

STOCK PURCHASE AGREEMENT

Among

MORGAN STANLEY CAPITAL PARTNERS III, L.P.,

MSCP III 892 INVESTORS, L.P.,

MORGAN STANLEY CAPITAL INVESTORS, L.P.,

DR INVESTORS, L.P.,

DR INVESTORS II, L.P.,

JAMES M. STONE,

THE PLYMOUTH ROCK COMPANY INCORPORATED,

MORY KATZ, AND

TRINITY UNIVERSAL INSURANCE COMPANY

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

Dated as of August 29, 2008

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PREAMBLE:

STOCK PURCHASE AGREEMENT, dated as of August 29, 2008 (this "Agreement"), among TRINITY UNIVERSAL INSURANCE COMPANY, a Texas corporation (the "Purchaser"), and MORGAN STANLEY CAPITAL PARTNERS III, L.P., MSCP III 892 INVESTORS, L.P., MORGAN STANLEY CAPITAL INVESTORS, L.P., DR INVESTORS, L.P., DR INVESTORS II, L.P., JAMES M. STONE, THE PLYMOUTH ROCK COMPANY INCORPORATED, and MORY KATZ (each a "Seller" and collectively the "Sellers"). The Purchaser and each Seller may be referred to herein as a "Party" or collectively as the "Parties."

RECITALS:

WHEREAS, the Sellers own all of the issued and outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of Direct Response Corporation, a Delaware corporation (the "Company"), as set forth on Annex A;

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

WHEREAS, the Purchaser desires to purchase from the Sellers, and the Sellers desire to sell to the Purchaser, the Shares upon the terms and subject to the conditions of this Agreement.

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.

"Agent" means an insurance agent, manager, claims manager, marketer, producer, program manager, underwriter, or managing general underwriter, at the time such Person wrote, sold, produced, underwrote or managed business for or on behalf of the Company or its Subsidiaries.

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

"Base Date" means the "as of" date used in the Closing Statement of Income/Loss.

"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, whether in hardcopy or electronic format.

“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.

“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.

“Closing Statement of Income/Loss” means the most recent Statement of Income/Loss required to have been delivered to the Purchaser pursuant to Section 6.6(i) on or prior to the Closing Date and used to adjust the Purchase Price pursuant to Section 2.2(a)(ii).

“Closing Statement of Unrealized Equity Portfolio Gains and Losses” means the most recent Statement of Unrealized Equity Portfolio Gains and Losses required to be delivered to the Purchaser pursuant to Section 6.6(j) on or prior to the Closing Date and used to adjust the Purchase Price pursuant to Section 2.2(a)(i).

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

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

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

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

“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.

“Cumulative Net Income” means the consolidated GAAP net after-tax income of the Company for the period beginning on January 1, 2008 and ending on the Base Date.

“Cumulative Net Loss” means the consolidated GAAP net after-tax loss of the Company for the period beginning on January 1, 2008 and ending on the Base Date.

“Designated Representative” means Metalmark Subadvisor LLC or its successor appointed as provided in the Escrow Agreement.

“Employee Agents” has the meaning set forth in Section 3.14(a).

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

“Employment Agreements” has the meaning set forth in Section 3.13(e).

“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.

“Environmental Claim” and “Environmental Laws” have the meanings set forth in Section 3.25.

“Equity Plan” has the meaning set forth in Section 3.1(c)(ii).

“Equity Portfolio” means common and preferred stocks and debt instruments owned by the Company and its Subsidiaries and classified as available for sale in the GAAP Financial Statements.

“Equity Portfolio Appreciation” means the amount, if any, by which the Unrealized Equity Portfolio Appreciation on the Base Date exceeds the Unrealized Equity Portfolio Appreciation on December 31, 2007.

“Equity Portfolio Depreciation” means the amount, if any, by which the Unrealized Equity Portfolio Appreciation or Unrealized Equity Portfolio Depreciation, as the case may be, on the Base Date is less than the Unrealized Equity Portfolio Appreciation on December 31, 2007.

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

“Escrow Account” and **“Escrow Agreement”** have the meanings set forth in Section 2.2(c).

“Escrow Agent” means The Bank of New York Trust Company, N.A. or any successor Escrow Agent acting under the Escrow Agreement.

“Final Reserve Payment” has the meaning set forth in Section 8.9.

“FLSA” has the meaning set forth in Section 3.13(d).

“GAAP” means accounting principles generally accepted in the United States.

“GAAP Financial Statements” has the meaning set forth in Section 3.7(a).

“GLB” means the Gramm-Leach-Bliley Act.

“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.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996.

“Holdback” has the meaning set forth in Section 2.2(c).

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

“IBNR” has the meaning set forth in Annex G.

“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.

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

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

"Intellectual Property Right" has the meaning set forth in Section 3.24(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 reported 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, and all other assets acquired for investment purposes that are beneficially owned by the Company and its Subsidiaries.

"IRR Agreements" means all agreements (including all amendments of such agreements through the Closing Date) between International Real Returns, LLC or its Affiliates and the Company or any of its Subsidiaries, including, without limitation, the agreement dated April 11, 2005 between International Real Returns, LLC and the Company.

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

"J.C. Flowers Litigation" has the meaning set forth in Section 6.6(a).

"Knowledge" or any similar phrase means: (i) with respect to the Sellers, the actual knowledge of any officer, director, partner, member, manager or managing director of the Sellers or the actual knowledge of the Company (as hereinafter defined), after reasonable inquiry, except that with respect to each of James M. Stone and Mory Katz as individual Sellers, the meaning shall be limited to his actual knowledge, after reasonable inquiry; and (ii) with respect to the Purchaser, the actual knowledge of any officer or director of the Purchaser, after reasonable inquiry. For purposes of this definition, the actual knowledge of the Company shall mean the actual knowledge of the following officers of the Company: President, Chief Executive Officer, Executive Vice President, Chief Operating Officer, Chief Financial Officer, General Counsel, Chief Marketing Officer, Chief Actuary or any Vice President or acting Vice President.

"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 as permitted or contemplated by this Agreement or otherwise with the written consent of the Purchaser; 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).

"Measurement Date" has the meaning set forth in Annex G.

"Measurement Date Reserve Report" has the meaning set forth in Annex G.

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

"NPI" has the meaning set forth in Section 3.30.

"Option Agreements" has the meaning set forth in Section 3.1(c).

"Option Cancellation Payments" has the meaning set forth in Section 2.2(b).

"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 or any of its Subsidiaries consistent with their past practices and procedures.

"Pending Claims" has the meaning set forth in Section 8.9(b)(i).

"Permitted Encumbrances" means (i) Encumbrances specifically reflected or specifically reserved against or otherwise disclosed in the GAAP Financial Statements, (ii) liens for Taxes that are not yet due and payable or for Taxes the validity of which is being contested in good faith by appropriate actions as described in Schedule 3.10 of the Company Disclosure Schedule, and (iii) those set forth on Schedule 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.

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

"Plymouth Rock Agreements" means all agreements (including all amendments of such agreements through the Closing Date) between Plymouth Rock Assurance Corporation or its Affiliates and the Company or any of its Subsidiaries, including, without limitation, the agreement dated December 18, 1996 between Plymouth Rock Assurance Corporation and the Company.

"Pre-Closing Taxable Periods" has the meaning set forth in Section 6.9(a).

