant at sufferance (and not a tenant at will or month-to-month tenant) subject to all provisions of this Lease except that monthly Base Rent and Tenant's Share of Operating Expenses shall be 150% the greater of (i) the amount payable during the last month of the Term, or (ii) Landlord's then-quoted rental rate for comparable space in the Project. Either party may terminate the Hold Over immediately upon written notice. Tenant shall pay Landlord all damages incurred by reason of any Hold Over.

19. **NOTICES.** All notices shall be delivered by hand, reputable overnight courier or certified mail (return receipt requested), postage prepaid, or by legible facsimile, or e-mail to Landlord at the Addresses for Notice specified in the Business Points (or to such other address as may be specified by written notice to Tenant); and to Tenant at the appropriate address(es) specified in the Business Points. Notice shall be deemed given upon tender of delivery, if sent by hand; the day after posting, if sent by overnight courier; upon three days after posting, if sent by certified letter; or the next business day after the date of delivery, if sent by facsimile or e-mail, except that a change of address notice shall be effective 5 business days after actual receipt. Notices to Tenant addressed to the Premises may be made by posting on the entrance door of the Premises.

20. **LANDLORD'S FINANCING.** This Lease is subordinate to all liens, deeds of trust, and ground leases now or hereafter encumbering the Building, and all refinancings, replacements, modifications, extensions or consolidations thereof. Tenant shall attorn to any mortgagee, ground lessor, trustee under a deed of trust or purchaser at a foreclosure or trustee's sale ("**Landlord's**

Mortgagee”) as “Landlord” under this Lease. Tenant shall, within 5 business days after Landlord’s request, execute and deliver to Landlord in recordable form whatever true and correct instruments may be required to evidence such subordination and attornment. If Tenant fails to execute and deliver such instrument as required, the statements therein shall be deemed to be true. Additionally, any failure by Tenant to deliver the instrument in compliance with this Paragraph shall be an Event of Default; no notice or cure or grace period provided in this Lease shall apply to Tenant’s obligations to timely deliver such instrument. Landlord’s Mortgagee may at any time subordinate its lien to this Lease by unilaterally executing a subordinating instrument. Tenant shall not exercise any right or remedy under this Lease or at law or in equity unless (a) Tenant gives written notice to Landlord and Landlord’s Mortgagee (whose name and address shall be provided upon request) specifying the exact nature of the alleged breach and how it may be remedied; and (b) both Landlord and Landlord’s Mortgagee fail to cure same within 30 days after receipt of Tenant’s notice (plus such additional time as Landlord’s Mortgagee may require). If Landlord’s Mortgagee succeeds to the interest of Landlord under this Lease, Landlord’s Mortgagee shall not be (i) liable for any act or omission of any prior landlord (including Landlord); (ii) liable for the return of any security deposit unless delivered to Landlord’s Mortgagee; (iii) subject to any offsets or defenses that Tenant might have against any prior landlord (including Landlord); or (iv) bound by any rent or additional rent that Tenant might have paid for more than the current month to any prior landlord (including Landlord).

21. RIGHTS RESERVED BY LANDLORD. Landlord (and its designated agents, contractors and managers) shall have the following rights:

(a) Access to the Premises. To enter the Premises upon reasonable notice (except in emergencies when no notice is required) for purposes of (i) inspection; (ii) making repairs, additions, improvements or alterations to the Premises, any adjoining space or the Building as permitted or required under this Lease or as Landlord elects; (iii) confirming Tenant’s compliance with this Lease; and (iv) exhibiting the Premises to prospective purchasers, mortgagees or tenants. During each entry, Landlord shall use reasonable good faith efforts to minimize interference with Tenant’s use of the Premises. In no event shall Tenant be deemed constructively evicted nor entitled to any abatement of Rent. Landlord shall at all times retain a mechanical or card key to all doors in or about the Premises, except Tenant’s vaults, safes and other portions of the Premises reasonably designated by Tenant in writing as “secure areas” (to which Landlord shall not be required to provide Building Standard maintenance or janitorial services). In emergencies or if otherwise required to comply with this Lease, Landlord shall have the right to use any and all means necessary to open any doors, including doors to any designated secure areas, as may be reasonably necessary under the circumstances. Landlord may erect scaffolding and other structures where reasonably required by the character of the work.

(b) Project Modifications. To alter, decorate and repair or construct new improvements upon the Project or any adjacent property, structurally or otherwise, as determined by Landlord in its sole discretion, including changing the arrangement, location and/or size of entrances, passageways, doorways, corridors, elevators, stairs, restrooms and other public components, and to place, inspect, repair and replace in the Premises (below floors, above ceilings or next to columns) any utilities, pipes, cables or similar equipment serving areas outside the Premises, or to rename the Project. Any diminution or shutting off of light, air or view by any

structure which is now or may hereafter be constructed on lands adjacent to the Building shall in no way affect this Lease or impose any liability on Landlord.

(c) Right to Relocate. To require Tenant, upon 60 days' notice, to relocate the Premises to any other premises within the Building or to other buildings in the Project ("Relocated Premises") on a date of relocation (the "Relocation Date") specified therein. In such event, all reasonable expenses of moving Tenant and decorating the Relocated Premises with substantially the same leasehold improvements shall be at the expense of Landlord, including the physical move, telephone installation and costs of reprinting stationery (but only in the quantity existing immediately prior to the relocation). Within 5 business days following receipt of Landlord's relocation notice, Tenant shall have the option, effective as of the Relocation Date, either to enter into an appropriate lease amendment relocating the Premises, or to terminate the Lease. Failure of Tenant to choose either option shall constitute Tenant's election to relocate. If Tenant elects to relocate, Landlord shall have the option to tender the Relocated Premises to Tenant on any date within a 30 day period prior to or after the Relocation Date, in which event the Relocation Date shall become the date of tender of possession of the Relocated Premises. From the Relocation Date through the Expiration Date, the aggregate Base Rent for the Relocated Premises shall be the same as for the original Premises.

(d) Use of Information in Advertising. To use the name of Tenant and any occupant or user of the Premises and other general information (not including proprietary, non-public financial information) about the Tenant and such occupant or user, and the terms of the Lease, in advertising and promotional materials.

(e) Other Rights. To take such other measures Landlord deems necessary or advisable for the ongoing operation, maintenance and protection of the Project. Tenant shall fully cooperate with all of such further measures undertaken by Landlord.

