
STOCK PURCHASE AGREEMENT

among

J.C. FLOWERS II L.P.,

THE PLYMOUTH ROCK COMPANY INCORPORATED,

STONERIDGE HOLDING LLC,

DIRECT RESPONSE CORPORATION, AND

THE STOCKHOLDERS LISTED ON ANNEX A,

**FOR THE PURCHASE OF
COMMON STOCK OF DIRECT RESPONSE CORPORATION**

Dated as of March 28, 2007

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STOCK PURCHASE AGREEMENT, dated as of March 28, 2007 (this "Agreement"), among J.C. Flowers II LP, a Delaware limited partnership ("JCF"), The Plymouth Rock Company Incorporated ("PRC"), Stoneridge Holding LLC ("Stoneridge", and together with JCF and PRC, the "Purchasers"), Direct Response Corporation, a Delaware corporation (the "Company") and the stockholders listed on Annex A (the "Sellers").

RECITALS:

WHEREAS, the Sellers, PRC and the stockholders listed on Annex B (the "Non-Selling Stockholders") own all of the issued and outstanding shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock");

WHEREAS, the Company is engaged in the business of underwriting personal lines property-casualty insurance; and

WHEREAS, the Purchasers desire to purchase from the Sellers, and the Sellers desire to sell to the Purchasers, upon the terms and subject to the conditions of this Agreement, and in the manner described on Annex A, the shares of Common Stock set forth on Annex A (the "Shares").

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and undertakings contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS AND TERMS

Section 1.1 Certain Definitions. The following terms are used in this Agreement with the meanings set forth below:

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with, such other Person as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by contract or otherwise; provided that neither the Company nor any Subsidiary of the Company shall be considered an Affiliate of any of the Sellers.

"Agent" means an insurance agent, third party administrator, manager, claims manager, marketer, producer, program manager, underwriter, managing general agent, managing general underwriter, broker/dealer, wholesaler, broker, reinsurance intermediary or distributor, at the time such Person wrote,

sold, produced, underwrote or managed business for or on behalf of the Company or its Subsidiaries.

“Aggregate Purchase Price” has the meaning set forth on Annex A.

“Agreement” has the meaning set forth in the Preamble and includes the Annexes to the Agreement.

“Base Date” means December 31, 2006.

“Benefit Plans” has the meaning set forth in Section 3.13(a).

“Books and Records” means all books, ledgers, files, reports, plans, records, manuals and other materials relating to and maintained by the Company and its Subsidiaries.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks in New York, New York are authorized or obligated by Law to close.

“Chosen Courts” has the meaning set forth in Section 10.8.

“Claim Notice” has the meaning set forth in Section 8.5(a).

“Closing” means the closing of the Transactions.

“Closing Date” has the meaning set forth in Section 2.3.

“Code” has the meaning set forth in Section 3.13(b).

“Common Stock” has the meaning set forth in the Recitals.

“Company” has the meaning set forth in the Preamble.

8.2(b)(ii). “Company Deductible Amount” has the meaning set forth in Section

8.2(b)(i). “Company De Minimis Amount” has the meaning set forth in Section

3.1(c). “Company Disclosure Schedule” has the meaning set forth in Section

8.4(a). “Company Indemnified Parties” has the meaning set forth in Section

“Company Options” has the meaning set forth in Section 3.1(c).

“Contracts” means as to any Person, any agreement, indenture, undertaking, debt, instrument, contract, lease or other commitment to which it is a

party, by which it is bound or to which any of its assets or properties is subject, whether written or oral.

"Employees" has the meaning set forth in Section 3.13(a).

"Encumbrance" means any charge, claim, community property interest, condition, conditional sale or other title retention agreement, covenant, easement, encumbrance, equitable interest, exception, lien, mortgage, option, pledge, reservation, right of first refusal, right of first offer, use restriction, right of way, security interest, servitude, statutory lien, variance, warrant, or restrictions of any kind, including any restrictions on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

"Equity Plan" has the meaning set forth in Section 3.1(c).

"ERISA" has the meaning set forth in Section 3.13(a).

"FASB" means the Financial Accounting Standards Board.

"Final Order" means an action or decision that has been granted as to which (i) no request for a stay or any similar request is pending, no stay is in effect, the action or decision has not been vacated, reversed, set aside, annulled or suspended and any deadline for filing such a request that may be designated by statute or regulation has passed, (ii) no petition for rehearing or reconsideration or application for review is pending and the time for the filings of any such petition or application has passed, (iii) no Governmental Entity has undertaken to reconsider the action on its own motion and the time within which it may effect such reconsideration has passed and (iv) no appeal is pending (including other administrative or judicial review) or in effect and any deadline for filing any such appeal that may be specified by statute or rule has passed.

"Financial Statements" has the meaning set forth in Section 3.7.

"GAAP" means United States generally accepted accounting principles.

"Governmental Authorizations" means all licenses, franchises, certificates, consents, approvals, permits, orders, exemptions, qualifications or authorizations held by the Company or any Affiliate or Agent of the Company and related to the business activities of the Company and its Subsidiaries that are issued by or obtained from a Government Entity.

"Government Entity" means any federal, state, local, municipal, county or other governmental, quasi-governmental, administrative or regulatory authority, body, agency, court, tribunal, commission or other similar entity and any self-regulatory organization (including in each case any branch, department or official thereof) and shall be deemed to include the National Association of Insurance Commissioners.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Indebtedness" means (i) all liabilities for borrowed money, whether current or funded, secured or unsecured, all obligations evidenced by bonds, debentures or notes, and all liabilities in respect of mandatorily redeemable or purchasable capital stock or securities convertible into capital stock, (ii) all liabilities for the deferred purchase price of property, (iii) all liabilities in respect of any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which liabilities are required to be classified and accounted for under GAAP as capital leases, and (iv) all liabilities for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, in each case, securing obligations of a type described in clauses (i), (ii) or (iii) above to the extent of the obligation secured, and all liabilities as obligor, surety or guarantor, to the extent of the obligation secured. Indebtedness shall expressly be deemed not to include obligations under reinsurance agreements, retrocession treaties and insurance Contracts in the Ordinary Course.

"Indemnification Limit" has the meaning set forth in Section 8.2(c).

"Indemnified Parties" has the meaning set forth in Section 8.4.

"Indemnifying Party" has the meaning set forth in Section 8.5(a).

"Intercompany Agreements" has the meaning set forth in Section 3.20.

"Investment Assets" means any investment assets (whether or not required by GAAP or SAP to be reflected on a balance sheet), including bonds, notes, debentures, mortgage loans, real estate, collateral loans, derivatives and all other instruments of indebtedness, stocks, partnership or joint venture interests and all other equity interests, certificates issued by or interests in trusts, derivatives and all other assets acquired for investment purposes that are beneficially owned by the Company and its Subsidiaries as of February 28, 2007, together with all investment assets acquired by the Company and its Subsidiaries between February 28, 2007 and the Closing Date.

"IRS" has the meaning set forth in Section 3.13(a).

"JCF" has the meaning set forth in the Preamble.

"Knowledge" or any similar phrase means: (i) with respect to the Company the actual knowledge, after reasonable inquiry, of any officer of the Company; (ii) with respect to the Sellers, the actual knowledge of any officer of the Sellers, after reasonable inquiry; and (iii) with respect to the Purchasers, the actual knowledge of any officer of any Purchaser, after reasonable inquiry.

"Law" means any law, statute, ordinance, rule, regulation, code, judgment, decree, Order or Governmental Authorization enacted, issued, promulgated, enforced or entered into by a Government Entity.

"Liabilities" means any and all debts, liabilities, commitments and obligations of any kind, whether fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or not accrued, determined, determinable or otherwise, whenever or however arising (including, whether arising out of any contract or tort based on negligence or strict liability).

"Losses" has the meaning set forth in Section 8.2(a).

"Material Adverse Effect" means an effect, condition or change that (A) with respect to the Company, is materially adverse to the Company and its Subsidiaries, taken as a whole (whether regulatory, financial or related to the business, assets or Liabilities of the Company and its Subsidiaries, taken as a whole), except any such effect, condition or change resulting from or arising in connection with (with respect to each of clause (i) or (ii), except to the extent that the effect of such change or condition disproportionately affects the Company and its Subsidiaries, taken as a whole, as compared to similar businesses in the United States generally) (i) changes or conditions affecting the property or casualty insurance industry generally, (ii) changes in the economic, regulatory or political conditions generally in the United States (including any changes resulting from or arising in connection with any outbreak or escalation of war, terrorism or other conflict), (iii) changes in U.S. accounting requirements or principles of general applicability or any change in applicable Law or the interpretation or enforcement thereof, (iv) the effects of actions taken in connection with the Transactions with the written consent of each of the Purchasers; and (B) with respect to the Sellers, would materially impair the ability of any Seller to perform its obligations under this Agreement or otherwise to consummate the Transactions in a reasonably timely manner.

"Material Contracts" has the meaning set forth in Section 3.19(a).

"Non-Selling Stockholders" has the meaning set forth in the Recitals.

"Order" means any award, decision, injunction, judgment, decree, settlement, order, process, ruling, subpoena or verdict (whether temporary, preliminary or permanent) entered, issued, made or rendered by any court, administrative agency, arbitrator, Government Entity or other tribunal of competent jurisdiction.

"Ordinary Course" or "Ordinary Course of Business" means the conduct of the business of the Company consistent with its past practices and procedures.

"Ordinary Policy Claims" has the meaning set forth in Section 3.9(a).

"Permitted Encumbrances" means (i) Encumbrances specifically reflected or specifically reserved against or otherwise disclosed in the Financial Statements, and (ii) those set forth on Section 1.1 of the Company Disclosure Schedule.

"Person" means an individual, a corporation, a partnership, an association, a limited liability company, a Government Entity, a trust or other entity or organization.

"PRC" has the meaning set forth in the Preamble.

"Purchase Price" has the meaning set forth in Annex A.