"Preliminary Reserve Payment" has the meaning set forth in Section 8.9.

"Privacy Policies" has the meaning set forth in Section 3.30.

"Pro-Rata Percentage" means, as to each Seller, the percentage of the aggregate outstanding Shares that are held by such Seller as set forth on Annex A.

"Purchase Price" has the meaning set forth in Section 2.2(a).

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

"Purchaser Deductible Amount" has the meaning set forth in Section 8.4(b).

"Purchaser Indemnification Limit" has the meaning set forth in Section 8.4(c).

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

"Quota Share Reinsurance Agreements" means agreements between the Purchaser and each of the Company's insurance Subsidiaries, under which they would cede to the Purchaser 100% of their insurance policy obligations, or such lower percentage as may be mandated by applicable Law or other requirement of a Government Entity.

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

"RP&MC" has the meaning set forth in Section 6.6(c).

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

"SAP Balance Sheet" means the balance sheet of the Company's insurance Subsidiaries on a combined basis prepared in accordance with SAP as of the Base Date.

"Satisfaction Date" has the meaning set forth in Section 2.3.

"Seller" and "Sellers" have the meanings set forth in the Preamble hereto.

"Seller Deductible Amount" has the meaning set forth in Section 8.2(b).

"Seller Groups" means the groups designated as the Fund Group, PRC, Stone and Katz on Annex A.

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

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

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

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

"SRB Agreements" means all agreements (including all amendments of such agreements through the Closing Date) between SRB Corporation and the Company or any of its Subsidiaries, including without limitation the agreement with the Company dated June 12, 1996, the agreement with Connecticut Life and Casualty Insurance Company dated December 18, 2001, the agreement with National Merit Insurance Company dated December 31, 2003, and the agreement with Response Indemnity Company dated June 7, 2001.

"Statement of Income/Loss" has the meaning set forth in Section 6.6(i).

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

"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 by or with respect to the Company and/or its Subsidiaries 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 and/or its Subsidiaries or any predecessor of or successor to the Company and/or its Subsidiaries (or another such predecessor or successor).

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

"Transactions" means the material transactions contemplated by this Agreement.

"Transfer Taxes" has the meaning set forth in Section 6.9(d).

"Unrealized Equity Portfolio Appreciation" means the amount, if any, by which the aggregate market value of the Equity Portfolio exceeds the aggregate GAAP cost basis of the Equity Portfolio as of a given date.

"Unrealized Equity Portfolio Depreciation" means the amount, if any, by which the aggregate market value of the Equity Portfolio is less than the aggregate GAAP cost basis of the Equity Portfolio as of a given date.

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:

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

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

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

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

(v) 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 including any successor to the section;

(vi) 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

(vii) references herein to a given gender includes the 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 Purchaser to, and shall, sell, transfer and deliver to the Purchaser, and the Purchaser 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.

Section 2.2 Purchase Price.

(a) The aggregate purchase price for the Shares shall be Two Hundred Twenty Million Dollars (\$220,000,000) (the "Base Price") plus or minus, as the case may be, the amounts calculated under each of the following two (2) adjustment mechanisms (collectively, and as adjusted, the "Purchase Price").

(i) the Base Price shall be adjusted by adding fifty percent (50%) of the Equity Portfolio Appreciation or subtracting fifty percent (50%) of the absolute value of the Equity Portfolio Depreciation, as the case may; calculated as of the Base Date and net of any tax required to be reported in the GAAP Financial Statements as of the Base Date; and

(ii) the Base Price shall further be adjusted by adding fifty percent (50%) of the Cumulative Net Income or subtracting fifty percent (50%) of the absolute value of the Cumulative Net Loss, as the case may be. For purposes of this Agreement, any calculation of Cumulative Net Income or Cumulative Net Loss shall exclude the payment by the Company of the Option Cancellation Payments or any severance payments (or any accruals therefor) made prior to Closing to any employee of the Company or any of its Subsidiaries in connection with the Transactions.

(b) At the Closing, the Purchaser shall pay (x) the Purchase Price, less the Holdback (as defined in Section 2.2(c)) and less the consideration required for the cancellation and termination of the Option Agreements (as defined in Section 3.1(c)(ii)) (the "Option Cancellation Payments"), to the Sellers, (y) the Holdback to the Escrow Agent, and (z) the Option Cancellation Payments to the Company, which the Company shall in turn pay to the holders of the Company Options (as defined in Section 3.1(c)(ii)) in the respective amounts set forth in the Schedule to be delivered to the Purchaser not later than fifteen (15) days prior to the Closing. The amount payable at the Closing to each Seller per subsection (x) of this Section 2.2(b) is its Pro-Rata Percentage of the Purchase Price minus its Pro-Rata Percentage of the Holdback and its Pro-Rata Percentage of the Option Cancellation Payments. Payments to each Seller per subsection (x) of this Section 2.2(b) shall be made by wire transfer of immediately available funds to such account as such Seller designates in writing at least three (3) Business Days prior to the Closing Date. Payment of the Holdback to the Escrow Agent per subsection (y) of this Section 2.2(b) shall be made pursuant to the terms of the Escrow Agreement (as defined in

Section 2.2(c)). Payment of the Option Cancellation Payments to the Company per subsection (z) of this Section 2.2(b) shall be made by wire transfer of immediately available funds to such account as the Parties shall mutually agree prior to the Closing.

(c) To secure the Purchaser's rights after the Closing to be compensated against adverse reserve development under Section 8.8 and to be indemnified under Section 8.2(a), Fifteen Million Dollars (\$15,000,000) of the Purchase Price shall be remitted by the Purchaser as the holdback ("Holdback") for deposit into an escrow account ("Escrow Account") pursuant to the escrow agreement ("Escrow Agreement") executed substantially in the form set forth in Annex C among the Purchaser, the Designated Representative and The Bank of New York Trust Company, N.A., as Escrow Agent. Escrow Account funds shall be distributed in accordance with the procedures described in Section 8.9 of this Agreement.

Section 2.3 Closing. The Closing shall take place at the time and place or by means of a virtual closing (i.e., involving the exchange of electronic images of signed originals of closing documents) as mutually agreed by the Purchaser and Sellers representing at least a majority of the Shares on or following the date ("Satisfaction Date") on which all conditions set forth in Article VII 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). If the Parties fail to mutually agree on the time and place for the Closing, it shall take place at Purchaser's offices at One East Wacker Drive, Chicago, Illinois no later than five (5) Business Days after the Satisfaction Date, subject to the respective obligations of the Parties under Sections 6.4 and 6.8(c) to use best efforts to enable the Closing to occur on or prior to the date set forth in Section 9.1. If the date set forth in Section 9.1 falls within the period beginning on the Satisfaction Date and ending five (5) Business Days thereafter, the date in Section 9.1 shall automatically be extended to the final day of such five (5) Business Day period. The date on which the Closing occurs is called the "Closing Date."

Section 2.4 Deliveries by the Purchaser. At the Closing, the Purchaser shall deliver to the Sellers or, as to the Holdback, to the Escrow Agent or, as to the Option Cancellation Payments, to the Company, the following:

- (a) the Purchase Price in accordance with Section 2.2; and
- (b) such additional deliverables required pursuant to Section 7.3.