22. HAZARDOUS MATERIALS.

(a) Definition. A "Hazardous Material" is any toxic, ignitable, reactive or corrosive substance now or hereafter regulated by any governmental authority, including any substance defined by Applicable Law as a "hazardous waste", "extremely hazardous waste", "solid waste", "toxic substance", "hazardous substance", "hazardous material" or "regulated substance". "Contamination" means any release or disposal of a Hazardous Material or biological or organic contaminant, including any such contaminant which could adversely impact air quality, such as mold, fungi or other bacterial agents, in or about the Premises or the Project which may result in a liability, fine, use restriction, cost recovery lien, remediation requirement or other government or private party action or imposition affecting any Landlord Party. For purposes of this Lease, Claims arising from Contamination shall include diminution in value, restrictions on use, adverse impact on leasing space, and all costs of site investigation, remediation, removal and restoration work.

(b) Restrictions. No Hazardous Material shall be brought upon, kept, used or disposed of in or about the Premises or the Project by any Tenant Party without Landlord's prior written consent. Tenant shall remove all Hazardous Materials from the Premises before the Expiration Date or earlier termination of the Lease Term.

(c) **Remediation.** If Contamination occurs as a result of an act or omission of a Tenant Party, Tenant shall, at its expense, promptly take all actions necessary to comply with Applicable Law and to return the Premises, the Project and/or any adjoining property to its condition prior to such Contamination, subject to Landlord's prior written approval of Tenant's proposed methods, times and procedures for remediation. Tenant shall provide Landlord reasonably satisfactory evidence that such actions shall not adversely affect any Landlord Party or Contaminated property. Landlord may require that a representative of Landlord be present during any such actions and/or that such actions be taken after business hours. If Tenant fails to take any necessary remediation actions within 30 days after written notice from Landlord or an authorized governmental agency, Landlord may take such actions and Tenant shall reimburse Landlord therefor, plus a 15% administrative fee, within 30 days of Landlord's invoice.

23. **LANDLORD'S INTEREST.**

(a) **Landlord's Liability.** **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS LEASE, (I) THE LIABILITY OF THE LANDLORD PARTIES TO TENANT SHALL BE LIMITED TO AN AMOUNT EQUAL TO THE LESSER OF (A) LANDLORD'S INTEREST IN THE PROJECT, OR (B) THE EQUITY INTEREST LANDLORD WOULD HAVE IN THE PROJECT IF THE PROJECT WERE ENCUMBERED BY THIRD-PARTY DEBT IN AN AMOUNT EQUAL TO 80% OF THE FAIR MARKET VALUE OF THE PROJECT; (II) TENANT SHALL LOOK SOLELY TO LANDLORD'S INTEREST IN THE PROJECT FOR THE RECOVERY OF ANY JUDGMENT OR AWARD AGAINST ANY LANDLORD PARTY; (III) NO LANDLORD PARTY SHALL HAVE ANY PERSONAL LIABILITY FOR ANY JUDGMENT OR DEFICIENCY, AND TENANT WAIVES AND RELEASES SUCH PERSONAL LIABILITY ON BEHALF OF ITSELF AND ALL PARTIES CLAIMING BY, THROUGH OR UNDER TENANT; AND (IV) NO LANDLORD PARTY SHALL BE LIABLE FOR ANY INJURY OR DAMAGE TO, OR INTERFERENCE WITH, TENANT'S BUSINESS, INCLUDING LOSS OF PROFITS, LOSS OF RENTS OR OTHER REVENUES, LOSS OF BUSINESS OPPORTUNITY, LOSS OF GOODWILL OR LOSS OF USE, OR FOR ANY FORM OF SPECIAL, CONSEQUENTIAL, OR PUNITIVE DAMAGE. EXCEPT AS PROVIDED IN THE PRECEDING SENTENCE, TENANT WAIVES ALL OTHER RIGHTS OF RECOVERY AGAINST ALL LANDLORD PARTIES.**

(b) **Conveyance.** Landlord may convey any or all of its interest in this Lease or the Project at any time. The term "Landlord" means only the owner of the Landlord's interest in this Lease at the time in question. Immediately upon conveyance by Landlord of such interest, the conveying party shall be released from all obligations of "Landlord" thereafter arising under this Lease, and Tenant shall attorn and look solely to the new Landlord for performance of such obligations. Upon conveyance, the balance of any Security Deposit shall be delivered to the new Landlord and Tenant shall thereafter look solely to the new Landlord for application or return.

24. **EXECUTION AND SIGNING AUTHORITY.** Draft documents submitted for review do not convey any right to Tenant in the Premises or other space. This Lease shall become effective only upon full execution and delivery by all parties and, if required, upon approval by Landlord's Mortgagee. This Lease may be executed in counterparts, each of which shall be an original and all of which shall be one and the same instrument. Each party and its counsel have

reviewed and revised this Lease after arms-length negotiations. Accordingly, the rule of construction that ambiguities are resolved against the drafting party shall not apply to this Lease or any amendments hereof. This Lease shall bind and inure to the benefit of the parties and their respective heirs, executors, administrators, successors and permitted Transferees, unless otherwise expressly set forth herein. Each individual person or entity executing this Lease as Tenant shall be jointly and severally bound and liable as "Tenant" under this Lease. If Tenant is a legal entity, each person signing this Lease for Tenant represents and warrants to Landlord (who reserves the right to request satisfactory evidence) that he is authorized to do so without further signature or authorization from such legal entity; that this Lease is fully binding on Tenant; and that Tenant is qualified to do business in the State. Except as otherwise expressly extended to the Landlord Parties or the Tenant Parties in this Lease, no beneficial rights are given to any third parties by or under this Lease.

25. QUIET ENJOYMENT. So long as Tenant performs its obligations under this Lease, it shall have the right to occupy the Premises without hindrance from Landlord or any person lawfully Claiming through Landlord, subject to the terms of this Lease, all superior mortgages, ground leases, deeds of trust and agreements, insurance requirements, matters of record, any parking easements and Applicable Law. Tenant understands that the Land is subject to a Parking Agreement with the Cynthia Woods Mitchell Center for the Performing Arts ("Center") wherein the Center is given rights to use parking spaces in the Parking Facilities outside of the normal Building operating hours; Landlord shall not have any liability to Tenant arising out of Center's use of the Parking Facilities during such hours. The hours of Center use are as follows:

<u>Day</u>	<u>Hours</u>
Monday – Friday	6:00 P.M. - 12:00 A.M.
Saturday	2:00 P.M. - 12:00 A.M.
Sunday	12:00 P.M. - 12:00 A.M.

26. METHOD OF CALCULATION. Tenant is knowledgeable and experienced in commercial transactions and does hereby acknowledge and agree that the provisions of this Lease for determining charges and amounts payable by Tenant are commercially reasonable and valid and constitute satisfactory methods for determining such charges and amounts as required by Section 93.012 of the Texas Property Code. TENANT FURTHER VOLUNTARILY AND KNOWINGLY WAIVES (TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW) ALL RIGHTS AND BENEFITS OF TENANT UNDER SUCH SECTION, AS IT NOW EXISTS OR AS IT MAY BE HEREAFTER AMENDED OR SUCCEEDED.