8.2(a). "Purchaser Indemnified Parties" has the meaning set forth in Section

"Purchasers" has the meaning set forth in the Preamble.

"Reinsurance Agreement" has the meaning set forth in Section 3.17.

"SAP" has the meaning set forth in Section 3.8(b).

"Sellers" has the meaning set forth in the Preamble hereto.

8.4(a). "Seller Indemnified Parties" has the meaning set forth in Section

3.1(b). "Shareholders Agreement" has the meaning set forth in Section

"Shares" has the meaning set forth in the Recitals.

"Statutory Statements" has the meaning set forth in Section 3.8(a).

"Stockholders Agreement" means the form of Stockholders Agreement among the Company and its stockholders set forth in Annex C.

"Stoneridge" has the meaning set forth in the Preamble.

"Subsidiary" means, as to any Person, a Person more than 50% of the outstanding voting equity of which is owned, directly or indirectly, by the initial Person or by one or more other Subsidiaries of the initial Person. For the purposes of this definition, "voting equity" means equity that ordinarily has voting power for the election of directors or Persons performing similar functions (such as a general partner of a partnership or the manager of a limited liability company), whether at all times or only so long as no senior class of equity has such voting power by reason of any contingency.

"Taxes" means all federal, state or local and all foreign taxes, including income, gross receipts, windfall profits, value added, severance, property, production, sales, use, duty, license, excise, franchise, employment, withholding, premium, unclaimed, abandoned or similar taxes, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties.

"Tax Returns" means all reports and returns (including elections, declarations, disclosures, schedules, estimates and information returns) required to be filed with respect to Taxes, including consolidated U.S. federal income tax returns for any "affiliated group" (as defined in Section 1504(a) of the Code without regard to the limitations contained in Section 1504(b) of the Code) that includes the Company or any predecessor of or successor to the Company (or another such predecessor or successor).

"Third Party Claim" has the meaning set forth in Section 8.5(b).

"Transactions" means the transactions contemplated by this Agreement.

Section 1.2 Other Terms. Other terms may be defined elsewhere in the text of this Agreement and, unless otherwise indicated, shall have such meaning throughout this Agreement.

Section 1.3 Other Definitional Provisions. (a) Unless the express context otherwise requires:

(1) the words "hereof", "herein", and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

(2) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;

(3) any references herein to "Dollars" and "\$" are to United States Dollars;

(4) any references herein to a specific Section, Schedule or Annex shall refer, respectively, to Sections, Schedules or Annexes of this Agreement;

(5) except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section;

(6) wherever the word "include", "includes", or "including" is used in this Agreement, it shall be deemed to be followed by the words "without limitation"; and

(7) references herein to any gender includes each other gender.

(b) No rule of construction against the draftsman will be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Purchase and Sale of Shares. On the terms and subject to the conditions set forth herein, at the Closing, the Sellers agree with the Purchasers to, and shall, sell, transfer and deliver to the Purchasers, and the Purchasers shall purchase and accept from each Seller, all of such Seller's right, title and interest in and to all of the Shares listed opposite such Seller's name on Annex A, free and clear of all Encumbrances, in the manner specified on Annex A.

Section 2.2 Purchase Price. As consideration for the sale of the Shares, at the Closing, the Purchasers shall pay, by wire transfer of immediately available funds, to the Sellers the respective Purchase Prices as set forth on Annex A to such accounts as the Sellers designate in writing at least three Business Days prior to the Closing Date.

Section 2.3 Closing. The Closing shall take place at the offices of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004 at 10:00 a.m., New York City time, on the third Business Day following the date on which the conditions set forth in Article VI have been satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing but subject to the satisfaction or waiver of those conditions), or at such other time and place as the Company, the Purchasers and the Sellers may mutually agree in writing. The date on which the Closing occurs is called the "Closing Date".

Section 2.4 Deliveries by the Purchasers. At the Closing, the Purchasers shall deliver to the Sellers the following:

- (a) the Aggregate Purchase Price in the manner and to the accounts specified in Section 2.2 and Annex A;
- (b) the Stockholders Agreement, duly executed by an authorized officer of each of the Purchasers; and
- (c) the certificates to be delivered pursuant to Section 7.2(c).

Section 2.5 Deliveries by the Sellers. At the Closing, each Seller shall deliver to the Purchasers the following:

- (a) to the applicable Purchaser, a certificate or certificates representing the Shares being sold by such Seller to such Purchaser in accordance with Annex A, duly endorsed or accompanied by duly executed stock powers;
- (b) the Stockholders Agreement, duly executed by an authorized officer of each of the Sellers; and
- (c) the certificates to be delivered pursuant to Section 7.2(c)(i).

Section 2.6 Deliveries by the Company. At the Closing, the Company shall deliver to the Purchasers the following:

(a) evidence that (i) each current director of the Company that is not one of the Persons set forth on Annex E has resigned effective as of the Closing and (ii) each of the Persons set forth on Annex E has been duly elected or appointed as a director of the Company (or continues as such) effective as of the Closing; and

(b) the certificates to be delivered pursuant to Section 7.2(c)(ii).

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Purchasers as of the date of this Agreement and as of the Closing, as follows:

Section 3.1 Capital Structure. (a) The authorized capital stock of the Company consists of 1,000,000 shares of Common Stock and no shares of preferred stock, and 266,460.58350 shares of Common Stock are issued and outstanding, all of which are owned by the Sellers and the Non-Selling Stockholders. The outstanding capital stock of the Company consists solely of 266,460.58350 shares of Common Stock.

(b) All of the issued and outstanding shares of Common Stock (i) are duly authorized, validly issued, fully paid and nonassessable and (ii) other than as set forth in the Amended and Restated Shareholders Agreement dated as of February 27, 2004, as amended by the letter agreement, dated November 16, 2006 and the letter agreement, dated January 4, 2007, in each case by and among the Company and certain stockholders of the Company that are parties thereto (the "Shareholders Agreement"), are not subject to, and were not issued in violation of, any preemptive rights or any other third party rights created by any statute, organizational or governing document or instrument or any Contract to which the Company is a party or by which the Company assets are bound. No shares of capital stock of the Company are held in treasury or are reserved for any purpose.

(c) Other than (i) as set forth in the Shareholders Agreement, or (ii) certain Incentive Stock Options (the "Company Options") granted under the Company's 2004 Management Equity Plan (the "Equity Plan"), as set forth on Schedule 3.1(c) of the disclosure schedule delivered to the Purchasers by the Company immediately prior to entering into this Agreement and attached hereto as Annex D (the "Company Disclosure Schedule"), there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments of any character under which the Company or any of its Subsidiaries is or may become obligated to issue or sell, or giving any Person a right to subscribe for or acquire, or in any way dispose of, any shares of the capital stock or other equity interests, or any securities or obligations exercisable or exchangeable for or convertible into any shares of the capital stock or other equity interests, of the Company or any of its Subsidiaries and no securities or obligations evidencing such

rights are authorized, issued or outstanding. Each Company Option (A) was granted in compliance with all applicable Laws and all of the terms and conditions of Equity Plan, (B) has an exercise price per share equal to or greater than the undiluted GAAP book value of a share of Common Stock at the close of business on the last day of the month immediately preceding such grant, (C) has a grant date identical to or later than the date on which the Company's board of directors or compensation committee actually awarded such Company Option, and (D) qualifies for the tax and accounting treatment accorded to such Company Option in the Company's Tax Returns and the Financial Statements, respectively. There are no phantom stock or similar rights providing economic benefits based, directly or indirectly, on the value or price of the capital stock or other equity interests of the Company.

(d) Except for the Subsidiaries set forth on Schedule 3.1(d) of the Company Disclosure Schedule and for the Investment Assets, the Company has no Subsidiaries and does not own, directly or indirectly, any capital stock or other equity interests of any Person or have any direct or indirect equity or ownership interest in any business, and is not a member of or participant in any partnership, joint venture or other entity.

Section 3.2 Organization and Qualification. The Company and each of its Subsidiaries are duly organized, validly existing, and in good standing under the laws of their jurisdictions of organization. The Company and each of its Subsidiaries have all requisite corporate or similar power and authority to own, lease and operate their assets and to carry on their respective businesses as conducted as of the date hereof and are duly qualified to do business and are in good standing as foreign corporations in each jurisdiction where the ownership or operation of their assets or the conduct of their respective businesses requires such qualification, except for failures to be so qualified or in good standing that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect or be reasonably likely to prevent or materially delay the consummation of the Transactions.

Section 3.3 Authorization. The Company has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance by the Company of this Agreement has been duly and validly authorized and no additional corporate or shareholder authorization or shareholder consent is required in connection with such execution, delivery and performance by the Company or the Transactions.

Section 3.4 Consents and Approvals. (a) Except as set forth in Schedule 3.4(a) of the Company Disclosure Schedule, no consent, approval, waiver, authorization, notice or filing is required to be obtained by the Company or any of its Subsidiaries from, or to be given by any of them to, or made by any of them with, any Government Entity, in connection with the execution, delivery and performance by any of them of this Agreement or the consummation of the Transactions.

(b) Except as set forth in Schedule 3.4(b) of the Company Disclosure Schedule, no consent, approval, waiver, authorization, notice or filing is required to

be obtained by the Company or any of its Subsidiaries from, or to be given by any of them to, or made by any of them with, any Person that is not a Government Entity in connection with the execution, delivery and performance by the Company of this Agreement or the consummation of the Transactions, except for any such consent, approval, waiver, authorization, notice or filing that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect or be reasonably likely to prevent or materially delay consummation of the Transactions.