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

(a) a certificate or certificates representing the Shares being sold by such Seller in accordance with Annex A, duly endorsed for transfer or accompanied by duly executed stock powers; and

(b) such additional deliverables required of such Seller pursuant to Section 7.2.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLERS REGARDING THE COMPANY

As to each member of each Seller Group, the representations and warranties provided in this Article III shall be joint and several with all other members of the same Seller Group. Each Seller Group, severally but not jointly with the other Seller Groups, represents and warrants to the Purchaser 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 the Shares owned by the Sellers in the amounts and percentages set forth on Annex A. The outstanding capital stock of the Company consists solely of 266,460.58350 shares of common stock.

(b) All of the Shares: (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 through the Closing Date, 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) the Stock Options (the "Company Options") granted under the individual option agreements ("Option Agreements") pursuant to the Company's 2004 Management Equity Plan (the "Equity Plan"), and set forth on Schedule 3.1(c) (listing individual grantees by name, with grant dates and number of option shares granted) of the disclosure schedule delivered to the Purchaser by the Company on behalf of the Sellers 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 the 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 GAAP 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. The termination of the Option Agreements contemplated by Section 6.6(d)(ii) will extinguish all liability and terminate all obligations of the Company arising under or in connection with such agreements.

(d) The Company owns, free of all Encumbrances, all of the outstanding capital stock of, or equity interest in, each of its Subsidiaries which are listed on Schedule 3.1(d) of the Company Disclosure Schedule. Except for the Subsidiaries set forth on Schedule 3.1(d) of the Company Disclosure Schedule, 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, and does not control, manage or have any other affiliation with any mutual insurance company.

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 as set forth on Schedule 3.1(d) of the Company Disclosure Schedule. 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.

Section 3.3 [INTENTIONALLY OMITTED]

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 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 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.

Section 3.5 Non-Contravention. Except as set forth in Schedule 3.5 of the Company Disclosure Schedule, 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 of its Subsidiaries or any of the assets, properties or rights of the Company or any of its Subsidiaries; or (iii) violate or result in a breach of or constitute a default under any Law to which the Company or any of its Subsidiaries is subject, except for any such violation that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect.

Section 3.6 Internal Controls. Except as set forth on Schedule 3.6 of the Company Disclosure Schedule, the Company and its Subsidiaries maintain a system of accounting and internal controls sufficient in all material respects to provide reasonable assurances that: (i) material transactions are executed with management's authorization; (ii) material transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and statutory financial statements in accordance with SAP and to maintain accountability for the assets and properties of the Company and its Subsidiaries; (iii) the reporting of assets, including the Investment Assets, is compared with existing assets at regular intervals and appropriate action is taken with respect to any differences.

Section 3.7 GAAP Financial Statements.

(a) Complete and correct copies have been provided to the Purchaser of: (i)

the audited consolidated balance sheets as of December 31, 2007, 2006 and 2005 and the related audited consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows of the Company and its Subsidiaries, together with all footnotes and schedules related thereto and the report thereon of the Company's independent certified public accountants; and (ii) the unaudited consolidated balance sheets of the Company and its Subsidiaries for all calendar quarters ended after December 31, 2007 through June 30, 2008, together with the related unaudited consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows of the Company and its Subsidiaries for each of such quarters, and notes related thereto (collectively, the statements referred to in (i) and (ii), the "GAAP Financial Statements"). Additional financial statements and related information of the type described in (i) and (ii) above provided by the Company and its Subsidiaries in accordance with Section 6.6(g)(i) shall be included as GAAP Financial Statements for purposes of this Section 3.7.

(b) The GAAP Financial Statements have been derived from and are in accordance with, or in the case of GAAP Financial Statements to be provided by the Company and its Subsidiaries in accordance with Section 6.6(g)(i) will be derived from and will be in accordance with, the Books and Records of the Company and its Subsidiaries, have been prepared, or will be prepared as the case may be, in accordance with GAAP consistently applied during the periods involved (except as otherwise disclosed in the notes to such GAAP Financial Statements) and fairly present, or will fairly present as the case may be, in all material respects, the consolidated financial position, results of operations, changes in stockholders' equity and cash flow of the Company and its Subsidiaries as of the respective dates of, and for the periods referred to in, such GAAP 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 Purchaser prior to the date of this Agreement: (i) the audited annual statutory financial statements of each of the Company's insurance Subsidiaries as of December 31 for the years ended December 31, 2007, 2006 and 2005; (ii) the annual statements of each of the Company's insurance Subsidiaries as filed with the insurance Government Entity of such Subsidiary's jurisdiction of domicile for the years ended December 31, 2007, 2006 and 2005, together with all exhibits and schedules thereto; and (iii) the unaudited, quarterly statutory-basis financial statements as filed with the insurance Government Entity of such Subsidiary's jurisdiction of domicile for each of the quarters ended after December 31, 2007 through June 30, 2008 (collectively, the statements referred to in (i) and (ii), the "Statutory Statements"). Additional financial statements and information of the type described in (i) – (iii) above provided by the Company and its Subsidiaries in accordance with Section 6.6(g)(ii) shall be included as Statutory Statements for purposes of this Section 3.8.

(b) The Statutory Statements (i) were prepared, or in the case of Statutory Statements to be provided by the Company and its Subsidiaries in accordance with Section 6.6(g)(ii) will be prepared, in accordance with all applicable Laws, statutory accounting practices and procedures otherwise required, permitted or then in effect by the applicable insurance regulatory Government 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, or will present fairly as the case may be, in all material respects the statutory financial position of the applicable Subsidiary at the respective dates thereof and the statutory results of operations, capital and surplus and cash flows of 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) Schedule 3.9(a) of the Company Disclosure Schedule sets forth a list of all: (i) claims, actions, suits or demands seeking punitive, exemplary or extra-contractual damages from

the Company or any of its insurance Subsidiaries, whether based on Contracts of insurance or otherwise; and (ii) claims, actions, suits or demands not involving Contracts of insurance issued or assumed by the Company's insurance Subsidiaries and in which the Company or any of its Subsidiaries is a named party. Except as described in Schedule 3.9(a) of the Company Disclosure Schedule, or except for claims, actions, suits or demands under, relating to, or on, Contracts of insurance issued or assumed by the Company's insurance Subsidiaries and in which no punitive, exemplary or other extra-contractual damages are sought, there is no civil, criminal or administrative action, suit, demand, claim, hearing or proceeding pending against the Company or any of its Subsidiaries, or, to the Knowledge of the Sellers, any investigation pending against the Company or any of its Subsidiaries.

(b) Neither the Company nor 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 businesses is subject to any Order, except for such Orders which do not, individually or in the aggregate, have a Material Adverse Effect.