27. WAIVER OF CONSUMER RIGHTS. TENANT HEREBY WAIVES ALL ITS RIGHTS UNDER THE TEXAS DECEPTIVE TRADE PRACTICES - CONSUMER PROTECTION ACT, SECTION 17.41 ET SEQ. OF THE TEXAS BUSINESS AND COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF TENANT'S OWN SELECTION, TENANT VOLUNTARILY ADOPTS THIS WAIVER.

28. OFAC CERTIFICATION. Tenant represents and warrants to Landlord that Tenant and Tenant's constituent owners or affiliates are currently in compliance with, and Tenant covenants

that it shall at all times during the Term (including any extension thereof) be and remain in compliance with, the regulations of the U.S. Department of the Treasury Office of Foreign Asset Control ("OFAC") and any statute, executive order (including (i) the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism, to be referred to herein as the "Executive Order", and (ii) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, being Public Law 107-56 and sometimes referred to herein as the "USA Patriot Act") or other governmental action relating thereto, including, without limitation, any and all other laws related to terrorism or money laundering (all of the foregoing being herein referred to collectively as the "Anti-Terrorism Laws"). Tenant further hereby covenants with Landlord that neither Tenant nor any of Tenant's respective constituent owners or affiliates is or shall be during the Term of this Lease a "Prohibited Person", which is defined as follows: (A) a person or entity that is listed in the Annex to, or is otherwise subject to, the provisions of the Executive Order; (B) a person or entity owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order; (C) a person or entity with whom Landlord is prohibited from dealing with or otherwise engaging in any transaction by any Anti-Terrorism Law, including, without limitation, the Executive Order and the USA Patriot Act; (D) a person or entity who commits, threatens or conspires to commit or support "Terrorism" as defined in Section 3(d) of the Executive Order; (E) a person or entity that is named as a "specially designated national and blocked person" on the then-most current list published by OFAC at its official website or at any replacement website or other replacement official publication of such list; and (F) a person or entity who is affiliated with a person or entity listed in items (A) through (E) above. At any time and from time to time during the Term, Tenant shall deliver to Landlord, within ten (10) business days after receipt of a written request therefore, a written certification or such other evidence reasonably acceptable to Landlord evidencing and confirming Tenant's compliance with this Paragraph. TENANT HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS LANDLORD AND ALL LANDLORD PARTIES FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, RISKS, LIABILITIES AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS) ARISING FROM OR RELATED TO ANY BREACH OF THE FOREGOING CERTIFICATION. The indemnification obligations set forth in this Paragraph shall survive the expiration or earlier termination of this Lease.

29. WAIVERS. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an Event of Default will not be deemed or construed to constitute a waiver of any other violation or default. Landlord's acceptance of rental following an Event of Default will not be construed as a waiver by Landlord of such Event of Default, nor be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants herein contained. TENANT HEREBY WAIVES AND SURRENDERS, FOR ITSELF AND ALL PERSONS OR ENTITIES CLAIMING BY, THROUGH AND UNDER TENANT, ANY RIGHTS, PRIVILEGES AND LIENS SET OUT UNDER SECTION 91.004 OF THE TEXAS PROPERTY CODE (AS AMENDED), AND TENANT EXEMPTS LANDLORD FROM ANY LIABILITY OR DUTY THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, TENANT, AFTER CONSULTATION WITH COUNSEL OF ITS OWN CHOOSING, HEREBY WAIVES ALL NOTICES AND DEMANDS (INCLUDING, WITHOUT LIMITATION, NOTICE OF BREACH OR DEFAULT, NOTICE OF NON-

PAYMENT OR NON-PERFORMANCE, DEMAND FOR PAYMENT OR PERFORMANCE, DEMAND FOR POSSESSION, NOTICE OF ANY CHANGE IN LOCKS OR ACCESS CONTROL DEVICES, REENTRY OR REPOSSESSION, AND NOTICE TO VACATE), EXCEPT FOR THOSE NOTICES AND DEMANDS EXPRESSLY REQUIRED IN THIS LEASE.

30. RENEWAL OPTION. Tenant shall have the option, provided that Tenant is not in default under this Lease, provided the Property Management Agreement has not been terminated and provided further that Tenant is operating in and in possession of the Premises; upon notification to Landlord in writing at least six (6) months prior to the expiration of the Term, to extend the Term of this Lease for one (1) additional period of One Hundred Twenty (120) months (each an "Extension Term"), with an annual Base Rent Rate at Market Rental Rate, as defined herein. Notwithstanding the foregoing, in no event shall the prevailing market rate for the first year of such Extension Term be lower than the annual Base Rental Rate in effect at the Expiration Date of the Term, or at the end of the first Extension Term as the case may be, plus a 2.5% increase in the annual Base Rental Rate for each subsequent year thereafter for the duration of the Extension Term.

Landlord shall, within the thirty (30) days following receipt of Tenant's notice of extension, advise Tenant in writing of Landlord's initial good faith determination of the Market Rental Rate and Tenant shall within the next fifteen (15) days (the "Response Period") following receipt of Landlord's initial good faith determination, notify Landlord in writing of Tenant's acceptance or rejection of Landlord's initial determination of the Market Rental Rate. If on or before the last day of the Response Period Tenant: (x) notifies Landlord of Tenant's acceptance of Landlord's initial determination of the Market Rental Rate; or (y) does not notify Landlord in writing of Tenant's acceptance or rejection of Landlord's initial determination of the Market Rental Rate (in which event Tenant shall be deemed to have accepted Landlord's good faith initial determination of the Market Rental Rate), this Lease shall be extended as provided herein and Landlord and Tenant shall enter into an amendment to this Lease to reflect the extension of the term and changes in Base Rent, within thirty (30) days after the last day of the Response Period. If on or before the last day of the Response Period, Tenant notifies Landlord in writing of Tenant's rejection of Landlord's initial determination of the Market Rental Rate, then Landlord and Tenant shall during the next forty-five (45) days negotiate in good faith to resolve their disagreement. If the disagreement has not been resolved to the mutual satisfaction of Landlord and Tenant within such forty-five (45) day period, then Tenant shall be entitled to have the Base Rent for the renewal term to be determined in accordance with the following: Tenant may initiate an appraisal by brokers to determine the Market Rental Rate by giving written notice to Landlord before the expiration of the forty-five (45) day good faith negotiation period. The brokers must be commercial real estate brokers with at least ten years' experience in leasing property and buildings in the city or submarket in which the Premises are located. Within ten (10) thereafter, each party shall appoint its own appraiser and give written notice thereof to the other party. If either party does not appoint its appraiser within such ten (10) day period, then the appraiser selected by the other party shall determine the Market Rental Rate of the Premises, and such appraisal shall be binding upon the parties. If both appraisers are timely appointed, then the two appraisers shall confer and attempt to agree on the Market Rental Rate. If the two appraisers are unable to agree, but the higher appraisal is no more than ten percent (10%) higher than the lower appraisal, then the Market Rental Rate shall be the average of the two appraisals. If the higher appraisal is more than ten percent

(10%) greater than the lower appraisal, the two appraisers shall together select a third appraiser who shall also determine the Market Rental Rate. If the three appraisers all determine different Market Rental Rate, then the Market Rental Rate shall be the average of the two closest appraisals.