Section 3.5 Non-Contravention. Except as set forth in Schedule 3.5 of the Company Disclosure Schedule, the execution, delivery and performance by the Company of this Agreement does not, and the consummation of the Transactions will not (i) violate any provision of the articles of incorporation, bylaws or other organizational documents of the Company or any of its Subsidiaries, (ii) materially conflict with, or result in the material breach of, or constitute a default under, or result in the termination, cancellation, modification or acceleration (whether after the filing of a notice or the lapse of time or both) of any material right or material obligation of the Company or any of its Subsidiaries under, or result in a loss of any material benefit to which the Company or any of its Subsidiaries is entitled under, any Contract, or result in the creation of any Encumbrance upon any of the capital stock of the Company or any Subsidiary or any of the assets, properties or rights of the Company or any Subsidiary, or (iii) violate or result in a breach of or constitute a default under any Law to which the Company or any Subsidiary is subject, except for any such violation that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect or be reasonably likely to prevent or materially delay the consummation of the Transactions.

Section 3.6 Binding Effect. This Agreement constitutes the valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

Section 3.7 Financial Statements. Set forth on Schedule 3.7 of the Company Disclosure Schedule are complete and correct copies of the audited consolidated balance sheets as of December 31, 2006, 2005 and 2004 and the related audited consolidated statements of income, changes in stockholders' equity, and cash flows of the Company, together with all footnotes and schedules related thereto and the report thereon of the Company's independent certified public accountants (collectively, the "Financial Statements"). The Financial Statements have been derived from and are in accordance with the books and records of the Company, have been prepared in accordance with GAAP consistently applied during the periods involved (except as otherwise disclosed in the notes to such Financial Statements) and fairly present, in all material respects, the financial position, results of operations, changes in stockholders' equity and cash flow of the Company as of the respective dates of, and for the periods referred to in, such Financial Statements.

Section 3.8 Statutory Statements. (a) Complete and correct copies of the following statutory statements, in each case together with the exhibits, schedules and notes thereto and any affirmations and certifications filed therewith,

have been provided to the Purchasers prior to the date of this Agreement: (i) the audited annual statutory financial statements of the Company and each insurance company Subsidiary as of December 31 for the years ended December 31, 2006, 2005 and 2004, respectively (collectively, the "Statutory Statements").

(b) The Statutory Statements (i) were prepared in accordance with all applicable Laws, statutory accounting practices and procedures otherwise required, permitted or then in effect by the applicable insurance regulatory Governmental Entity ("SAP"), applied on a consistent basis during the period presented (except as set forth in the notes, exhibits or schedules thereto), and (ii) present fairly in all material respects the statutory financial position of the Company or the applicable Subsidiary at the respective dates thereof and the statutory results of operations, capital and surplus and cash flows of the Company or such Subsidiary for the respective periods then ended. No material deficiency has been asserted by any Government Entity with respect to any of the Statutory Statements.

Section 3.9 Litigation and Claims.

(a) Except for claims, actions, suits or demands under, relating to or on Contracts of insurance issued or assumed by the Company or its Subsidiaries ("Ordinary Policy Claims") or except as described in Schedule 3.9(a) of the Company Disclosure Schedule, there is no civil, criminal or administrative action, suit, demand, claim, hearing, proceeding pending against the Company or any of its Subsidiaries, or, to the Knowledge of the Company, any investigation pending against the Company or any of its Subsidiaries, except for such proceedings that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect or be reasonably likely to prevent or materially delay the consummation of the Transactions.

(b) Neither the Company or any of its Subsidiaries nor any of the assets owned by the Company or any of its Subsidiaries or used by the Company or any of its Subsidiaries in the conduct of their business is subject to any Order, except for such Orders which would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect or be reasonably likely to prevent or materially delay the consummation of the Transactions.

Section 3.10 Taxes. Except as set forth on Schedule 3.10 of the Company's Disclosure Schedule

(a) all Tax Returns with respect to the Company and each of its Subsidiaries that are required to be filed have been duly filed and all amounts required to be paid with respect to such Tax Returns have been duly and timely paid or adequate provisions have been or will have been made on the Financial Statements of the Company in accordance with GAAP;

(b) the Company and each of its Subsidiaries have withheld from their employees and timely paid to the appropriate authorities or set aside in an account for such purpose proper and accurate amounts for all periods through the date of this Agreement in compliance with all Tax withholding provisions, including

income, social security and employment Tax withholding for all types of compensation;

(c) there is no lien for Taxes upon any of the Shares or any assets of the Company and its Subsidiaries nor, to the Knowledge of the Company, is any taxing authority in the process of imposing any lien for Taxes on the Shares or any assets of the Company, other than liens for Taxes that are not yet due and payable or for Taxes the validity or amount of which is being contested in good faith by appropriate action;

(d) no issues that have been raised by the relevant taxing authority in connection with any examination of the Tax Returns referred to in paragraph (a) hereof are currently pending, and all deficiencies asserted or assessments made, if any, as a result of such examinations have been paid in full, unless the validity or amount thereof is being contested in good faith by appropriate action;

(e) adequate provisions have been made for the payment of Taxes for which the Company and its Subsidiaries may be liable for all periods through the date hereof;

(f) neither the Company nor any of its Subsidiaries are or, to the Knowledge of the Company, will be obligated to make any indemnification payments with respect to Taxes under the (i) Stock Purchase Agreement among Response Insurance Company, Warner Insurance Company and Great American Insurance Company, dated as of January 24, 2003 or (ii) Stock Purchase Agreement among the Response Insurance Company and Unigard Insurance Company, dated as of September 11, 2003;

(g) the Company and its Subsidiaries are not, and, within the past five years, have not been, a party to any Contract with any Person under which they have agreed to share, or indemnify any Person against, any Tax Liability;

(h) neither the Company nor any of its Subsidiaries is a life insurance company for U.S. federal income tax purposes;

(i) neither the Company nor any of its Subsidiaries has issued any contracts that could, for U.S. federal income tax purposes, properly be characterized as life insurance or annuity contracts;

(j) neither the Company nor any of its Subsidiaries has ever been a member of an affiliated, combined, consolidated or unitary tax group for purposes of filing any Tax Return;

(k) neither the Company nor any of its Subsidiaries has participated in any Reportable Transactions as defined in Treasury Regulation Section 1.6011-4(b) and (c)(3); and

(l) to the Knowledge of the Company, no Tax is required to be withheld by the Purchasers pursuant to Section 1445 of the Code as a result of the transfer contemplated by this Agreement.

Section 3.11 Absence of Changes. (a) Except as set forth on Schedule 3.11(a) of the Company Disclosure Schedule, since the Base Date, (i) the Company and its Subsidiaries have conducted their businesses in the Ordinary Course, and (ii) the Company and its Subsidiaries have not experienced any event or condition that would be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect or be reasonably likely to prevent or materially delay the consummation of the Transactions.

(b) Except as set forth on Schedule 3.11(b) of the Company Disclosure Schedule, since the Base Date through the date of this Agreement, none of the actions or events prohibited or circumscribed by Section 6.2 have been taken or have occurred.

Section 3.12 No Undisclosed Liabilities. Except as reflected, reserved against or disclosed in the Financial Statements, the Company and its Subsidiaries do not have any Liability, other than those Liabilities (i) that are disclosed in the Company Disclosure Schedule, or (ii) Liabilities incurred after the Base Date in the Ordinary Course of Business that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect.

Section 3.13 Employee Benefits and Related Matters. (a) All benefit and compensation plans, contracts, policies or arrangements (i) covering current or former employees of the Company and any of its Subsidiaries (the "Employees") and current or former directors of the Company or (ii) pursuant to which the Company could have any Liability, including, but not limited to, "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and deferred compensation, severance, stock option, stock purchase, stock appreciation rights, stock based, incentive and bonus plans (the "Benefit Plans") are listed on Schedule 3.13(a) of the Company Disclosure Schedule, and each Benefit Plan which has received a favorable opinion letter or a favorable determination letter from the Internal Revenue Service, including any master or prototype plan, has been separately identified. Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code, has received a favorable determination letter from the Internal Revenue Service (the "IRS") covering all tax law changes prior to the Economic Growth and Tax Relief Reconciliation Act of 2001 or has applied to the IRS for such favorable determination letter within the applicable remedial amendment period under Section 401(b) of the Code, and the Company is not aware of any circumstances likely to result in the loss of the qualification of any such Benefit Plan under Section 401(a) of the Code. No Benefit Plan is a "multiemployer plan" within the meaning of Section 3(37) of ERISA.

(b) All Benefit Plans have been operated in material compliance with their terms and with ERISA, the Internal Revenue Code of 1986, as amended (the "Code") and other applicable Laws and the Company has not incurred and does not reasonably expect to incur a material tax or penalty imposed by ERISA, the Code or other applicable Laws. No liability under Subtitle C or D of Title IV of ERISA has been or is expected by the Company to be incurred by the Company with respect to any ongoing, frozen or terminated "single-employer plan", within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or the single-employer plan of any entity which is considered one employer with the

Company under Section 4001 of ERISA or Section 414 of the Code. All contributions required to be made under each Benefit Plan, as of the date hereof, have been timely made and all obligations in respect of each Benefit Plan have been properly accrued and reflected in the Financial Statements. Except as set forth in Schedule 3.13(b) of the Company Disclosure Schedule, neither the execution of this Agreement nor the consummation of the Transactions will (w) qualify as a "Change in Control Event" under the Equity Plan, (x) entitle any Employees to severance pay or any increase in severance pay upon any termination of employment after the date hereof, (y) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or result in any other material obligation pursuant to, any of the Benefit Plans, or (z) result in payments under any of the Benefit Plans which would not be deductible under Section 280G of the Code.

Section 3.14 Compliance with Laws; Governmental Authorizations.

(a) The Company and each of its Subsidiaries holds and maintains in full force and effect all Governmental Authorizations necessary for the ownership and conduct of its respective business in the Ordinary Course.

(b) The Company and each of its Subsidiaries is, and at all times since December 31, 2003 has been, in material compliance with all of the terms and requirements of each such Governmental Authorization. None of the Company or its Subsidiaries has received, at any time since December 31, 2003, any notice or other communication from any Government Entity or any other Person asserting (x) any material violation of, or failure to comply with, any term or requirement of any Governmental Authorization, or (y) any material revocation, withdrawal, suspension, cancellation, termination of or modification to any Governmental Authorization.