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

(a) all material 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, unless adequate provisions have been or will have been made on the GAAP-Financial Statements of the Company and its Subsidiaries;

(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 assets of the Company and its Subsidiaries nor, to the Knowledge of the Sellers, is any taxing authority in the process of imposing any lien for Taxes on any assets of the Company or any of its Subsidiaries, 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 as described in Schedule 3.10 of the Company Disclosure Schedule;

(d) neither the Company nor any of its Subsidiaries has received any written, or, to Sellers' Knowledge, oral, audit notification from the IRS or from the Tax authorities of any state, county, local or other jurisdiction, and there are no agreements or waivers extending the statutory period of limitations applicable to any Tax Return; no issues that have been raised in writing by the relevant taxing authority in connection with any audits of the Tax Returns 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 as described in Schedule 3.10 of the Company Disclosure Schedule;

(e) neither the Company nor any of its Subsidiaries is or, to the Knowledge of the Sellers, 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 between Response Insurance Company and Unigard Insurance Company, dated as of September 11, 2003;

(f) other than the agreement described in clause (ii) of the proviso to Section 3.10(e), the Company and its Subsidiaries are not, and, within the five years prior to the date of this Agreement, 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;

(g) except with respect to Tax years of the Company and its Subsidiaries that have been examined and closed or are Tax years with respect to which the applicable period for assessment of any Tax Return under applicable Law, after giving effect to extensions or waivers, has expired, 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 (other than the consolidated group of which the Company is the common parent);

(h) except with respect to Tax years of the Company and its Subsidiaries that have been examined and closed or are Tax years with respect to which the applicable period for assessment of any Tax Return under applicable Law, after giving effect to extensions or waivers, has expired, neither the Company nor any of its Subsidiaries has participated in any listed transactions as defined in Treasury Regulation Section 1.6011-4(b)(2) and (c)(3)(i)(4);

(i) [INTENTIONALLY OMITTED];

(j) the net operating losses and net operating loss carryovers of Company and its Subsidiaries within the meaning of Code Section 172 shown on Schedule 3.10(j) of the Company Disclosure Schedule are materially correct;

(k) the Company and its Subsidiaries incurred a net operating loss within the meaning of Code Section 172(c) in their 2007 taxable year of not materially less than \$7.5 million;

(l) since April 18, 1996, there has been no ownership change of the Company within the meaning of Section 382 of the Code, other than in connection with the Transactions; and

(m) no Employment Agreements or Benefit Plans are in violation of, or need to be amended to be in compliance with, Section 409A of the Code.

Section 3.11 Absence of Changes.

(a) Except as set forth on Schedule 3.11(a) of the Company Disclosure Schedule, since January 1, 2008: (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.

(b) Except as set forth on Schedule 3.11(b) of the Company Disclosure Schedule, since January 1, 2008, none of the actions or events prohibited or circumscribed by Section 6.2 has been taken or has occurred.

Section 3.12 No Undisclosed Liabilities.

Except as reported, reserved against or disclosed in the GAAP 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 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 Employee Related Matters.

(a) Benefit Plans. All Plans (as hereinafter defined) sponsored by the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries contributes or is obligated to contribute or under which the Company or any of its Subsidiaries pays or is obligated to pay, or is liable for, premiums or benefits ("Benefit Plans") in respect of current or former (to the extent the

Company still has financial obligations thereunder) employees of the Company and any of its Subsidiaries (the "Employees") and current or former (to the extent the Company still has financial obligations thereunder) directors of the Company and any of its Subsidiaries, and that are material are listed on Schedule 3.13(a) of the Company Disclosure Schedule, and each Benefit Plan which has received a favorable opinion letter or favorable determination letter from the Internal Revenue Service (the "IRS"), including any master or prototype plan, has been separately identified. As used herein, the term "Plan" means an employee benefit plan, 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. Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from 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 Sellers, the Company and its Subsidiaries are 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. No Employment Agreements (as defined in (e) below) or Benefit Plans are in violation of, or need to be amended to be in compliance with, Section 409A of the Code. Neither the Company nor any Subsidiary has any liability, contingent or otherwise, with respect to any Plans other than the Benefit Plans.

(b) Benefit Plan Compliance. 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 or any of its Subsidiaries to be incurred by the Company or any of its Subsidiaries 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 and any of its Subsidiaries 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 GAAP 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 or Employment Agreements (as defined in (e) below) which would not be deductible under Section 280G of the Code. No defined benefit plans are included among the Benefit Plans. Except as disclosed on Schedule 3.13(b) of the Company Disclosure Schedule: (i) there are no pending or scheduled audits or investigations of the Benefits Plans by any Government Entity; and (ii) there are no pending or threatened lawsuits or Claims against the Benefit Plans or against the Company or any of its Subsidiaries, or of an officer, director, employee of the Company or any of its Subsidiaries, with respect to the Benefits Plans. Copies of all Benefit Plans have been provided to the Purchaser.

(c) Labor Matters. Neither the Company nor any of its Subsidiaries is: (i) a party to, or otherwise bound by, any collective bargaining agreement with a labor union or labor organization; or (ii) to the Knowledge of the Sellers, the subject of any organizing effort on the part of any such union or organization or any material proceeding asserting that the Company or any of its Subsidiaries has committed an unfair labor practice or seeking to compel it to bargain with any such union or organization. There is not currently pending or, to the Knowledge of the Sellers, threatened, any

labor strike, dispute, walk-out, work stoppage, slow-down or lockout involving the Company or any of its Subsidiaries.

(d) Job Classifications and Wage and Hour Laws. All Employees of the Company and its Subsidiaries are, and at the Closing Date will be, properly classified as either exempt or non-exempt under the federal Fair Labor Standards Act (“FLSA”) and comparable state and local Laws, and neither the Company nor any of its Subsidiaries have any liabilities under FLSA or state or local wage and hour Laws for failure to pay overtime to any current or former Employees that would be reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on the Company.

(e) Employment Agreements. All oral or written employment agreements, and all written policies or arrangements, including the Option Agreements (“Employment Agreements”), covering any Employees or current or former directors of the Company and any of its Subsidiaries or pursuant to which the Company or any of its Subsidiaries could have any Liability are listed on Schedule 3.13(e) of the Company Disclosure Schedule, and copies or summaries thereof have been provided to the Purchaser. All severance benefits payable under the Employment Agreements are set forth on Schedule 3.13(e) of the Company Disclosure Schedule, calculated as if the individual who is a party to each such Employment Agreement were entitled to receive severance benefits as a result of a termination of employment assuming a December 31, 2008 Closing Date.

(f) Independent Contractors. All Persons, if any, classified by the Company or any of its Subsidiaries as independent contractors are properly classified pursuant to applicable Law to be so classified. The Company and its Subsidiaries: (i) have fully and accurately reported the compensation of all such Persons on IRS Form 1099 as required by Law; and (ii) are not obligated and have not been obligated to provide benefits with respect to such Persons under the Benefits Plans or otherwise. No individuals are currently providing, or have ever provided, services to the Company or any of its Subsidiaries pursuant to a leasing agreement or similar type of arrangement, nor has the Company or any of its Subsidiaries entered into any such arrangements.

Section 3.14 Compliance with Laws; Governmental Authorizations.

(a) The Company and each of its Subsidiaries, including all of their Employees acting as Agents of the Company or any of its Subsidiaries (collectively, the “Employee Agents”), holds and maintains in full force and effect all Governmental Authorizations necessary for the ownership and conduct of their respective businesses in the Ordinary Course.

(b) The Company and each of its Subsidiaries (including all of their Employee Agents) are, and at all times since January 1, 2006 have been, in material compliance with all of the terms and requirements of each such Governmental Authorization. None of the Company or its Subsidiaries (including all of their Employee Agents) have received, at any time since January 1, 2006, any notice or other communication from any Government Entity or any other Person asserting: (i) any material violation of, or failure to comply with, any term or requirement of any Governmental Authorization; or (ii) any material revocation, withdrawal, suspension, cancellation, termination of or modification to any Governmental Authorization.