The "Market Rental Rate" is the rate (or rates) a willing tenant would pay and a willing landlord would accept for a comparable transaction (e.g., renewal, expansion, relocation, etc., as applicable, in comparable space and in a comparable building) as of the commencement date of the applicable term, neither being under any compulsion to lease and both having reasonable knowledge of the relevant facts, considering the highest and most profitable use if offered for lease in the open market with a reasonable period of time in which to consummate a transaction. In calculating the Market Rental Rate, all relevant factors will be taken into account, including the location and quality of the Building, lease term, amenities of the Property, condition of the space and any concessions and allowances commonly being offered by Landlord for comparable transactions in the Property. The parties agree that the best evidence of the Market Rental Rate will be the rate then charged for comparable transactions in the Property. Notwithstanding the foregoing, in no event shall the Market Rental Rate for the first year of such Extension Term be lower than the annual Base Rental Rate in effect at the Expiration Date of the Term, and each subsequent year thereafter for the Extension Term shall include a 2.5% increase in the annual Base Rental Rate.

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ACCORDINGLY, the parties execute and deliver this Lease as of the Date of Lease.

LANDLORD:

PARKWOOD 2, LLC
a Texas limited liability company

DocuSigned by:
Richard F. Bunch III
By: _____
Name: Richard F. Bunch III
Title: Manager

TENANT:

TWFG HOLDING COMPANY, LLC
a Texas limited liability company

DocuSigned by:
Richard F. Bunch III
By: _____
Name: Richard F. Bunch III
Title: President & CEO

EXHIBITS & RIDERS:

EXHIBIT "A"	LEGAL DESCRIPTION OF THE LAND
EXHIBIT "B"	FLOOR PLAN OF PREMISES
EXHIBIT "C"	CONSTRUCTION AGREEMENT
EXHIBIT "D"	CERTIFICATE OF ACCEPTANCE OF PREMISES
EXHIBIT "E"	RULES AND REGULATIONS

EXHIBIT "A"

LEGAL DESCRIPTION OF THE LAND

Being a 2.305-acre (100,388 square foot) tract of land situated in the John Taylor Survey, A-547, Montgomery County, Texas and being part of Restricted Reserve "A" of The Woodlands Business Park, Section Three subdivision as recorded by map or plat in Cabinet "C", Sheet 84 of the Plat Records of Montgomery County, Texas and a part of Unrestricted Reserve "K" Woodlands Business Park, Section One subdivision as recorded by map or plat in Cabinet "C", Sheet 164B. Said 2.305-acre tract being out of and a part of a tract of land conveyed to The Woodlands Commercial Properties Company, L.P., a Texas Limited Partnership, by virtue of Memorandum of Merger and Ownership dated July 31, 1997 recorded under Clerk's File No. 9747722 of the Official Public Records of Real Property in Montgomery County, Texas, and is further described by metes and bounds as follows with the basis of bearings being the northwesterly line of said Woodlands Business Park, Section Three:

BEGINNING at a 5/8-inch iron rod with cap (stamped "WEISSER ENG. HOUSTON, TX") found in the southwesterly line of a 2.9940-acre tract conveyed to Montgomery County, Texas under Clerk's File No. 8030584, Film Code No. 034-01-0548 of the Official Public Records of Real Property of Montgomery County, Texas for the northwest corner of said Restricted Reserve A Woodlands Business Park, Section Three and the northeast corner of Woodlands Business Park, Section Two having Texas State Plane Coordinate Value of X = 3,115,218.20 (E); Y = 863,124.00(N), located South 07 deg. 54 min. 33 sec. West, a distance of 7,908.04 feet from the northeast corner of said John Taylor Survey, A-547 and being the northwest corner of said tract herein described;

THENCE South 62 deg. 27 min. 13 sec. East, along the north line of said Restricted Reserve "A", a distance of 350.45 feet to a 5/8-inch iron rod with cap (stamped "WEISSER ENG. HOUSTON, TX") set in the westerly right-of-way line of Grogan's Mill Road (variable width right-of-way) for the northeast corner of said Restricted Reserve "A" and being the northeast corner of said tract herein described;

THENCE South 27 deg. 32 min. 47 sec. West, along the westerly right-of-way line of said Grogan's Mill Road, a distance of 43.97 feet to 5/8-inch iron rod with cap (stamped "WEISSER ENG. HOUSTON, TX") found for an angle point of said tract herein described, from which a found 5/8-inch iron rod bears South 12 deg. 45 min. 02 sec. West, a distance of 0.35 feet;

THENCE South 21 deg. 50 min. 09 sec. West, along the westerly right-of-way line of said Grogan's Mill Road, a distance of 150.75 feet to a found 5/8-inch iron rod being an angle point of said tract herein described;

THENCE South 27 deg. 32 min. 47 sec. West, along the westerly right-of-way line of said Grogan's Mill Road, passing at a distance of 37.09 feet the northeast corner of Unrestricted Reserve "K" of said Woodlands Business Park, Section One, continuing along the east line of said Unrestricted Reserve "K" and the westerly right-of-way line of said Grogan's Mill Road, a total distance of 46.03 feet to a 5/8-inch iron rod found for the most northerly northwest corner of the residue of a tract of land conveyed to The Woodlands Commercial Properties Company, L.P., a

Texas Limited Partnership, by virtue of Memorandum of Merger and Ownership dated July 31, 1997 recorded under Clerk's File No. 9747722 of the Official Public Records of Real Property in Montgomery County, Texas and being the most easterly southeast corner of said tract herein described;

THENCE South 59 deg. 26 min. 27 sec. West, along a northerly westerly line of said residual tract, a distance of 76.56 feet to a 5/8-inch iron rod found for an interior corner of said residual tract and being the most southerly southeast corner of said tract herein described;

THENCE North 62 deg. 27 min. 13 sec. West, along a northerly line of said residual tract, a distance of 180.00 feet to a 5/8-inch iron rod found for an interior corner of said residual tract and being the most southerly southwest corner of said tract herein described;