(c) (i) The Company and each of its Subsidiaries and each Agent is conducting, and at all times since December 31, 2003 has conducted, its business in full compliance with all applicable Law, (ii) no event has occurred or circumstance exists that could reasonably be expected to result, directly or indirectly, in a violation by the Company, any of its Subsidiaries or any Agent or a failure on the part of the Company, any of its Subsidiaries or any Agent to comply with, all applicable Law, and (iii) none of the Company, its Subsidiaries or any Agent has received, at any time since December 31, 2003, any written communication from any Government Entity or any other Person regarding any actual, alleged, possible, or potential violation of, or failure on the part of the Company or its Subsidiaries or any Agent to comply with, all applicable Laws; in each case except for such violations and defaults that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect or be reasonably likely to impair or materially delay the consummation of the Transactions.

(d) Except, in each case, as would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect: (i) all policy forms issued by the Company and its Subsidiaries, including by any Agent on behalf of the Company or its Subsidiaries, and all policies, binders, slips, certificates and

participation agreements and other agreements of insurance, whether individual or group, in effect as of the date of this Agreement (including all applications, supplements, endorsements, riders and ancillary agreements in connection therewith) and all amendments, applications, brochures, illustrations and certificates pertaining thereto, and any and all marketing materials (whether employed by the Company or Agents), are, to the extent required under applicable Law, on forms approved by the applicable insurance regulatory Governmental Entity or which have, where required by applicable Law, been approved by all applicable Government Entities or filed with and not objected to (or such objection has been withdrawn or resolved) by such Government Entities within the period provided by applicable Law for objection, and all such forms comply in all respects with, and have been administered in all respects in accordance with, applicable Law, (ii) all premium rates established with respect to the business and products of the Company and its Subsidiaries that are required to be filed with or approved by Government Entities have been so filed or approved, the premiums charged conform to the premium rating plans and underwriting methodologies so filed or approved and comply (or complied at the relevant time) with the insurance Laws applicable thereto, (iii) any Contract to which the Company or any of its Subsidiaries or any Agent is a party, which relates to the business of the Company and its Subsidiaries and which is required to be filed with or approved by any Government Entity, has been so filed or approved, and (iv) all reports, statements, documents, registrations, filings and submissions to state insurance regulatory Governmental Entities were timely filed and complied with applicable Laws in effect when filed and no deficiencies have been asserted by any such regulatory authority with respect to such reports, statements, documents, registrations, filings or submissions that have not been cured or satisfied.

(e) There are no unpaid claims and assessments against the Company or its Subsidiaries whether or not due, by any state insurance guaranty association (in connection with that association's fund relating to insolvent insurers), joint underwriting association, residual market facility or assigned risk pool.

(f) Except as set forth on Schedule 3.14(f) of the Company Disclosure Schedule, neither the Company nor any of its Affiliates, nor any Agent on behalf of the Company or in connection with its business has engaged in the paying of contingent commissions or colluded with brokers or Agents to "rig bids" or submit false quotes to customers, and there is no investigation, inquiry or proceeding currently pending before or by Government Entity, to which the Company or any Affiliate, or any Agent, is subject, with respect to any such activities or alleged activities. All reinsurance and retrocession agreements to which the Company and any of its Subsidiaries is a party, either as a cedent or a reinsurer or retrocessionaire, complies with all risk transfer criteria under GAAP and applicable SAP, and there is no investigation, inquiry or proceeding currently pending before or by Government Entity, to which the Company or any Affiliate, or any Agent, is subject, with respect to the risk transfer characteristics, or the reporting or disclosure thereof, of any such reinsurance or retrocession.

Section 3.15 Investments. Except as set forth on Schedule 3.15 of the Company Disclosure Schedule, the Company and its Subsidiaries have good and

marketable title to all of the Investment Assets they purport to own, free and clear of all Encumbrances. None of the Investment Assets is in default and no event has occurred that will result in a default under, or cause the permanent impairment of, any of the Investment Assets. All of the Investment Assets comply with, and the acquisition thereof complied with, all investment restrictions under applicable Law. None of the Investment Assets are securities that are owned by the Sellers or Affiliates of the Company and for which only a portion is allocated to the Company.

Section 3.16 Reserves. The loss and loss adjustment reserves shown on the Statutory Statements and the Financial Statements were (i) computed in accordance with generally accepted loss reserving standards and principles, (ii) satisfied all applicable Law in all material respects, and (iii) make a reasonable provision for all unpaid loss and loss adjustment obligations under the terms of the Company's and its Subsidiaries' contracts and agreements. All loss reserving methodology changes from prior years accord with generally accepted loss reserving standards. It is understood that reserves are an estimate of future payments and adverse or favorable development is assumed.

Section 3.17 Reinsurance Agreements. To the Knowledge of the Company, all reinsurance, coinsurance or retrocession treaties, agreements, slips, binders or other arrangements of any kind (each, a "Reinsurance Agreement") in force as of the date of this Agreement to which the Company or any Subsidiary is a party as a cedent are valid and enforceable against the other parties thereto in accordance with their terms and are in full force and effect. The Company and its Subsidiaries have performed in all material respects all the obligations required to be performed by them under the Reinsurance Agreements, and the Company and its Subsidiaries are not in breach or default under any Reinsurance Agreement. No such Reinsurance Agreement contains any provision providing that such agreement terminates or expires automatically or that any such party thereto (other than the Company or a Subsidiary) may terminate, cancel, or commute the same by reason of the consummation of the Transactions. The Company and its Subsidiaries have fully disclosed to all of their reinsurers and retrocessionaires all exclusions from liability set forth in the Company's or its Subsidiaries' policies or reinsurance contracts.

Section 3.18 Agents and Brokers. To the Knowledge of the Company, each Agent was duly licensed (for the type of activity and business written, sold, produced, underwritten or managed), and no Agent violated (or with or without notice or lapse of time or both, would have violated) any term or provision of any Law applicable to the writing, sale, production, underwriting, administration or management of business for the Company and its Subsidiaries, except for such failures to be licensed or such violations which (i) have been cured, (ii) have been resolved or settled through agreements with applicable Government Entities, (iii) are barred by an applicable statute of limitations or (iv) are otherwise immaterial. Each Agent was appointed by the Company or its Subsidiaries in compliance with applicable Law and all processes and procedures used in making inquiries with respect of such Person, were undertaken in compliance with applicable Law. Each of the Contracts between the Company, any of its Subsidiaries and any Agent who has written, sold, underwritten, produced or managed business for or on behalf of the Company or its Subsidiaries since

January 1, 2006, is valid, binding and in full force and effect in accordance with its terms. Neither the Company nor any of its Subsidiaries is in default in any material respect with respect to any such Contract and no such Contract contains any provision providing that the other party thereto may terminate the same by reason of the execution of this Agreement or the consummation of the transactions contemplated hereby or any other provisions that would be altered or otherwise become applicable by reason of such execution or consummation.

Section 3.19 Contracts. (a) The following types of Contracts which have been entered into by the Company or any Subsidiary are deemed "Material Contracts":

- (i) any Contract requiring or reasonably likely to require expenditures involving consideration in excess of \$100,000 in any twelve-month period;
- (ii) any Contract which restricts or limits its ability to freely engage in any business in any geographic area, and each Contract which provides for "exclusivity" or any similar requirement in favor of any Person other than the Company or any of its Subsidiaries;
- (iii) any collective bargaining agreement;
- (iv) any Contract relating to currently leased real property;
- (v) any Contract relating to the ownership, management or control of any Person in which it owns any equity securities, excluding, however, agreements relating to Investment Assets;
- (vi) any Contract relating to the acquisition or disposition outside the Ordinary Course of Business of any material assets or any business (whether by merger, sale of stock, sale of assets or otherwise) to the extent any actual or contingent express obligations of the Company or any of its Subsidiary thereunder remain in effect;
- (vii) any Contract with (A) any Affiliate of the Company or (B) any director, officer or employee of the Company or any of its Subsidiaries or any Affiliate of the Company;
- (viii) each Contract under which the Company or any of its Subsidiaries has incurred any Indebtedness that is currently owing or has given any guarantee, other than such Contracts entailing past or reasonably expected future amounts less than \$100,000 in the aggregate;
- (ix) any actively in force or active runoff program management agreement or claims management agreement; and
- (x) any material disaster recovery Contract.

(b) All Material Contracts are in full force and effect and are enforceable against each party thereto in accordance with the terms thereof. Neither the Company or any of its Subsidiaries nor, to the Knowledge of the Company, any other party to any Material Contract, is in violation, breach or default of any Material Contract and no event has occurred or condition exists that, after notice or lapse of time or both, would constitute a violation, breach or event of default thereunder, except in each case for such violations, breaches, events or conditions that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect. Copies of any Material Contracts provided to the Purchasers were true and correct copies.

Section 3.20 Affiliate Transactions. Schedule 3.20 of the Company Disclosure Schedule sets forth all Contracts to which the Company or any of its Subsidiaries is a party with any of the Sellers or any of their Affiliates (the "Intercompany Agreements").

Section 3.21 Books and Records. The books and records of the Company and its Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

Section 3.22 Finders' Fees. There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of the Company who might be entitled to any fee or commission from the Purchasers or the Company or its Subsidiaries in connection with the Transactions.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each Seller, severally and not jointly, represents and warrants to the Purchasers, as of the date of this Agreement and as of the Closing, as follows:

Section 4.1 Organization. Seller is duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization and it has all requisite power and authority to carry on its business as conducted as of the date hereof, except for failures to be in good standing that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect or be reasonably likely to prevent the consummation of the Transactions.

Section 4.2 Ownership of Shares. Seller is the record and beneficial owner of the number of Shares set forth opposite such Seller's name in Annex A, free and clear of all Encumbrances, and will transfer and deliver to Purchasers at the Closing valid title to such Shares.

Section 4.3 Authorization. Seller has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance by Seller of this Agreement has been duly and validly authorized and no additional corporate or member or shareholder

authorization or shareholder consent is required in connection with such execution, delivery and performance by such Seller of this Agreement.