(c) (i) The Company and each of its Subsidiaries (including all of their Employee Agents) is conducting, and at all times since January 1, 2006 has conducted, their business in 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 or any of its Subsidiaries (including all of their Employee Agents) or a failure on the part of the Company or any of its Subsidiaries (including all of their Employee Agents) to comply with, all applicable Law; and (iii) none of the Company or its Subsidiaries (including all of their Employee Agents) have received, at any time since January 1, 2006, 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 (including all of their Employee Agents) to comply with, all applicable Laws; in each case except for such failures of compliance or violations that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect.

(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's insurance Subsidiaries, including those filed on behalf of such Subsidiaries by Employee Agents, 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's Subsidiaries or Employee Agents), are, to the extent required under applicable Law, on forms approved by the applicable insurance regulatory Government 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's insurance 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 (including all of their Employee Agents) 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 Government 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) As of the date of this Agreement, 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, and any such claims and assessments made after the date of this Agreement will be paid when due unless being contested in good faith.

(f) Except as set forth on Schedule 3.14(f) of the Company Disclosure Schedule, neither the Company nor any of its Affiliates (including all of their Employee Agents) 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 any Government Entity, to which the Company or any Affiliate (including all of their Employee Agents) 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 any 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.

(g) Compliance with Fair Credit Reporting Laws. The Company and its Subsidiaries are in compliance with the requirements of the federal Fair Credit Reporting Act and all comparable state and local Laws (including, without limitation, adverse action notifications) except for such failures of compliance or violations that would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect.

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, free and clear of all Encumbrances. None of the Investment Assets is in default and, to the Knowledge of the Sellers, 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 and Actuarial Reports.

(a) The loss and loss adjustment expense reserves, including IBNR, reported on the Statutory Statements and the GAAP Financial Statements that have been delivered to the Purchaser or will be delivered prior to the Closing Date pursuant to Section 6.6(g): (i) were or will be computed in accordance with generally accepted loss reserving standards and principles consistently applied throughout the periods covered by such Statements taken together; and (ii) satisfied or will satisfy all applicable Law and the requirements of SAP or GAAP, as the case may be, in all material respects.

(b) The Company has delivered to the Purchaser true and complete copies of any actuarial opinions, actuarial reports, supporting memoranda and supporting work papers, with respect to the Company, any of its insurance Subsidiaries or any line of business, segment or block of policies prepared as of or subsequent to December 31, 2007. Since January 1, 2006, the Company has not consulted with any outside actuarial firm to obtain an actuarial opinion or analysis except as disclosed on Schedule 3.16(b) of the Company Disclosure Schedule. Copies of any opinions or analyses listed on Schedule 3.16(b) of the Company Disclosure Schedule have been provided to the Purchaser.

Section 3.17 Reinsurance Agreements. To the Knowledge of the Sellers, all reinsurance, coinsurance or retrocession treaties, agreements, slips, binders or other arrangements of any kind in force as of the date of this Agreement to which the Company or any Subsidiary is a party (each, a "Reinsurance Agreement") 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 insurance Subsidiaries' policies or reinsurance contracts. Schedule 3.17 of the Company Disclosure Schedule sets forth a list of all Reinsurance Agreements and their coverages, limits, retentions and effective dates. Except as set forth in Schedule 3.17 of the Company Disclosure Schedule, each of the Company's insurance Subsidiaries is entitled to take full credit in its Statutory Statements pursuant to applicable Laws for all reinsurance ceded pursuant to any Reinsurance Agreement to which such Subsidiary is a party.

Section 3.18 Agents. All Agents of the Company or any of its Subsidiaries are Employees of the Company or one of its Subsidiaries.

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 any twelve-month period of (x) at least \$75,000 and less than \$250,000, but only with respect to such Contracts that are not terminable on one hundred and twenty (120) days (or less) written notice, or (y) at least \$250,000;

(ii) any Contract which restricts or limits the ability of the Company or any Subsidiary 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;

(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 Subsidiary thereunder remain in effect;

(vii) any Contract with: (A) any Affiliate of the Company; or (B) any director or officer of the Company or any of its Subsidiaries;

(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 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;

(x) any material disaster recovery Contract;

(xi) pooling arrangements among two or more of the Company's insurance Subsidiaries; and

(xii) any contract for the outsourcing of any portion of the insurance operations of any of the Company's insurance Subsidiaries, including, without limitation, any management or advisory agreements with respect to Investment Assets.

(b) All Material Contracts are in full force and effect and are enforceable against each party thereto in accordance with the terms thereof and are listed on Schedule 3.19 of the Company Disclosure Schedule. Neither the Company or any of its Subsidiaries nor, to the Knowledge of the Sellers, 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.

(c) True and correct copies of all Material Contracts have been provided to the Purchaser.

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 one another, with any

of the Sellers or any of their Affiliates or with Homesite Group Incorporated or any of its 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 inaccuracies or discrepancies of any kind contained or reflected therein, except for such inaccuracies or discrepancies that could not reasonably be expected to have a Material Adverse Effect.

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 Purchaser or the Company or its Subsidiaries in connection with the Transactions.

Section 3.23 [INTENTIONALLY OMITTED]

Section 3.24 Intellectual Property.

(a) Except as set forth in Schedule 3.24(a) of the Company Disclosure Schedule, each of the Company and its Subsidiaries owns or has valid, enforceable rights (whether by license or other agreement) to all of the patents, trademarks, service marks, trade names, copyrights, Internet domain names and URL addresses (including any registrations, applications, licenses or rights relating to any of the foregoing), computer software, trade secrets, inventions and know-how that are used in the businesses of the Company and its Subsidiaries as presently conducted, free and clear of all Encumbrances (each, an "Intellectual Property Right"). There is no notice, claim, suit, action or proceeding pending against, or, to the Knowledge of Sellers, threatened against, the Company or any of its Subsidiaries, contesting the validity of any Intellectual Property Right or alleging that any aspect of the businesses of the Company or any of its Subsidiaries infringes the intellectual property rights of any third party.

(b) Schedule 3.24(b) of the Company Disclosure Schedule contains a complete and accurate list of: (i) the Intellectual Property Rights, in each case specifying whether obtained pursuant to common law, registration, application, license or other agreement and, where applicable, the registration or application number and jurisdiction; (ii) any recurring license or other fees associated with each of the Intellectual Property Rights; and (iii) restrictions of any type or duration (including, without limitation, territory or time limits) associated with each of the Intellectual Property Rights.

(c) The Company and its Subsidiaries have taken all necessary actions (including, without limitation, the payment of all license and other fees) to obtain and keep the Intellectual Property Rights in full force and effect.

Section 3.25 Environmental. The Company and its Subsidiaries have conducted and are conducting their businesses in compliance in all material respects with all applicable federal, state and local laws, regulations and requirements relating to the protection of the environment ("Environmental Laws"). There is no notice, claim, suit, action or proceeding pending against, or, to the Knowledge of Sellers, threatened against, the Company or any of its Subsidiaries, alleging a violation by the Company or any of its Subsidiaries of Environmental Laws, investigating compliance with Environmental Laws on the part of the Company or any of its Subsidiaries, or asserting a liability arising from off-site disposal of hazardous substances ("Environmental Claim"). There is no condition existing with respect to the release, emission, discharge or presence of hazardous substances in connection with the businesses of the Company or any of its Subsidiaries which would subject any of them to any liability under Environmental Laws. The Company and its Subsidiaries have received all approvals, consents, licenses, and permits necessary to carry on their businesses substantially as currently conducted in compliance with all

applicable Environmental Laws. To the Knowledge of Sellers, there is no condition or circumstance arising out of or relating to any real property facilities leased by the Company or any of its Subsidiaries that could reasonably be expected to give rise to a liability of the Company under Environmental Laws including, without limitation, conditions or circumstances arising out of the past use of any such facilities by third parties or the past or current use of any adjoining facilities by third parties.