THENCE North 27 deg. 32 min. 47 sec. East, along an easterly line of said residual tract, a distance of 55.00 feet to a 5/8-inch iron rod found for the most northerly northeast corner of said residual tract and being an interior corner of said tract herein described;

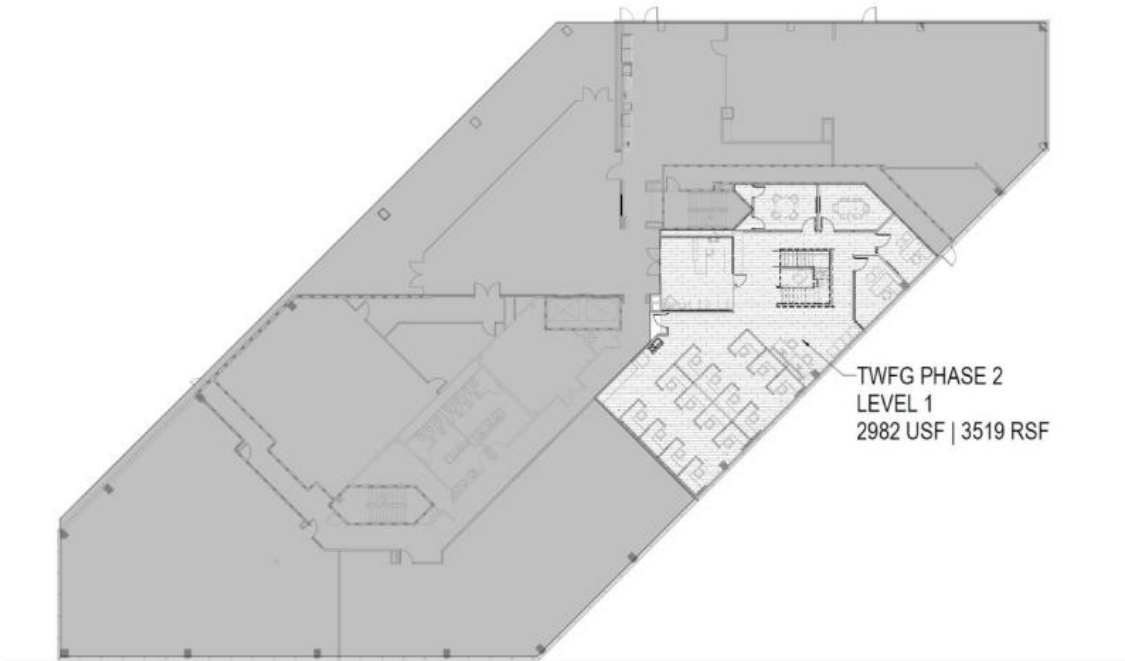
THENCE North 62 deg. 27 min. 13 sec. West, along a northerly line of said residual tract of land, a distance of 145.00 feet to a 5/8-inch iron rod with cap (stamped "WEISSER ENG. HOUSTON, TX") found in the westerly line of said Woodlands Business Park, Section Two, for the most northerly northwest corner of said residual tract and being the most westerly southwest corner of said tract herein described;

THENCE North 27 deg. 32 min. 47 sec. East, along the westerly line of said Woodlands Business Park, Section Two, a distance of 250.00 feet to the POINT-OF-BEGINNING and containing 2.305 acres (100,388 square feet) of land.

EXHIBIT "B"

FLOOR PLAN OF PREMISES

The attached Drawing is only intended to show the general layout of the Premises and shall not be interpreted to increase or decrease the size of the Premises specified in Paragraph 1 of the Lease or grant to Tenant any rights or add any obligations to Landlord beyond those expressly set forth in the main body of the Lease.



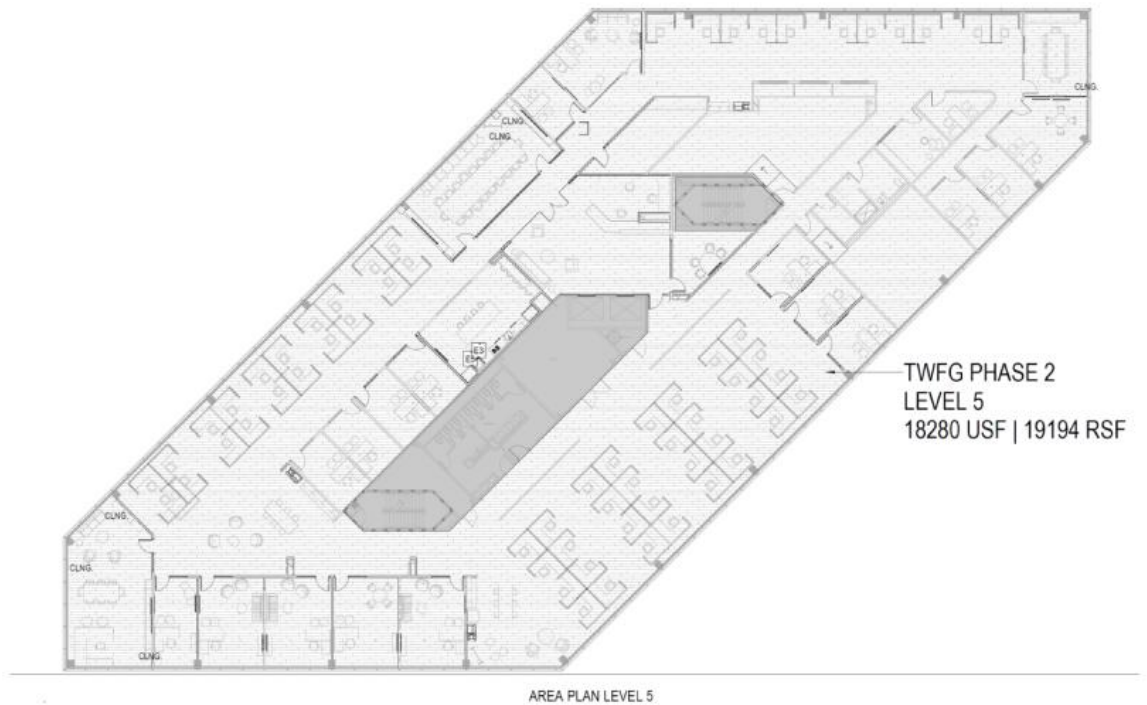


EXHIBIT "C"

CONSTRUCTION AGREEMENT

This Construction Agreement ("Agreement") is attached as an Exhibit to an Office Lease (the "Lease"), between PARKWOOD 2, LLC, as Landlord, and TWFG HOLDING COMPANY, LLC, as Tenant. Unless otherwise specified, all terms used herein shall have the same meanings as in the Lease.