Section 4.4 Consents and Approvals. Except as set forth in Section 7.1(a) below, no consent, approval, waiver, authorization, notice or filing is required to be obtained by Seller from, or to be given by Seller to, or made by it with, any Government Entity or other Person in connection with the execution, delivery and performance by it of this Agreement or the consummation of the Transactions.

Section 4.5 Non-Contravention. The execution, delivery and performance by Seller of this Agreement and the consummation of the Transactions do not and will not (i) violate any provision of the articles of incorporation, bylaws or other organizational documents of Seller, or (ii) assuming compliance with the matters referred to in Section 4.4, violate or result in a breach of or constitute a default under any Law to which Seller is subject, other than, in the case of clause (ii), violations, breaches or defaults that would not, individually or in the aggregate, prevent or delay such Seller's ability to effect the Closing.

Section 4.6 Binding Effect. This Agreement constitutes the valid and legally binding obligation of Seller enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

Section 4.7 Litigation and Claims. There is no civil, criminal or administrative action, suit, demand, claim, hearing, proceeding or investigation pending or, to the Knowledge of Seller, threatened against Seller that, individually or in the aggregate, would prevent or materially delay the ability of Seller to effect the Closing. Seller is not subject to any Order that, individually or in the aggregate, would prevent or materially delay the ability of Seller to effect the Closing.

Section 4.8 Finders' Fees. There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Seller or any Affiliate of Seller who might be entitled to any fee or commission from the Purchasers or the Company or its Subsidiaries in connection with the Transactions.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser, severally and not jointly, represents and warrants to the Sellers and the Company, as of the date of this Agreement and as of the Closing, as follows:

Section 5.1 Organization. Purchaser is duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization and it has all requisite power and authority to carry on its business as conducted as of the date hereof, except for failures to be in good standing that would not be reasonably likely

to, individually or in the aggregate, prevent or materially delay the consummation of the Transactions.

Section 5.2 Authorization. Purchaser has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance by Purchaser of this Agreement has been duly and validly authorized and no additional corporate, member, partner or shareholder authorization or consent is required in connection with the execution, delivery and performance by Purchaser of this Agreement.

Section 5.3 Consents and Approvals. Except as set forth in Section 7.1(a) below, no consent, approval, waiver, authorization, notice or filing is required to be obtained by Purchaser from, or to be given by Purchaser to, or made by Purchaser with, any Government Entity or other Person in connection with the execution, delivery and performance by any Purchaser of this Agreement or the consummation of the Transactions, other than any consent, approval, waiver, authorization, notice or filing the failure of which to obtain, give or make would not, individually or in the aggregate, prevent or materially delay the ability of Purchaser to effect the Closing.

Section 5.4 Non-Contravention. The execution, delivery and performance by Purchaser of this Agreement and the consummation of the Transactions do not and will not (i) violate any provision of the articles of incorporation, bylaws or other organizational documents of Purchaser, or (ii) assuming compliance with the matters referred to in Section 5.3, violate or result in a breach of or constitute a default under any Law to which such Purchaser is subject, other than, in the case of clause (ii), violations, breaches or defaults that would not, individually or in the aggregate, prevent or materially delay the ability of Purchaser to effect the Closing.

Section 5.5 Binding Effect. This Agreement constitutes a valid and legally binding obligation of Purchaser enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

Section 5.6 Finders' Fees. There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Purchaser or any Affiliate of Purchaser who might be entitled to any fee or commission from the Sellers or from the Company in connection with the Transactions.

Section 5.7 Litigation and Claims. There is no civil, criminal or administrative action, suit, demand, claim, hearing, proceeding or investigation pending or, to the Knowledge of Purchaser, threatened against Purchaser that, individually or in the aggregate, would prevent or materially delay the ability of the Purchaser to effect the Closing. Purchaser is not subject to any Order that, individually or in the aggregate, would prevent or materially delay the ability of Purchaser to effect the Closing.

Section 5.8 Financing. Purchaser will have, immediately prior to the Closing, sufficient cash, available lines of credit or other sources of immediately available funds to enable it to make payment of the Purchase Price and any other amounts to be paid by it hereunder.

Section 5.9 Purchase for Investment. Purchaser is purchasing the Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Purchaser (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Company and the purchase of the Shares and is capable of bearing the economic risks of such investment.

Section 5.10 Inspections; No Other Representations. Purchaser is an informed and sophisticated purchaser, and has engaged, to the extent it deems necessary, expert advisors, experienced in the evaluation and purchase of companies such as the Company and its Subsidiaries as contemplated hereunder. Purchaser has undertaken such investigation and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement. Purchaser acknowledges that Sellers and the Company have given Purchaser complete and open access to the key employees, documents and facilities of the Company and its Subsidiaries. Purchaser has undertaken or will undertake prior to Closing such further investigation and request such additional documents and information as it deems necessary. Purchaser agrees to accept the Shares based upon its own inspection, examination and determination with respect thereto as to all matters and without reliance upon any express or implied representations or warranties of any nature made by or on behalf of or imputed to any Seller or to the Company, except as expressly set forth in this Agreement. Without limiting the generality of the foregoing, Purchaser acknowledges that neither Sellers nor the Company make any representation or warranty with respect to (i) any projections, estimates or budgets delivered to or made available to Purchaser of future revenues, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of the Company and its Subsidiaries or the future business and operations of the Company and its Subsidiaries, or (ii) any other information or documents made available to Purchaser or its counsel, accountants or advisors with respect to the Company or its Subsidiaries or their respective businesses or operations, except as expressly set forth in this Agreement.

ARTICLE VI

COVENANTS

Section 6.1 Access and Information. From the date of this Agreement until the Closing, the Company and its Subsidiaries will (i) afford the Purchasers and their representatives reasonable access (during normal business hours, upon reasonable advance notice and without unreasonable interference with the Company's businesses) to their employees and counsel and the assets, properties, Books and Records of the Company and Subsidiaries, including the investment

portfolio of the Company and (ii) furnish, or cause to be furnished, to the Purchasers any financial and operating data and other information that is readily available with respect to the Company and its Subsidiaries and their business that the Purchasers from time to time reasonably request in connection with the Transactions.

Section 6.2 Conduct of Business. During the period from the date of this Agreement until the Closing, except as otherwise expressly contemplated by this Agreement or as the Purchasers shall otherwise agree to in writing, Sellers shall cause the Company to, and the Company shall, and shall cause each of its Subsidiaries to, conduct its business in the Ordinary Course and to use its reasonable best efforts to preserve intact its business and its relationships with its customers, suppliers, creditors, Agents, brokers, program managers, reinsurers and Employees of the Company and its Subsidiaries. During the period from the date of this Agreement until the Closing, except as otherwise expressly contemplated by this Agreement or as the Purchasers shall otherwise agree to in writing, the Sellers shall not permit the Company or its Subsidiaries to, and the Company and its Subsidiaries shall not:

(i) declare, set aside or pay any dividend or distribution on any shares of capital stock or other equity interest of the Company or any Subsidiary or purchase, redeem or repurchase any shares of capital stock or other equity interest of the Company or any Subsidiary;

(ii) except as expressly required pursuant to this Agreement, enter into, modify or amend any Intercompany Agreement;

(iii) except as expressly required pursuant to this Agreement, amend their articles of incorporation, bylaws or other organizational documents;

(iv) issue, sell, pledge, transfer, dispose of or Encumber any shares of its capital stock or securities convertible into or exchangeable for any such shares, or any rights, warrants, options, calls or commitments to acquire any such shares or other of its securities;

(v) incur any Indebtedness other than: (a) Indebtedness incurred in the Ordinary Course, or (b) Indebtedness the aggregate amount of which does not exceed \$100,000 in the aggregate, or (y) make any loans, advances or capital contributions to, or investments in, any other Person, other than investments made in the Ordinary Course in accordance with the investment policy of the Company or any Subsidiary;

(vi) adopt a plan of complete or partial liquidation or rehabilitation or authorize or undertake a dissolution, rehabilitation, consolidation, restructuring, recapitalization or other reorganization;

(vii) except as required by GAAP or SAP, change its fiscal year or make any change in its methods, principles or practices of accounting since the date of the Financial Statements;

(viii) (a) acquire (by merger, consolidation or acquisition of stock or other equity interest or of assets) any Person or other business organization or division thereof or any equity interest therein other than investments made in the Ordinary Course in accordance with the investment policy in effect on the date of this Agreement, or (b) acquire any asset or group of related assets other than (x) in the Ordinary Course of Business or (y) assets that have a fair market value of less than \$100,000 in the aggregate;

(ix) other than in the Ordinary Course, cancel or compromise any material Indebtedness or waive any material rights without receiving a realizable benefit of similar or greater value, or voluntarily suffer any extraordinary loss;

(x) change any of their policies with respect to their investments or make investments that are not consistent with their past practices;

(xi) other than in the Ordinary Course of Business, make, or permit any of its Agents to make, any change in the underwriting, claim adjustment, claim processing or claim payment practices of the Company or its Subsidiaries, except as required by Law;

(xii) incur, create or assume any material Encumbrance other than Permitted Encumbrances;

(xiii) except as required pursuant to existing written, binding agreements in effect prior to the date of this Agreement and set forth on Schedule 6.2(xiii) of the Company Disclosure Schedule, or as otherwise required by applicable Law, (a) grant or provide any severance or termination payments or benefits to any director, officer or employee of the Company or any of its Subsidiaries, except in the Ordinary Course of Business, (b) increase the compensation, bonus or pension, welfare, severance or other benefits of, pay any bonus to, or make any new equity awards to any director, officer or employee of the Company or any of its Subsidiaries, except in the Ordinary Course of Business, (c) establish, adopt, amend or terminate any Benefit Plan or amend the terms of any outstanding equity-based awards, (d) take any action to accelerate the vesting or payment, or fund or in any other way secure the payment, of compensation or benefits under any Benefit Plan, to the extent not already provided in any such Benefit Plan, or (e) materially change any actuarial or other assumptions used to calculate funding obligations with respect to any Benefit Plan or to change the manner in which contributions to such plans are made or the basis on which such contributions are determined, except as may be required by GAAP;

(xiv) effect any increase or decrease of reserves not permitted by GAAP or SAP; or

(xv) authorize or enter into any Contract with respect to any of the foregoing.

