

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name <u>HCI Group, Inc.</u>		2 Issuer's employer identification number (EIN) <u>20-5961396</u>	
3 Name of contact for additional information <u>Erich J. Fuerter</u>	4 Telephone No. of contact <u>(813) 405-3664</u>	5 Email address of contact <u>efuerter@hcigroup.com</u>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <u>3802 Coconut Palm Dr.</u>		7 City, town, or post office, state, and ZIP code of contact <u>Tampa, FL 33619</u>	
8 Date of action <u>5/16/2022</u>		9 Classification and description <u>4.25% Convertible Senior Notes</u>	
10 CUSIP number <u>40416EAD5</u>	11 Serial number(s) <u>N/A</u>	12 Ticker symbol <u>N/A</u>	13 Account number(s) <u>N/A</u>

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► See Attached "Appendix A" to this Form 8937

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► See Attached "Appendix A" to this Form 8937

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► See Attached "Appendix A" to this Form 8937

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► _____

[See Attached "Appendix A" to this Form 8937](#)

18 Can any resulting loss be recognized? ► [See Attached "Appendix A" to this Form 8937](#)

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► _____

[See Attached "Appendix A" to this Form 8937](#)

**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ►  Date ► 6/9/2022

Print your name ► Mark Harmsworth Title ► CFO

**Paid
Preparer
Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ►	Firm's EIN ►			
Firm's address ►	Phone no.			

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

HCI Group, Inc.

Form 8937 Appendix A

HCI Group, Inc. (“HCI”) has outstanding 4.25% Convertible Senior Notes due 2037 (the “Convertible Notes”). Under Section 13.04(d) of the indenture to the Convertible Notes, the conversion rate (that is the number of HCI common shares into which the principal amount of Convertible Notes are convertible) adjusts upward when HCI distributes dividends to common shareholders exceeding 35 cents per share (the “Reference Dividend”) in accordance with the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

- CR_0 = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such dividend or distribution;
- CR' = the Conversion Rate in effect immediately after the open of business on the Ex-Dividend Date for such dividend or distribution;
- SP_0 = the average of the Last Reported Sale Prices of the Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and
- C = the amount in cash per share the Company distributes to all or substantially all holders of its Common Stock that exceeds the Reference Dividend.

The adjustment is effective on the ex-dividend date.

Any such adjustment in the conversion rate of the Convertible Notes may result in a deemed distribution to holders of the Convertible Notes under Section 301 of the Internal Revenue Code of 1986, as amended (the “Code”), by reason of Sections 305(b)(2) and 305(c) of the Code. Section 6045B of the Code and the underlying Treasury Regulations provide that effective January 1, 2016, if a corporation issues a cash dividend with respect to stock that results in a conversion rate adjustment on a convertible debt instrument that is treated as a deemed distribution under Section 305(b)(2) and (c) of the Code, an information return must be filed with the Internal Revenue Service describing, among other things, the action and the actions quantitative effect. As an alternative to filing this information return with the Internal Revenue Service, an issuer may post the information return to its public website.

The information contained in Form 8937 and this Appendix A is intended to satisfy the requirements of public reporting under Section 6045B of the Code and Sections 1.6045B-1(a)(3) and (b)(4) of the underlying Treasury Regulations. The information contained in this notice is intended to provide only a general summary of certain U.S. federal income tax consequences of the conversion rate adjustment and is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the conversion rate adjustment. You should consult your own tax advisor to determine the particular federal, state, local, or foreign income, reporting or other tax consequences of the conversion rate adjustment to you.

Line 14 – Description of Organizational Action

On June 17, 2022, HCI paid cash dividends to its common shareholders in the amount of 40 cents per share, which exceeds the Reference Dividend and results in a conversion rate adjustment to the Convertible Notes and deemed distribution to holders of the Convertible Notes effective on the ex-dividend date, May 16, 2022.

Line 15 – Quantitative Effect of Organizational Action

The conversion rate is 16.4976 common shares per \$1,000 principal amount of Convertible Notes. The deemed distribution is \$0.80 per \$1,000 principal amount of Convertible Notes and the Convertible Note holders are entitled to an increase in basis by a like amount. HCI had earnings and profits in excess of the deemed distributions.

Line 16 – Calculation of the Change in Basis

Sample Calculation: A holder of a Convertible Note has \$1,000 basis in a \$1,000 Convertible Note. A holder of a Convertible Note will increase the holder's basis in such Convertible Note by \$0.80 as a result of the deemed distribution.

Line 17 – Code Sections Upon Which Tax Treatment is Based

Sections 305(b)(2), 305(c), 301(c), 316 and 301(d) of the Code.

Line 18 – Recognition of any Resulting Loss

This is not a loss transaction.

Line 19 – Reportable Tax Year

The reportable tax year is 2022 for taxpayers reporting taxable income on a calendar year basis.