Section 3.26 Corporate Insurance. Schedule 3.26 of the Company Disclosure Schedule sets forth a list and description of all property, workers compensation, commercial automobile, crime, umbrella, general liability, employment practices liability, fiduciary liability and directors' and officers' liability insurance policies maintained by the Company or any of its Subsidiaries. All such policies are in full force and effect and all premiums due with respect to such policies have been paid.

Section 3.27 Past Corporate Acquisitions. Other than as set forth on Schedule 3.27 of the Company Disclosure Schedule, there are no claims pending, or, to the Knowledge of the Sellers, threatened, against the Company or any of its Subsidiaries as a result of the Company's acquisition of any of its Subsidiaries.

Section 3.28 Non-Competition Provisions. Schedule 3.28 of the Company Disclosure Schedule contains a complete and accurate list and description of the terms of all non-competition provisions which impose material restrictions of any type upon the business of the Company or any of its Subsidiaries, whether arising by Contract, Order or other source to the extent applicable specifically to the Company or any of its Subsidiaries.

Section 3.29 Regulatory Examinations.

(a) The Sellers have provided, or have caused the Company to provide, the Purchaser with copies of all examination reports, reports of investigations and inquiries relating to any of the Company's insurance Subsidiaries received from any Government Entity since January 1, 2006, responses thereto by the respective Subsidiaries, and all other communications to or from Government Entities with respect thereto. Except as otherwise disclosed on Schedule 3.29(a) of the Company Disclosure Schedule, there are no examinations by any state insurance department or any other Government Entities in progress involving any of the Company's insurance Subsidiaries, and, to the Knowledge of the Sellers, none of the Company's insurance Subsidiaries have received notice that any such examinations are planned.

(b) The Sellers have identified in Schedule 3.29(b) of the Company Disclosure Schedule (or will identify on a supplement to Schedule 3.29(b) of the Company Disclosure Schedule within four (4) Business Days of the date of this Agreement) all of the following types of holding company filings or submissions made by (or relating to) the Company or any of its Subsidiaries with any insurance regulatory authority since January 1, 2006: Forms A, B, C, D, or their functional equivalents (including, without limitation, extraordinary dividends or distributions filings and other material transactions filings), and/or filings required pursuant to "commercial domicile" provisions in the insurance laws of any particular jurisdiction.

(c) Each of the Company's insurance Subsidiaries has filed all material reports, registrations, filings and submissions required to be filed with any insurance regulatory authority since January 1, 2005, except where the failure to make such filings could not reasonably be expected to have a Material Adverse Effect. All such reports, registrations, filings and submissions were in compliance with applicable Law when filed or as amended or supplemented, except where such failure to be in compliance could not reasonably be expected to have a Material Adverse Effect.

Section 3.30 Privacy Law Compliance.

(a) The Company and its Subsidiaries operate pursuant to one or more

written privacy policies (the "Privacy Policies") regarding, among other things, the collection and use of non-public personal information from the policyholders of its insurance Subsidiaries and other Persons ("NPI"). Schedule 3.30(a) of the Company Disclosure Schedule sets forth a list of all of the Privacy Policies, copies of which have been delivered to the Purchaser except as otherwise noted on such schedule. The Privacy Policies comply with all applicable Laws and industry standards and practice, including, without limitation, all applicable HIPAA and GLB requirements and credit card industry security standards. The Company and its Subsidiaries are in compliance with the Privacy Policies, and to Seller's Knowledge, the Company and its Subsidiaries do not use NPI in an unlawful manner or in a manner that violates privacy rights or industry standards, including, without limitation, policyholder rights under HIPAA and GLB, except where the failure to so comply would not reasonably be expected to have a Material Adverse Effect on the Company.

(b) The Company and its Subsidiaries maintain adequate physical, electronic, and procedural safeguards that comply with all applicable Laws and industry standards and practice regarding the protection of NPI and the privacy rights of policyholders and other Persons. Except as set forth in Schedule 3.30(b) of the Company Disclosure Schedule, since January 1, 2006, neither the Company nor any of its Subsidiaries has suffered a security breach with respect to its data or information systems requiring notification to policyholders or other third parties.

ARTICLE IV

OTHER REPRESENTATIONS AND WARRANTIES OF THE SELLERS

As to each member of each Seller Group, the representations and warranties provided in this Article IV shall be joint and several with all other members of the same Seller Group. Each Seller or Seller Group, severally and with respect only to such Seller or Seller Group, and not jointly with the other Sellers or Seller Groups, represents and warrants to the Purchaser, as of the date of this Agreement and as of the Closing, as follows:

Section 4.1 Organization. Each Seller (other than Mory Katz and James M. Stone as individual Sellers) 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.

Section 4.2 Ownership of Shares. Each 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 Purchaser at the Closing valid title to such Shares. Schedule 4.2 of the Company Disclosure Schedule sets forth a list of all documents which comprise the Shareholders Agreement, and copies of all such documents containing the currently operative provisions of the Shareholders Agreement have been provided to the Purchaser. There are no other agreements or understandings among or between any of the Sellers related to the Shares. There is no lien for Taxes upon any of the Shares nor, to the Knowledge of the Sellers, is any taxing authority in the process of imposing any lien for Taxes on the Shares, 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 as described in Schedule 3.10 of the Company Disclosure Schedule.

Section 4.3 Authorization. Each Seller has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance by each Seller of this Agreement has been duly and validly authorized by all necessary actions on the part of such Seller and its shareholders, partners or members, as the case may be. The individuals listed on Schedule 4.3 of the Company Disclosure Schedule are duly authorized on behalf of, and have full power to bind, the Seller and its applicable Seller Group in accordance with the authorizing resolutions or other documents listed on and included with Schedule 4.3 of the Company Disclosure Schedule.

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 any Seller from, or to be given by any 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 of this Agreement by each Seller 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 such Seller (other than Mory Katz and James M. Stone as individual Sellers); (ii) violate or result in a breach of any Contract to which such Seller is a party or by which it is bound; or (iii) 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 such Seller is subject.

Section 4.6 Binding Effect. This Agreement constitutes the valid and legally binding obligation of each Seller enforceable against it or him 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 existing Order, and no civil, criminal or administrative action, suit, demand, claim, hearing, proceeding or investigation pending or, to the Knowledge of Sellers, threatened against any Seller that, individually or in the aggregate, would prevent or materially delay the ability of such Seller to execute, deliver and perform this Agreement or consummate the Transactions, including 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 any Seller or any Affiliate of such Seller that might be entitled to any fee or commission from the Purchaser or the Company or its Subsidiaries in connection with the Transactions.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Sellers, as of the date of this Agreement and as of the Closing, as follows:

Section 5.1 Organization. The 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. The Purchaser has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance by the Purchaser of this Agreement has been duly and validly authorized by all necessary corporate action on behalf of the Purchaser. No approval by the shareholders of the Purchaser is required in connection with the execution, delivery and performance by the 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 the Purchaser from, or to be given by the Purchaser to, or made by the Purchaser with, any Government Entity or other Person in connection with the execution, delivery and performance by the 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 the Purchaser to effect the Closing.