Section 6.3 No Transfer of Shares or Other Securities. During the period from the date of this Agreement until the Closing, the Sellers shall not create or suffer to exist any Encumbrance on and shall not, directly or indirectly, issue, sell, pledge, transfer or dispose of any (i) Common Stock, (ii) securities convertible into or exchangeable for Common Stock, or (iii) any rights, warrants, options, calls or commitments to acquire Common Stock.

Section 6.4 Reasonable Best Efforts; Cooperation. The Sellers shall, and shall cause the Company and its Subsidiaries to, and the Company shall, and shall cause each of its Subsidiaries to, and the Purchasers shall, use their respective reasonable best efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable Law, so as to permit consummation of the Transactions as promptly as practicable, and shall cooperate fully with the other parties hereto to that end. The Purchasers shall use their reasonable best efforts promptly to make, or cause to be made, all regulatory filings, notices or applications required in connection with the consummation of the Transactions. Each party hereto shall furnish all information reasonably necessary to fulfill as promptly as practicable the conditions precedent to the other parties' obligations hereunder (including by not intentionally taking any action that has the purpose of causing a failure of the conditions set forth in Article VII) and the mutual conditions hereunder, including the information necessary for Purchasers to make any regulatory filings, notices or applications required in connection with the consummation of the Transactions.

Section 6.5 Stockholders Agreement. Upon the Closing, the parties hereto shall execute and deliver the Stockholders Agreement, and the Shareholders Agreement shall be terminated.

Section 6.6 Amendment of Organizational Documents. Prior to the Closing, (i) the Sellers, PRC and the Company shall use their respective reasonable best efforts to amend the certificate of incorporation and bylaws of the Company to the extent necessary to make them consistent with the terms and conditions of the Stockholders Agreement, and (ii) the Sellers and PRC shall cause their respective appointees to or representatives on the Board of Directors of the Company to propose, and seek to have the Board of Directors adopt, any resolutions necessary to implement the terms and conditions of the Stockholders Agreement.

Section 6.7 Further Assurances. From time to time after the Closing Date, each party hereto shall, and shall cause its Affiliates, promptly to execute, acknowledge and deliver any other assurances or documents or instruments of transfer reasonably requested by the other parties hereto and necessary for the requesting party to satisfy its obligations hereunder and to give effect to the Transactions.

ARTICLE VII

CONDITIONS TO CLOSING

Section 7.1 Conditions to the Obligations of the Purchasers and the Sellers. The obligations of the parties hereto to effect the Closing are subject to the satisfaction (or written waiver) prior to the Closing of the following conditions:

(a) Approvals. (i) The waiting periods applicable to the consummation of the Transactions under the HSR Act and Laws relating to competition shall have expired or been earlier terminated, (ii) the relevant insurance commissioners shall have approved the acquisition of the Shares of the Company contemplated by this Agreement, and (iii) any other approval, exemption or consent of any Governmental Entity necessary to consummate the Transactions (including any approval of a Form A or any similar form that is required to be filed by the Buyers or the Sellers), shall have been obtained.

(b) No Prohibition. No Government Entity of competent jurisdiction shall have enacted, issued, promulgated enforced or entered, as applicable, any Law or Order that is in effect and restrains, enjoins, or otherwise prohibits consummation of the Transactions.

(c) No Conditions on Approvals. The approvals described in Section 7.1(a) shall have been obtained by Final Order and shall not contain or otherwise be conditioned upon any terms, conditions, obligations or undertakings, which, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect on the Company and its Subsidiaries.

Section 7.2 Conditions to the Obligations of the Purchasers. The obligation of the Purchasers to effect the Closing is also subject to the satisfaction (or written waiver by the Purchasers) at or prior to the Closing of the following conditions:

(a) Representations and Warranties. (i) Each of the representations and warranties of the Company and the Sellers set forth in this Agreement (other than those in Section 3.1 (Capital Structure), Section 3.3 (Authorization), Section 3.4(a) (Consents and Approvals), Section 3.6 (Binding Effect), Section 4.2 (Ownership of Shares), Section 4.3 (Authorization), Section 4.4 (Consents and Approvals) and Section 4.6 (Binding Effect)) shall be true and correct, without giving effect to any limitation as to materiality or Material Adverse Effect set forth therein, as of the date of this Agreement and as of the Closing as if made on and as of the Closing (except for such representations and warranties that are made as of a specific date which shall speak only as of such date); provided, however, that notwithstanding anything herein to the contrary, the condition set forth in this Section 7.2(a)(i) shall be deemed to have been satisfied even if such representations and warranties of the Company and the Sellers are not so true and correct, unless the failure of such representations and warranties of the Company and the Sellers to be so true and correct, individually or in the aggregate, has had or is reasonably likely to have a Material Adverse Effect, (ii) the representations and warranties set forth in Section 3.3 (Authorization), Section 3.4(a) (Consents and Approvals),

Section 3.6 (Binding Effect), Section 4.3 (Authorization), Section 4.4 (Consents and Approvals) and Section 4.6 (Binding Effect) shall be true and correct in all material respects as of the date of this Agreement and as of the Closing as if made on and as of the Closing (except for such representations and warranties that are made as of a specific date which shall speak only as of such date) and (iii) the representations and warranties set forth in Section 3.1 (Capital Structure) and Section 4.2 (Ownership of Shares) shall be true and correct in all respects as of the date of this Agreement and as of the Closing as if made on and as of the Closing (except for such representations and warranties that are made as of a specific date which shall speak only as of such date).

(b) Covenants. Each of the covenants and agreements of the Company and the Sellers to be performed on or prior to the Closing shall have been duly performed in all material respects.

(c) Certificate. The Purchasers shall have received certificates, dated the Closing Date, signed by a duly authorized officer of (i) each Seller, to the effect that the conditions set forth in Section 7.2(a)(i), Section 7.2(a)(ii) and Section 7.2(b) (with respect to such Seller's covenants) have been satisfied; and (ii) the Company, to the effect that the conditions set forth in Section 7.2(a)(i) and Section 7.2(b) (with respect to the Company's covenants) have been satisfied.

(d) Tax Certificate. The Purchasers shall have received a duly executed certification from each Seller that (i) each such Seller is not a foreign Person within the meaning set forth in Treasury Regulation Section 1.1445-2(b)(2)(iii)(A); or (ii) a statement pursuant to Treasury Regulations Section 1.1445-2(c)(3) certifying that the Shares are not U.S. real property interests (as defined by the Code).

(e) Stockholders Agreement. The Purchasers shall have received a duly executed Stockholders Agreement from each Seller and the Company.

Section 7.3 Conditions to the Obligations of the Sellers. The obligation of the Sellers to effect the Closing is also subject to the satisfaction (or written waiver by the Sellers) prior to the Closing of the following conditions:

(a) Representations and Warranties. Each of the representations and warranties of the Purchasers contained in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing as if made on and as of the Closing (except for such representations and warranties that are made as of a specific date which shall speak only as of such date).

(b) Covenants. Each of the covenants and agreements of the Purchasers to be performed on or prior to the Closing shall have been duly performed in all material respects.

(c) Certificate. The Sellers shall have received a certificate, signed by a duly authorized officer of each Purchaser and dated the Closing Date, to the effect that the conditions set forth in Section 7.3(a) and Section 7.3(b) have been satisfied.

(d) Stockholders Agreement. The Sellers shall have received a duly executed Stockholders Agreement from each Purchaser and the Company.

ARTICLE VIII

SURVIVAL; INDEMNIFICATION; CERTAIN REMEDIES

Section 8.1 Survival. The representations and warranties of the Company, the Sellers and the Purchasers contained in this Agreement shall survive the Closing for the period set forth in this Section 8.1. Subject to Section 8.5(c), all representations and warranties contained in this Agreement and all claims with respect thereto shall terminate upon the expiration of 18 months after the Closing Date, except that the representations and warranties contained in Section 3.10 (Taxes) shall survive until the expiration of the applicable statute of limitations, giving effect to any amendments thereto.

Section 8.2 Indemnification by the Company. (a) Subject to Section 8.2(b) and Section 8.2(c), the Company hereby agrees that from and after the Closing it shall indemnify and hold harmless the Purchasers, their Affiliates (excluding the Company and its Subsidiaries), and their respective directors, officers, shareholders, partners, members and employees and their heirs, successors and permitted assigns, each in their capacity as such (the "Purchaser Indemnified Parties") from, against and in respect of any damages, losses, charges, Liabilities, payments, judgments, settlements, assessments, deficiencies, Taxes, interest, penalties, and reasonable costs and expenses (including removal costs, remediation costs, closure costs, fines, penalties and reasonable expenses of investigation and ongoing monitoring, reasonable attorneys' fees, and reasonable out of pocket disbursements, but not including amounts the Company incurs but which it is entitled to set off or apply against amounts owed to it by a reinsurer of the Company) (collectively, "Losses") imposed on, sustained, or incurred or suffered by any of the Purchaser Indemnified Parties, whether in respect of third party claims, claims between the parties hereto, or otherwise, directly or indirectly resulting from or arising out of (i) any breach or inaccuracy of any representation or warranty made by the Company contained in this Agreement; it being understood that for purposes of this Section 8.2, any qualifications relating to materiality, including the term "Material Adverse Effect", contained in any such representation or warranty shall be disregarded for purposes of determining whether such representation or warranty was breached or was inaccurate; provided, however, that the materiality qualifications contained in Sections 3.7, 3.8(b), 3.11(a)(ii) and 3.12(ii) shall not be disregarded and shall remain for purposes of determining whether any such representation and warranty was breached or was inaccurate; and (ii) any breach of any covenant or agreement of the Company contained in this Agreement or any document or instrument delivered pursuant to this Agreement.