1. Approved Construction Documents.

(a) Tenant's Information. No later than ten (10) days after the Date of Lease, Tenant shall submit to Landlord all information necessary for the preparation of complete, detailed architectural, mechanical, electrical and plumbing drawings and specifications for construction of the Work (as defined below) in the Premises, including Tenant's partition layout, reflected ceiling, telephone and electrical outlets and equipment rooms, doors (including hardware and keying schedule), glass partitions, windows, critical dimensions, structural loads, millwork, finish schedules, and HVAC and electrical requirements, together with all supporting information and delivery schedules ("*Tenant's Information*").

(b) Construction Documents. Following Landlord's execution of the Lease and receipt of Tenant's Information, Landlord's designated architectural/engineering firm shall prepare and submit to Tenant all finished and detailed architectural drawings and specifications, including mechanical, electrical and plumbing drawings (the "Construction Documents"). In addition, Landlord shall advise Tenant of the number of days of Tenant Delay (defined below) attributable to any extraordinary requirements (if any) contained in Tenant's Information.

(c) Approved Construction Documents. Within 3 days after receipt, Tenant shall approve and return the Construction Documents to Landlord. Upon Tenant's approval, the Construction Documents shall become the "Approved Construction Documents". Tenant designates Richard F. Bunch III ("*Tenant's Representative*") as the person authorized to approve all plans, drawings, change orders, and approvals pursuant to this Construction Agreement. Landlord shall not be obligated to respond to or act upon any such item until such item has been approved in writing by Tenant's Representative.

2. Pricing and Bids.

(a) Estimates. Following receipt of the Approved Construction Documents, Landlord will promptly price the construction of the Work (defined below) in accordance therewith and furnish written price estimates to Tenant. Tenant shall work with Landlord on the bidding process and shall be able to recommend general contractors for the construction of the Premises.

(b) Approved Pricing. Upon receipt, Tenant shall promptly review such estimates and complete negotiations with Landlord for any changes or adjustments thereto. Within 5 days after such receipt, Tenant shall return the estimates with written approval to Landlord.

3. Landlord's Contributions.

(a) Construction Allowance. Tenant shall reimburse Landlord for all costs and expenses for the construction of the Work in accordance with this Construction Agreement. Landlord will contribute a sum not to exceed \$0.00 per RSF in the Premises (the "Construction Allowance"), towards the cost of constructing the Work (as defined below) in accordance with this Construction Agreement. Payments shall be made directly to Landlord's contractor performing the Work. The cost of all space planning, design, consulting or review services and construction drawings shall be included in the cost of the Work and shall be paid by Tenant. Landlord shall provide Tenant a "Test Fit" using a contractor as agreed by Landlord and Tenant at Landlord's expense.

(b) Unused Allowance(s). Any allowance made available to Tenant under this Construction Agreement must be utilized for its intended purpose within 12 months of the Date of Lease or be forfeited with no further obligation on the part of Landlord.

(c) Alterations. Conditioned upon Tenant reimbursing Landlord for all costs and expenses for construction of the Work, Tenant shall have the right to alter or remove such improvements at Tenant's sole cost and expense.

4. Construction.

(a) The Work. Subject to the terms of this Construction Agreement, Landlord agrees to cause permanent leasehold improvements to be constructed in the Premises (the "Work") in a good and workmanlike manner in accordance with the Approved Construction Documents.

(b) General Terms. Tenant acknowledges that Landlord is not an architect or engineer, and that the Work will be designed and performed by independent architects, engineers and contractors. Accordingly, Landlord does not guarantee or warrant that the Approved Construction Documents will comply with Applicable Law or be free from errors or omissions or result in construction of a safe place of habitation, nor that the Work will be free from defects or unsafe conditions, and Landlord will have no liability therefor. In the event of such errors, omissions or defects, and upon Tenant's written request, Landlord will use commercially reasonable efforts to cooperate with Tenant in enforcing any applicable warranties.

(c) Electrical Design Capacity. Any electrical requirements, services, or equipment in excess or contravention of the Building Standard electrical requirements, services, or equipment shall constitute ABS electrical services subject to Landlord's approval and Tenant's compliance with the other applicable provisions of the Lease, specifically including Paragraph 8(d) thereof. However, the cost of purchasing and installing any ABS electrical equipment (including submeters) approved by Landlord shall be paid at Tenant's expense may be paid from the Construction Allowance (if any) as part of the Work.

(d) ADA Compliance. Landlord shall be responsible for ADA compliance for the base Building, core areas (including elevators, Common Areas, Service Areas and the Project's parking facilities) and all points of access into the Project. Tenant shall be responsible for ADA compliance in the Premises, including restrooms on any floor now or hereafter leased or occupied in its entirety by Tenant or its Affiliates. Landlord shall not be responsible for determining whether Tenant is a public accommodation under ADA or whether the Approved Construction Documents

comply with ADA requirements. Such determinations, if desired by Tenant, shall be the sole responsibility of Tenant.

(e) Substantial Completion.

(i) Definition. Subject to adjustment under Paragraphs 4(e)(iii) and 4(e)(iv), "Substantial Completion" shall occur, with respect to the Premises, when (A) all of the Work has been completed in accordance with this Construction Agreement and the Approved Construction Documents, to the extent that Tenant would have access to the Premises and would be able to conduct its business in a reasonable manner, and (B) either (x) if final inspection approval from an appropriate regulatory authority for the Premises is required, then Landlord has obtained final inspection approval from all such appropriate regulatory authorities for the Premises, (y) if final inspection approval from an appropriate regulatory authority for the Premises is not required and Landlord has engaged an architect for the Work, then Landlord's architect has delivered to Landlord a certificate of substantial completion in form acceptable to Landlord, or (z) if final inspection approval from an appropriate regulatory authority for the Premises is not required and Landlord has not engaged an architect for the Work, then Landlord determines that substantial completion of the Work has been achieved, in each instance even though adjustments or corrections may be necessary and minor "punch-list" items remain to be completed.

(ii) Time of the Essence. Time is of the essence in connection with the obligations of Landlord and Tenant under this Construction Agreement.

(iii) Tenant Delay. If Landlord is delayed in achieving Substantial Completion due to a delay caused by a Tenant Party or for any other cause arising from an act or omission of any Tenant Party, including Tenant's request for changes or failure to timely deliver or approve Tenant's Information, the Approved Construction Documents, approve the price estimates, pay any Cost Overruns (as defined below) or otherwise respond to any other Landlord request (collectively, "Tenant Delay"), Substantial Completion shall be deemed to have occurred on the date Substantial Completion would have been achieved but for such Tenant Delay.

(iv) Other Delay. If Substantial Completion is delayed for any reason other than Tenant Delay, Substantial Completion shall occur on the date when actually achieved (subject to adjustment for Tenant Delay).