Section 5.4 Non-Contravention. The execution, delivery and performance by the 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 the 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 the Purchaser is subject.

Section 5.5 Binding Effect. This Agreement constitutes a valid and legally binding obligation of the 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 the Purchaser or any Affiliate of the 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 existing Order, and no civil, criminal or administrative action, suit, demand, claim, hearing, proceeding or investigation pending or, to the Knowledge of the Purchaser, threatened against the Purchaser that, individually or in the aggregate, would prevent or materially delay the ability of the Purchaser to execute, deliver and perform this Agreement or consummate the Transactions, including the Closing.

Section 5.8 Financing. The 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. The 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.

ARTICLE VI

COVENANTS

Section 6.1 Access and Information. From the date of this Agreement until the Closing, the Sellers shall cause the Company and its Subsidiaries, to the extent allowed by law, to: (i) afford the Purchaser and its representatives reasonable access (during normal business hours, upon reasonable advance notice and without unreasonable interference with the Company's businesses) to their employees, advisors and counsel and the assets, properties, Books and Records of the Company and Subsidiaries, including the Investment Assets; and (ii) furnish, or cause to be furnished, to the Purchaser 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 Purchaser from time to time reasonably requests in connection with the Transactions.

Section 6.2 Conduct of Business. From the date of this Agreement until the Closing, except as otherwise expressly contemplated by this Agreement or as the Purchaser shall otherwise agree to in writing, Sellers shall cause the Company and 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, if any, with its customers, suppliers, creditors, Agents, brokers, program managers, reinsurers and Employees of the Company and its Subsidiaries. Notwithstanding the foregoing, from the date of this Agreement until the Closing, except as (x) otherwise expressly contemplated by this Agreement, (y) required in connection with the pending merger of Connecticut Life and Casualty Insurance Company and Response Worldwide Insurance Company, or (z) the Purchaser 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:

(a) 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;

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

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

(d) 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;

(e) incur any Indebtedness other than: (i) Indebtedness incurred in the Ordinary Course; or (ii) Indebtedness the aggregate amount of which does not exceed \$100,000 in the aggregate;

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

(g) except as required by GAAP or SAP, change its fiscal year or make any change in its methods, principles or practices of accounting;

(h) (i) 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; (ii) 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; (iii) sell any Investment Assets, or (iv) acquire any Investment Assets (including by the reinvestment of existing Investment Assets) other than United States Treasury securities with maturities not to exceed five years, or money market funds which invest primarily in such United States Treasury securities, without the Purchaser's prior written consent;

(i) 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;

(j) (i) terminate, amend, renew, or extend any existing Material Contract, or enter into a new Material Contract, (ii) allow a lapse in coverage in any of the Reinsurance Agreements or the corporate insurance policies set forth in Schedule 3.26 of the Company Disclosure Schedule, or (iii) fail to take such actions as necessary, including the payment through the Closing Date of all license and other fees required to maintain the Intellectual Property Rights in full force and effect;

(k) 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 or in the Ordinary Course of Business;

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

(m) make any new equity awards to any Seller, or any director, officer or employee of the Company or any of its Subsidiaries, and the Sellers shall cause the Company to terminate the agreements or arrangements providing for monthly grants of Company Options to Jeffrey Keil and The Plymouth Rock Company Incorporated, so that the Company is not required to grant any Company Options after July 1, 2008;

(n) except as required pursuant to existing written agreements or Benefit Plans in effect prior to the date of this Agreement and set forth on Schedule 6.2(n) of the Company Disclosure Schedule, or as otherwise required by applicable Law: (i) grant or provide any severance or termination payments or benefits to any director, officer or employee of the Company or any of its Subsidiaries; (ii) increase or otherwise change the compensation or bonus of, or pay any bonus to, any Seller, or any director, officer or employee of the Company or any of its Subsidiaries, except in the Ordinary Course of Business; (iii) increase or otherwise change the pension, welfare, severance or other benefits of any Seller, or any director, officer or employee of the Company or any of its Subsidiaries, without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld; (iv) establish, adopt, amend or terminate any Benefit Plan or amend the terms of any outstanding equity-based awards; (v) 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; (vi) hire or extend an offer to hire a new employee into an officer or other executive-level position with the Company or any of its Subsidiaries; or (vii) 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;

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

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

Nothing in this Section 6.2 is intended or shall be interpreted to result in the Sellers, the Company or any of its Subsidiaries ceding control to the Purchaser of the business or operations of the Company or any of its Subsidiaries prior to the Closing Date.

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: (a) common stock of the Company or any of its Subsidiaries; (b) securities convertible into or exchangeable for common stock of the Company or any of its Subsidiaries; or (c) any rights, warrants, options (other than as specifically required pursuant to Section 6.6(d)(ii)), calls or commitments to acquire common stock of the Company or any of its Subsidiaries.

Section 6.4 Reasonable Best Efforts; Cooperation. The Sellers shall, and shall cause the Company and its Subsidiaries to, 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 Purchaser to that end. The Sellers shall furnish, and shall cause the Company to furnish, all information reasonably necessary to fulfill as promptly as practicable the conditions precedent to the Purchaser's 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 the Purchaser to make any regulatory filings, notices or applications required in connection with the consummation of the Transactions.

Section 6.5 Shareholders Agreement. The Parties hereto agree that the Shareholders Agreement shall automatically terminate without further action concurrently with the Closing.

Section 6.6 Miscellaneous Covenants.

(a) J.C. Flowers Litigation. From and after the date of this Agreement and continuing indefinitely hereafter, and unless this Agreement shall have been terminated in accordance with Section 9.1: (i) the Fund Group covenants and agrees that it will not seek or agree to any settlement or Order, including, without limitation, any writ or declaratory judgment, in connection with the J.C. Flowers Litigation (as hereafter defined) which would cause or compel the consummation of the transactions contemplated by that certain Stock Purchase Agreement, dated on or about March 28, 2007, as amended, among J.C. Flowers II L.P., JCF DRC, L.P., The Plymouth Rock Company Incorporated, Stoneridge Holding LLC, Morgan Stanley Capital Partners III, L.P., MSCP III 892 Investors, L.P., Morgan Stanley Capital Investors, L.P., DR Investors, L.P., DR Investors, II, L.P. and the Company; provided that nothing herein shall preclude the plaintiffs in the J.C. Flowers Litigation from asserting or pursuing claims for damages against the defendants; and (ii) the Fund Group shall indemnify, defend and hold harmless the Purchaser and its Affiliates (including the Company and its Subsidiaries after the Closing) from and against all Losses arising in connection with the J.C. Flowers Litigation. Within thirty (30) days of the Closing Date, the Fund Group shall take action to seek amendment of the pleadings in the J.C. Flowers Litigation to eliminate the request for any remedies other than monetary damages. The term "J.C. Flowers Litigation" means the lawsuit currently pending in the Supreme Court of the State of New York, captioned Morgan Stanley Capital Partners III, L.P., MSCP III 892 Investors, L.P., DR Investors, L.P. and DR Investors II, L.P., plaintiffs, v. J.C. Flowers II L.P. and JCF DRC, L.P., defendants, (index # 600983/2008), or any similar or successor lawsuits or appeals taken from any of such lawsuits by any one or more of the parties thereto.