(b) The Purchaser Indemnified Parties shall not be entitled to indemnification for Losses pursuant to Section 8.2(a)(i) and the Company shall not be liable under Section 8.2(a)(i): (i) in respect of any individual claim (or series of claims arising from substantially identical facts or circumstances) where the Losses

agreed or determined in respect of any such claim or series of claims do not exceed \$25,000 (the "Company De Minimis Amount"); and (ii) unless and until the aggregate amount of such Losses exceeds \$1,000,000 (the "Company Deductible Amount"), and then only for the amount of such Losses in excess of the Company Deductible Amount, but regardless of the amount of any single claim (or series of claims arising from substantially identical facts or circumstances); provided that that the Company De Minimis Amount and the Company Deductible Amount shall not apply to any Loss arising from a breach or inaccuracy of the representations and warranties set forth in Sections 3.1, 3.10 and 3.22.

(c) The Purchaser Indemnified Parties shall only be entitled to indemnification for any Losses pursuant to Section 8.2(a)(i) up to an amount equal to 50% of the Aggregate Purchase Price (the "Indemnification Limit"); provided that the Indemnification Limit shall not apply to any Loss arising from a breach or inaccuracy of the representations and warranties set forth in Sections 3.1, 3.10 and 3.22.

(d) Any indemnification of a Purchaser Indemnified Party pursuant to this Section 8.2 shall be effected by wire transfer or transfers of immediately available funds from the Company to an account designated in writing by the applicable Purchaser Indemnified Party to the Company within 15 days after the final determination thereof.

Section 8.3 Indemnification by the Sellers. (a) The Sellers hereby agree that from and after the Closing they shall, severally and not jointly, indemnify, defend and hold harmless the Purchaser Indemnified Parties from, against and in respect of any Losses imposed on, sustained, incurred or suffered by, or asserted against, any of the Purchaser Indemnified Parties, whether in respect of third party claims, claims between the parties hereto, or otherwise, directly or indirectly resulting from or arising out of (i) any breach or inaccuracy of any representation or warranty made by any Seller contained in this Agreement; or (ii) any breach of any covenant or agreement of any Seller contained in this Agreement.

(b) Any indemnification of a Purchaser Indemnified Party pursuant to this Section 8.3 shall be effected by wire transfer or transfers of immediately available funds from the Sellers to an account designated by the applicable Purchaser Indemnified Party to the Sellers within 15 days after the determination thereof.

Section 8.4 Indemnification by the Purchasers. (a) The Purchasers hereby agree that from and after the Closing they shall, severally and not jointly, indemnify, defend and hold harmless: (i) the Sellers, their Affiliates, and their respective directors, officers, managers, shareholders, partners, members, attorneys, accountants, agents, representatives and employees and their respective heirs, successors and permitted assigns, each in their capacity as such (the "Seller Indemnified Parties"); and (ii) the Company its Affiliates (other than the Seller Indemnified Parties) and their respective directors, officers, shareholders, partners, members and employees and their heirs, successors and permitted assigns, each in their capacity as such (the "Company Indemnified Parties", and together with the

Seller Indemnified Parties and the Purchaser Indemnified Parties, the "Indemnified Parties") from, against and in respect of any Losses imposed on, sustained, incurred or suffered by, or asserted against, any of the Seller Indemnified Parties or the Company Indemnified Parties, whether in respect of third party claims, claims between the parties hereto, or otherwise, directly or indirectly resulting from or arising out of (x) any breach or inaccuracy of any representation or warranty made by any Purchaser contained in this Agreement; or (y) any breach of any covenant or agreement of the Purchasers contained in this Agreement or any document delivered pursuant to this Agreement.

(b) The Seller Indemnified Parties and/or the Company Indemnified Parties shall not be entitled to indemnification for Losses pursuant to Section 8.4(a)(x): (i) in respect of any individual claim (or series of claims arising from substantially identical facts or circumstances) where the Losses agreed or determined in respect of any such claim or series of claims do not exceed \$25,000; and (ii) unless and until the aggregate amount of such Losses exceeds \$1,000,000, and then only for the amount of such Losses in excess of such amount, but regardless of the amount of any single claim (or series of claims arising from substantially identical facts or circumstances).

(c) Any indemnification of a Seller Indemnified Party and/or a Company Indemnified Party pursuant to this Section 8.4 shall be effected by wire transfer or transfers of immediately available funds from the Purchasers to an account designated by the applicable Seller Indemnified Party or Company Indemnified Party to the Purchasers within 15 days after the determination thereof.

Section 8.5 Claims.

(a) No Indemnified Party shall be entitled to indemnification against any Losses unless it has given to the party from whom indemnification is sought (the "Indemnifying Party") a written claim notice relating to such Losses (a "Claim Notice"). The Claim Notice shall be given promptly after the Indemnified Party becomes aware of the facts indicating that a claim for indemnification may be warranted and shall state in reasonable detail (to the extent known) the nature of the claim. The failure of any Indemnified Party to give a Claim Notice shall not relieve the Indemnifying Party of its obligations under this Article VIII, except to the extent that the Indemnifying Party is actually and materially prejudiced by the failure to give such Claim Notice.

(b) If a Claim Notice relates to a claim, action, suit, proceeding or demand asserted by a person who is not a party (or a successor to a party) to this Agreement (a "Third Party Claim"), the Indemnifying Party may, through counsel of its own choosing and reasonably satisfactory to the Indemnified Party, assume the defense and investigation of such Third Party Claim; provided that any Indemnified Party shall be (1) entitled to participate in any such defense with counsel of its own choice at its own expense and (2) shall be entitled to participate in any such defense with counsel of its own choice at the expense of the Indemnifying Party if representation of both parties by the same counsel creates a conflict of interest under applicable standards of professional conduct. In any event, if the Indemnifying Party fails to take reasonable steps necessary to defend diligently the

action or proceeding within 30 days after receiving a Claim Notice with respect to the Third Party Claim, the Indemnified Party may assume such defense, and the fees and expenses of its attorneys will be covered by the indemnity provided for in this Article VIII upon determination of the Indemnifying Party's indemnity obligation. The Indemnifying Party shall not, without the written consent of the Indemnified Party settle or compromise any pending or threatened Third Party Claim in respect of which indemnification may be sought hereunder (whether or not the Indemnified Party is an actual or potential party to such action or claim) or consent to the entry of any judgment (A) which does not, to the extent that an Indemnified Party may have any liability with respect to such action or claim, include as an unconditional term thereof the delivery by the claimant or plaintiff to the Indemnified Party of a written release from all liability in respect of such Third Party Claim, (B) which includes any statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any Indemnified Party or (C) in any manner that involves any injunctive relief against the Indemnified Party or that may materially and adversely affect the Indemnified Party. The Indemnified Party may not compromise or settle any Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed, unless the sole relief granted is equitable relief for which the Indemnifying Party would have no liability or to which the Indemnifying Party would not be subject.

(c) The indemnities provided in this Agreement shall survive the Closing; provided, however, that the indemnities provided under Section 8.2(a)(i), Section 8.3(a)(i) and Section 8.4(a)(i) shall terminate when the applicable representation or warranty terminates pursuant to this Agreement except as to any item as to which the Person to be indemnified shall have, before the expiration of the applicable period, previously delivered a Claim Notice satisfying the content requirements of Section 8.5(a). For the avoidance of doubt, the delivery by the Indemnified Party of one or more supplements or amendments to a Claim Notice shall not be (i) deemed the delivery of a new Claim Notice or the revocation of the original Claim Notice for purposes of this Section 8.5(c) and (ii) shall not alter or undermine the timeliness of the original Claim Notice for purposes of Section 8.5(a).

Section 8.6 Characterization of Indemnification Payments. All payments made by an Indemnifying Party to an Indemnified Party in respect of any claim pursuant to this Article VIII shall be treated as adjustments to the Purchase Price for Tax purposes to the extent such characterization is proper and permissible under applicable Law.

Section 8.7 Satisfaction of Obligations. The Sellers shall have adequate capital commitments or shall maintain sufficient assets to the extent reasonably required to satisfy their respective indemnification obligations under this Article VIII for the periods specified in Section 8.1 (as extended in accordance with Section 8.5(c) with respect to claims for which a Claim Notice was delivered prior to the expiration of any such period).

Section 8.8 Allocation of Company or Seller Indemnity Payments. Any amounts payable by the Company or the Sellers under this Article VIII to the

Purchasers shall be allocated amongst the Purchasers in proportion to the Purchase Price paid by each such Purchaser for Shares under this Agreement.

ARTICLE IX

TERMINATION

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

- (a) by written agreement of the Purchasers and the Sellers;
- (b) by either the Purchasers or the Sellers, by giving written notice of such termination to the other, if the Closing shall not have occurred on or prior to August 31, 2007 so long as (i) the terminating parties are not in material breach of their obligations under this Agreement and such material breach, if any, has not proximately caused the failure of the Closing to occur by such date, and (ii) the failure of the Closing to have occurred by such time is not due solely to regulatory action or inaction beyond the control of any party hereto, but in any event not later than March 31, 2008;
- (c) by either the Purchasers or the Sellers, by giving written notice of such termination to the other, if there shall be in effect any Law that prohibits the Closing and such Law shall be final and non-appealable;
- (d) by the Purchasers, by giving 30 days' written notice of such termination to the Sellers, if there has been a breach of any of the representations, warranties, covenants or agreements of the Sellers which is reasonably likely to cause a failure of a condition set forth in Section 7.2 and if such breach is not remedied within such 30-day period; and
- (e) by the Sellers, by giving 30 days' written notice of such termination to the Purchasers, if there has been a breach of any of the representations, warranties, covenants or agreements of the Purchasers which is reasonably likely to cause a failure of a condition set forth in Section 7.3 and if such breach is not remedied within such 30-day period; and
- (f) by the Purchasers, by giving written notice of such termination to the Sellers, if any event, circumstance or condition of any nature whatsoever shall have occurred since the Base Date that is reasonably likely to have or result in a Material Adverse Effect with respect to the Company and such Material Adverse Effect is not capable of being cured by the Sellers or the Company on or prior to the Closing.