(v) Landlord Liability. Landlord shall not be liable or responsible for any Claims incurred (or alleged) by Tenant due to any delay in achieving Substantial Completion for any reason. However, Tenant's sole and exclusive remedy for any delay in achieving Substantial Completion for any reason other than Tenant Delay shall be the resulting postponement (if any) of the commencement of rental payments under the Lease.

(f) Tenant Access. Tenant shall be permitted reasonable access to the Premises at no cost upon Lease Execution for purposes of coordination of the installation of furniture, fixtures and equipment, and telecom installation, wiring and cabling, so long as Tenant's access does not interrupt or interfere with construction. In addition, Tenant shall be permitted reasonable access to the Premises at no cost six weeks prior to the Commencement Date for purposes of installing furniture, fixtures and equipment.

5. Costs.

(a) Change Orders and Cost Overruns. All change orders must be approved in advance in writing by Landlord. Change orders requested by Tenant and approved by Landlord which delay or increase the cost of the Work shall be paid by Tenant within 15 days of receipt of Landlord's invoice therefor (which payment may be required by Landlord prior to commencing construction). Except as otherwise expressly provided in this Construction Agreement, all costs of the Work in excess of the Construction Allowance (collectively, "Cost Overruns") shall be paid by Tenant to Landlord within 10 days of Landlord's invoice. In addition, at Landlord's election, Landlord may require Tenant to prepay any projected Cost Overruns within 5 days of Landlord's invoice. Landlord may stop or decline to commence all or any portion of the Work until such payment (or prepayment) is received. On or before the Commencement Date, and as a condition to Tenant's right to take possession of the Premises, Tenant shall pay Landlord the entire amount of all Cost Overruns, less any prepaid amounts.

(b) Construction Management Fee. Within 10 days following the date of invoice, Tenant shall, for supervision and administration of the construction and installation of the Work, pay Landlord a construction management fee equal to three percent (3.0%) of the aggregate contract price for the Work, which may be paid from the unused portion of the Construction Allowance (if any). Tenant's failure to pay such amount when due shall constitute an Event of Default under the Lease. Additional costs to be deducted from the Tenant Allowance include any keying charges incurred.

EXHIBIT "D"

CERTIFICATE OF ACCEPTANCE OF PREMISES

(Sample Only)

Re: Office Lease dated _____, 202__, between PARKWOOD 2, LLC ("Landlord") and _____ ("Tenant") for approximately _____ RSF of Premises on the _____ floor of 10055 Grogans Mill Road, The Woodlands, Texas.

Landlord and Tenant agree that:

1. Except for those items shown on the attached "punch list", if any, Landlord has fully completed all Work required under the terms of the Lease.
2. The Premises are usable by Tenant as intended; Landlord has no further obligation to perform any Work or other construction (except as specified in the punch-list), and Tenant acknowledges that both the Building and the Premises are satisfactory in all respects.
3. The Commencement Date of the Lease is _____, 202__.
4. The Expiration Date of the Lease is the last day of _____, _____.
5. Tenant's Address at the Premises after the Commencement Date is:

Attention: _____
Telephone: _____
Facsimile: _____

All other terms and conditions of the Lease are ratified and acknowledged to be unchanged.

EXECUTED as of _____, 202__.

{ATTACH APPROPRIATE SIGNATURES}

EXHIBIT "E"

RULES AND REGULATIONS

PASSAGE WAY OBSTRUCTION

The sidewalks, entries, passages, courts, corridors and stairways shall not be obstructed by any Tenant, its employees, contractors or agents, or used by them for other purposes than for ingress and egress to and from their respective suites.

UPKEEP OF PREMISES

All glass, locks and trimmings in or about the doors and windows, and all electric globes and shades belonging to the Building shall be kept whole, and whenever broken by the Tenant or its agents or invitees, shall be immediately replaced or repaired and put in order by Tenant under the direction and to the satisfaction of Landlord, and on removal shall be left whole and in good repair.

SKYLIGHTS AND WINDOWS

No floors, skylights or windows that reflect or admit light into the corridors or passage-ways, or to any other place in the Building, shall be covered or obstructed by any Tenant. If Tenant desires blinds or window coverings, they must be of such shade, color, material and make as shall be prescribed by Landlord (and any awning proposed may be prohibited by Landlord).

SIGNAGE

No sign, advertisement, display, notice, or other lettering shall be exhibited, inscribed, painted or affixed on any part of the outside of the Premises, or inside, if visible from the outside of the Building, unless Landlord has approved in writing the color, size, style, and location thereof in the Building. There shall be no duty on Landlord to allow any sign, advertisement or notice to be inscribed, painted or affixed on any part of the inside or outside of the Building unless provided for in the Lease. In addition, no symbol, design, mark, or insignia adopted by Landlord for the Project, or any part thereof, shall be used in connection with the conduct of Tenant's business in the Premises or elsewhere, without the prior written consent of Landlord. Signs on doors will be placed for Tenant by a tradesman appointed by Landlord, the cost to be paid by Tenant. A directory in a conspicuous place, with names of the tenants, will be provided by Landlord; any necessary revision in this will be made by Landlord within a reasonable time after notice from Tenant of the error or change making the revision necessary. No furniture shall be placed in front of the Building or in any lobby or corridor without written consent of Landlord. Landlord shall have the right to remove all such signs and furniture without notice to Tenant, at the expense of Tenant.

NOISE

No person shall disturb the occupants of the Building by the use of any musical instruments, the making of unseemly noises, by the emission of odors or in any other way. No dogs or other animals shall be allowed in the Building, except for guide animals of disabled persons. Guide animals, however, must not bother, threaten, or harm persons unless provoked.

USE OF PREMISES

No portion of the Building shall be used for living, sleeping, residential or lodging purposes, or for any immoral or unlawful purposes.

NO SMOKING

Smoking is not permitted in or around the Building, except in any designated smoking area identified by Landlord.

FIRE PROTECTION

Tenant shall not do or permit anything to be done in the Premises or the common areas of the Building, or bring or keep anything therein, which might invalidate or increase the rate of or make inoperative fire insurance on the Building or property kept therein, or any other insurance policy carried by Landlord on the Building or any part thereof, or obstruct or interfere with the rights of other Tenants, or in any way injure or annoy them, or conflict with the laws relating to fire, or with any regulations of the fire department, or conflict with any of the rules or ordinances of any city, county, state or federal authority. Tenant shall not be permitted to use or keep in the Premises or any portion of the Building any kerosene, camphene or other burning or flammable fluids or explosives without the prior approval of Landlord.

PARKING

All vehicles will be parked within striped lanes. Parking across the stripes or in unmarked areas, blocking of walkways, loading areas, entrances or driveways will not be permitted. Unauthorized cars will not be allowed in the reserved parking areas. Should such a situation exist, Landlord, at its option, shall have the right to tow such vehicle away at the owner's expense.