Section 9.2 Effect of Termination. In the event of the termination of this Agreement in accordance with Section 9.1, this Agreement shall thereafter become void and have no effect, and no party hereto shall have any liability to the other parties hereto or their respective Affiliates, or their respective directors, officers or employees, except for the obligations of the parties hereto contained in this Section 9.2, Section 10.1 (Notices), Section 10.5 (Entire Agreement), Section

10.6 (Public Disclosure), Section 10.7 (Expenses), Section 10.8 (Governing Law; Submission to Jurisdiction; Selection of Forum; Waiver of Trial by Jury), Section 10.9 (Counterparts) and Section 10.11 (Severability) (and any related definitional provisions set forth in Article I), and except that nothing in this Section 9.2 shall relieve any party from liability for any breach of this Agreement that arose prior to such termination.

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices. All notices and communications hereunder shall be deemed to have been duly given, delivered or made if in writing and if served by personal delivery upon the party for whom it is intended or delivered by registered or certified mail, return receipt requested, or if sent by facsimile or email; provided that the facsimile or email is promptly confirmed by telephone confirmation thereof, to the Person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such Person:

To the Purchasers:

If to JCF, to the following address:

J.C. Flowers II LP
717 Fifth Avenue, 26th Floor
New York, New York 10022
Attn.: David I. Schamis
Fax: (646) 349-4889

with a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attn: Mitchell S. Eitel, Esq.
Fax: (212) 558-3588

If to Stoneridge, to the following address:

Stoneridge Holding LLC
489 Fifth Avenue, 29th Floor
New York, New York 10017
Attn: Jeffrey C. Keil
Fax: (212) 201-7643

If to PRC, to the following address:

The Plymouth Rock Company Incorporated
695 Atlantic Avenue
Boston, MA 02111

Attn: Hal Belodoff
Fax: (617) 526-7969

with a copy to:

Colleen M. Granahan, Esq.
Counsel to the Chairman
The Plymouth Rock Company Incorporated
695 Atlantic Avenue
Boston, MA 02111
Fax: (617) 526-7969

To the Sellers, to the following address:

c/o Metalmark Subadvisor LLC
1177 Avenue of the Americas
New York, NY 10036
Attention: Eric T. Fry
Fax: (212) 823-1917

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: John A. Bick, Esq.
Fax: (212) 450-3350

To the Company, to the following address:

Direct Response Corporation
500 South Broad Street
Meriden, CT 06450
Attention: President
Fax: (203) 634-7320

Section 10.2 Amendment; Waiver. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Purchasers and the Sellers, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Law.

Section 10.3 No Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, legal representatives and permitted assigns. Neither the Sellers nor any of their Affiliates may directly or indirectly assign any of their rights or delegate any of their

obligations under this Agreement, by operation of Law or otherwise, without the prior written consent of the Purchasers which shall not be unreasonably withheld; provided that JCF may directly or indirectly assign any of its rights under this Agreement, by operation of Law or otherwise, to any of its Affiliates (provided that no such assignment shall relieve JCF or any of the other Purchasers of any of their obligations hereunder). Any purported direct or indirect assignment in violation of this Section 10.3 shall be null and void *ab initio*. If any of the Sellers sells, assigns, leases or otherwise disposes of all or a substantial portion of its assets, that Seller shall ensure that the Person acquiring such assets shall, at the time it first acquires any such assets, assume all of that Seller's Liabilities and obligations under this Agreement (but no such assignment shall relieve any Seller of any of its obligations hereunder).

Section 10.4 Third Party Beneficiaries. Except as set forth in Article VIII with respect to Indemnified Parties nothing contained in this Agreement, whether express or implied, is intended to confer upon any Person other than the Purchasers, the Company or the Sellers, and their respective successors, legal representatives and permitted assigns, any rights or remedies under or by reason of this Agreement.

Section 10.5 Entire Agreement. This Agreement (including all schedules and Annexes hereto) contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

Section 10.6 Public Disclosure. Notwithstanding anything to the contrary contained herein, except as may be required to comply with the requirements of any applicable Law and the rules and regulations of any Government Entity, from and after the date of this Agreement until the Closing, no press release or similar public announcement or communication shall be made or caused to be made relating to this Agreement or the Transactions unless specifically approved in advance by the Company, the Purchasers and the Sellers. Notwithstanding the foregoing, the parties hereto approve the announcement of this Agreement and the Transactions to the current employees of the Company and any of its Subsidiaries.

Section 10.7 Expenses. Except as otherwise expressly provided in this Agreement whether or not the Transactions are consummated, all costs and expenses incurred in connection with this Agreement and the Transactions shall be borne by the party incurring such costs and expenses.

Section 10.8 Governing Law; Submission to Jurisdiction; Selection of Forum; Waiver of Trial by Jury. **THIS AGREEMENT AND ITS ENFORCEMENT WILL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.** Each party hereto agrees that it shall bring any action or proceeding in respect of any claim arising out of or related to this Agreement or the Transactions exclusively in the United States District Court for the Southern District of New York or any New York State court sitting in the Borough of Manhattan, of the City of New York (the "Chosen

Courts"), and solely in connection with claims arising under this Agreement or the Transactions that are the subject of this Agreement (i) irrevocably submits to the exclusive jurisdiction of the Chosen Courts, (ii) waives any objection to laying venue in any such action or proceeding in the Chosen Courts, (iii) waives any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any party hereto and (iv) agrees that service of process upon such party in any such action or proceeding shall be effective if notice is given in accordance with Section 10.1 of this Agreement. **Each party hereto irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the Transactions.**

Section 10.9 Counterparts. This Agreement may be executed in counterparts (including facsimile counterparts), each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

Section 10.10 Headings. The heading references herein and the table of contents hereof are for convenience purposes only, and shall not be deemed to limit or affect any of the provisions hereof.

Section 10.11 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall, subject to the mitigation contemplated by clause (a) not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

**[The remainder of this page has been intentionally left blank;
the signature page follows on the next page.]**

IN WITNESS WHEREOF, the parties have executed or caused this Agreement to be executed as of the date first written above.

DIRECT RESPONSE CORPORATION

By: _____
Name: Mory Katz
Title: Chief Executive Officer

MORGAN STANLEY CAPITAL PARTNERS III, L.P.
MSCP III 892 INVESTORS, L.P.,
MORGAN STANLEY CAPITAL INVESTORS, L.P.

By: MSCP III, L.P.,
as General Partner for each of the
above Funds

By: Morgan Stanley Capital Partners III, Inc.,
as General Partner

By: Metalmark Subadvisor LLC

By: Eric Fry
Name: Eric Fry
Title: Managing Director

DR INVESTORS, L.P. and DR INVESTORS II, L.P.

By: Morgan Stanley Capital Partners III, Inc.,
as General Partner

By: Metalmark Subadvisor LLC

By: Eric Fry
Name: Eric Fry
Title: Managing Director

J.C. FLOWERS II L.P.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties have executed or caused this Agreement to be executed as of the date first written above.

DIRECT RESPONSE CORPORATION

By: _____
Name: Mory Katz
Title: Chief Executive Officer

MORGAN STANLEY CAPITAL PARTNERS III, L.P.
MSCP III 892 INVESTORS, L.P.,
MORGAN STANLEY CAPITAL INVESTORS, L.P.

By: MSCP III, L.P.,
as General Partner for each of the
above Funds

By: Morgan Stanley Capital Partners III, Inc.,
as General Partner

By: Metalmark Subadvisor LLC

By: _____
Name: Eric Fry
Title: Managing Director

DR INVESTORS, L.P. and DR INVESTORS II, L.P.

By: Morgan Stanley Capital Partners III, Inc.,
as General Partner

By: Metalmark Subadvisor LLC

By: _____
Name: Eric Fry
Title: Managing Director

J.C. FLOWERS II L.P.

By: _____
Name: David Schenck
Title: Managing Director

THE PLYMOUTH ROCK COMPANY INCORPORATED

By: *Handwritten Signature*
Name:
Title:

STONERIDGE HOLDING LLC

By: _____
Name: Jeffrey C. Keil
Title: Managing Member

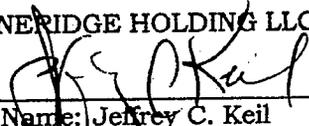
THE PLYMOUTH ROCK COMPANY INCORPORATED

By: _____

Name:

Title:

STONERIDGE HOLDING LLC

By:  _____

Name: Jeffrey C. Keil

Title: Managing Member

ANNEX A

Sellers and Ownership; Purchase Methodology

Seller	Purchaser	Number of Shares	Price Per Share	Purchase Price
Morgan Stanley Capital Partners III, L.P.	PRC	6,124	816.364	\$4,999,413.14
	Stoneridge	1,225	816.364	\$1,000,045.90
	JCF	43,833	816.364	\$35,783,683.21
MSCP III 892 Investors, L.P.	JCF	5,240	816.364	\$4,277,747.36
Morgan Stanley Capital Investors, L.P.	JCF	1,434	816.364	\$1,170,665.98
DR Investors, L.P.	JCF	65,472	816.364	\$53,448,983.81
DR Investors II, L.P.	JCF	6,516	816.364	\$5,319,427.82
Aggregate Purchase Price:		129,844		\$105,999,967.22

ANNEX B

Non-Selling Stockholders

Non-Selling Stockholder	Number of Shares Owned
James M. Stone	6,578
The Plymouth Rock Company Incorporated	21,349.25
Mory Katz	200

ANNEX E

INITIAL DIRECTORS

J. Christopher Flowers
David I. Schamis
James N. Bailey
Hal Belodoff
Howard Hoffen
Lawrence Unrein
Jeffrey C. Keil
James M. Stone
Sandra Urie
Eric T. Fry
Mory Katz