BICYCLES

No bicycles or similar vehicles will be allowed in the Building.

JANITORIAL SERVICE

No tenant shall employ any person or persons other than the janitor of the Landlord for the purpose of cleaning or taking care of the premises leased, without the written consent of Landlord. Landlord shall be in no way responsible to any tenant for any loss of property from the leased premises, however occurring, or for any damage done to the furniture by the janitor or any of its employees, or by any other person or persons whomsoever. Any person or persons employed by Tenant for the purpose of cleaning or taking care of leased premises, with the written consent of Landlord, must be subject to and under the control and direction of the janitor of the Building at all times while working in the Building. The janitor of the Building may at all times keep a pass key. The janitor and other agents of Landlord shall at all times be allowed admittance to said leased premises.

NON-STANDARD CLEANING AND MAINTENANCE

If Tenant requires cleaning or maintenance of specialty equipment or non-standard tenant improvement furnishings (i.e., glass panels, special art decor, non-standard floor coverings, non-standard lighting and specialized equipment) as determined by Landlord, Tenant shall pay any additional cost attributable thereto, plus 15% overhead.

EXCESS TRASH DISPOSAL

In the event Tenant must dispose of crates, boxes, etc., which will not fit into office waste paper baskets, it will be the responsibility of Tenant to dispose of same. In no event will Tenant set such items in the public areas of the Building.

DEBRIS AND WASTE MATERIAL

Nothing shall be thrown out of the windows of the Building, or down the stairways or other passages. Tenant will dispose of only Waste Materials in its waste paper baskets. Waste material is all solid waste (including recyclable materials) generated by Tenant, specifically excluding any radioactive, volatile, corrosive, highly flammable explosive, biomedical, infectious biohazardous, toxic or hazardous material defined by applicable federal, state or local regulations.

CARPET DAMAGE

Tenant will be responsible for any damage to carpeting and flooring as a result of rust or corrosion of file cabinets, water staining from planters, excessive wearing by roller chairs and metal objects.

MOVES

Movement in or out of the Building of furniture, equipment or materials which requires use of elevators or stairways, or movement through the Building entrances or lobby, shall be under the supervision of, and shall be restricted to hours designated by Landlord. Such movement shall be carried out in the manner agreed upon between Tenant and Landlord by prearrangement before performance. At the time of such prearrangement, Landlord will set time, method and routing of movement as well as limitations imposed by safety or other concerns which may prohibit any item from being brought into the Building. Tenant assumes, and shall indemnify Landlord against, all risks and claims of damage to persons and/or properties arising in connection with any said movement.

Moves are to be scheduled, unless otherwise provided, for after 5:00 p.m. Monday through Friday, and from 8:00 a.m. to 6:00 p.m. on Saturdays and Sundays and on Holidays.

HEAVY EQUIPMENT

All safes or other heavy articles shall be carried up or into the premises only at such times and in such manner as shall be prescribed by Landlord, and Landlord shall in all cases have the right to specify the proper weight and position of any such safe or other heavy article. Any damage done to the Building by taking in or removing any safe or from overloading any floor in any way shall be paid by Tenant. Defacing or injuring in any way any part of the Building by Tenant, its agents or servants, shall be paid for by Tenant.

BUILDING HOURS

Landlord designates the following hours during which the Building will be in operation: 7:00 am to 6:00 pm Monday through Friday, and 8:00 am to 1:00 pm on Saturday, exclusive of Holidays.

PROTECTION OF PREMISES

Tenant shall have the responsibility for protecting the Premises from theft, robbery and pilferage.

AFTER HOURS AIR CONDITIONING AND HEATING

In the event Tenant desires air conditioning or heating service other than during standard operating hours, the request must be made to Landlord within a reasonable length of time prior to the need for service. This service will be made available at Landlord's then prevailing rate established on an hourly basis in accordance with the terms and conditions of the Lease.

WATER USAGE

The water closets and other water fixtures shall not be used for any purpose other than those for which they were intended, and any damage resulting to them from misuse, or the defacing or injury of any part of the Building shall be borne by the person who shall occasion it. No person shall waste water by interfering with the faucets or otherwise.

LOCKS AND ACCESS CARDS

Building access cards or keys will be furnished at the Building Standard charge for such access cards or keys. All Building access cards and keys shall remain the property of Landlord and shall be returned to Landlord upon the expiration or earlier termination of this Lease. No additional locks shall be placed upon any doors without the written consent of Landlord, nor shall any duplicate keys be made. Upon the termination of the lease, Tenant shall give to Landlord the combination of all locks upon the doors of vaults.

ELECTRICAL AND TELEPHONE SERVICE

If Tenant desires telegraphic, telephonic or other electric connections, Landlord or its agents will direct the electricians as to where and how the wires may be introduced, and without such direction no boring or cutting for wires will be permitted. Access to any mechanical, electrical or telephone rooms must be approved by Landlord.

ALTERATIONS AND CONTRACTOR APPROVAL

All contractors and/or technicians performing any alterations for Tenant within the Building must be referred to Landlord for approval and shall, prior to commencement, execute proper lien waivers.

ANTENNAE AND AERIALS

No aerial or antenna, including but not limited to, a satellite dish, shall be erected on the roof or exterior walls of the Premises or Building in which the Premises is a part without, in each instance, the prior written consent of Landlord. Any aerial or antenna so installed without such written consent shall be subject to removal by Landlord without notice at any time.

ADDITIONAL RULES AND REGULATIONS

Landlord reserves the right to make such other and further reasonable rules and regulations as in its judgment may from time to time be necessary for the safety, care and cleanliness of the Building and its occupants and for the preservation of good order therein.

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Richard F. Bunch III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TWFG, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2024

By: /s/ Richard F. Bunch III
Name: Richard F. Bunch III
Title: Chief Executive Officer

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Janice E. Zwinggi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TWFG, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2024

By: /s/ Janice E. Zwinggi
Name: Janice E. Zwinggi
Title: Chief Financial Officer

Certification of the Chief Executive Officer

Pursuant to Rule 18 U.S.C. Section 1350

In connection with the Quarterly Report on Form 10-Q of TWFG, Inc. (the "Company") for the period ended September 30, 2024, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Richard F. Bunch III, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2024

By: /s/ Richard F. Bunch III
Name: Richard F. Bunch III
Title: Chief Executive Officer

Certification of the Chief Financial Officer

Pursuant to Rule 18 U.S.C. Section 1350

In connection with the Quarterly Report on Form 10-Q of TWFG, Inc. (the "Company") for the period ended September 30, 2024, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Janice E. Zwinggi, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2024

By: /s/ Janice E. Zwinggi
Name: Janice E. Zwinggi
Title: Chief Financial Officer