(b) [INTENTIONALLY OMITTED]

(c) Divestment of Interest in Certain Investments. Prior to Closing, Sellers shall cause the Company and its applicable Subsidiaries to: (i) either divest its ownership in Response Property & Management Company, Inc. ("RP&MC"), or cause RP&MC to divest its interest in 695 Atlantic Avenue Company, L.L.C. for an amount in cash not less than the Company's and/or its Subsidiaries' book value in such investments as of the date of this Agreement; and (ii) divest its ownership of the investments listed on Annex H. For purposes of the adjustment mechanism set forth in Section 2.2(a), if the divestment of any investment listed on Annex H occurs after the Base Date, the sales price of such investment shall be used as the GAAP book value of such investment in determining the Cumulative Net Income or Cumulative Net Loss, as the case may be, in the Closing Statement of Income/Loss, which shall be modified if and as necessary to reflect such GAAP book value. The Sellers agree and hereby waive all rights as shareholders of the Company to assert any claims against the Company and its Subsidiaries and the Purchaser and its Affiliates related to the adequacy of consideration received by the Company or its Subsidiaries in connection with the transactions contemplated by this Section 6.6 (c).

(d) Termination/Cancellation of Certain Related Party Agreements and/or Rights. At or prior to Closing, Sellers shall (i) cause the Company to terminate the IRR Agreements, Plymouth Rock Agreements and SRB Agreements, without payment or penalty except as may expressly be provided in such agreements, and (ii) cause the Compensation Committee of the Company to make the election required under Section 10(g)(a) of the Equity Plan in order to extinguish and cancel any and all rights of any participants in the Plan in connection with Company Options.

(e) [INTENTIONALLY OMITTED]

(f) Non-Solicitation. None of the Sellers shall hire or solicit for hiring any

employee of the Company or its Subsidiaries who is an employee as of the date of this Agreement, or seek to persuade any such employee to discontinue employment with the Company or such Subsidiary, for so long as such employee remains employed by the Company or its Subsidiaries (or the Purchaser or one of its Affiliates); provided, however, that the Sellers may solicit such employees for hiring after the second anniversary of the Closing Date.

(g) Financial Statements. Between the date of this Agreement and the Closing Date, the Sellers shall cause the Company and its Subsidiaries to deliver to the Purchaser copies promptly upon their preparation of the following information: (i) GAAP Financial Statements prepared between the date of this Agreement and the Closing Date; (ii) Statutory Statements prepared between the date of this Agreement and the Closing Date; and (iii) actuarial opinions, reports and documentation of the type described in Section 3.16(b).

(h) Internal Reinsurance. Between the date of this Agreement and the Closing Date, the Sellers shall cause the Company's insurance Subsidiaries to: (i) prepare documentation necessary for the termination and commutation of all pooling arrangements between and among any such Subsidiaries to be effective as of the effective date of the Quota Share Reinsurance Agreements; provided, however, that the form of such documentation shall be subject to Purchaser's approval (which approval shall not be unreasonably withheld) and Purchaser shall have the opportunity to review and provide comments on any such documentation as they are being drafted; and (ii) cooperate and assist the Purchaser as reasonably necessary to obtain the Government Entity approvals and consents (or waivers thereof) of the Quota Share Reinsurance Agreements; provided that the transactions in (i) and (ii) above do not have a Material Adverse Effect on any of the Reinsurance Agreements.

(i) Income Statements. Between the date of this Agreement and the Closing Date, the Sellers shall cause the Company to deliver to the Purchaser, 25 days after the end of each calendar month, a Statement of Income/Loss ("Statement of Income/Loss") providing a calculation of the net after-tax income or loss, as the case may be, of the Company and its Subsidiaries on a consolidated basis for the period beginning on January 1, 2008 and ending on the last day of such month, prepared in accordance with GAAP applied on a consistent basis with the GAAP Financial Statements as of and for the year ended December 31, 2007.

(j) Equity Portfolio Gains and Losses. Between the date of this Agreement and the Closing Date, the Sellers shall cause the Company to deliver to the Purchaser, within 21 days after the end of each calendar month, a Statement of Unrealized Equity Portfolio Gains and Losses setting forth for each security owned in the Equity Portfolio as of the last day of such month: (i) a description of each such security held; (ii) number of shares held; (iii) the market value; (iv) the cost basis; and (v) the unrealized appreciation or depreciation. The unrealized appreciation or depreciation referenced in (v) shall be determined for each security by subtracting its GAAP cost basis from its market value. In addition, the Sellers shall cause the Company to deliver to the Purchaser, within 21 days after the date of this Agreement, a Statement of Unrealized Equity Portfolio Gains and Losses as of December 31, 2007.

(k) Meriden Facility Lease. Between the date of this Agreement and the Closing Date, the Sellers shall cause the Company and/or any of its Subsidiaries not to execute or otherwise agree to a new lease, or any extension or other modification of the terms of the current lease, for the Company's facility located in Meriden, Connecticut without the Purchaser's prior review and written consent, which consent shall not be unreasonably withheld; provided, however, without limitation, that the Parties hereby acknowledge and agree that it would not be unreasonable for the Purchaser to withhold such consent if such a proposed new lease, or such a proposed extension or other modification of the current lease, contained terms related to environmental liability and indemnities therefor that are less favorable to the Company than those contained in the current lease.

(l) Computer Code Agreement. Between the date of this Agreement and the Closing Date, the Company may sign an agreement with The Plymouth Rock Company Incorporated with

respect to the sharing of rights related to computer code that memorializes the existing rights and access that The Plymouth Rock Company Incorporated has to certain intellectual property of the Company, provided, however, that the specific form of such an agreement will not be entered into without review and the prior written approval of the Purchaser, which approval shall not be unreasonably withheld.

Section 6.7 Further Assurances. From time to time after the Closing Date, each Seller shall, and shall cause the Company and its Subsidiaries and the Seller's other Affiliates to, promptly execute, acknowledge and deliver any other assurances or documents or instruments of transfer reasonably requested by the Purchaser and necessary for the Purchaser to satisfy its obligations hereunder and to give effect to the Transactions. Sellers will cause the Company to provide the Purchaser with written updates to the Company Disclosure Schedule promptly upon any of the Sellers or the Company or any of its Subsidiaries becoming aware of facts or circumstances that would cause any of the Sellers' representations and warranties under Article III or Article IV to be untrue, incomplete or incorrect in any material respect. However, Sellers may not use the fact that any such updates have been provided to the Purchaser, or the contents of such updates, as a basis for asserting that any of Sellers' representations and warranties is true, complete and correct (or has been made true, complete or correct by such updates) for the purpose of determining whether the conditions to the obligation of the Purchaser to proceed with a Closing in Section 7.2(a) have been satisfied. In the event that the content of any of such update establishes that any of the Purchaser's closing conditions has not been satisfied and the Purchaser nevertheless elects to proceed with the Closing, then the Purchaser shall be precluded from using the contents of such updates as a basis for a claim for indemnification under Section 8.2.

Section 6.8 Covenants of the Purchaser.

(a) Company Employees. The Purchaser shall cause the Company to retain at least 60% of the employees who are employed by the Company and its Subsidiaries as of the Closing Date for a period of at least 12 months after the Closing. In connection with the Purchaser's employee benefit plans, the Purchaser shall take such action as necessary to credit each retained employee with his or her years of service with the Company and/or its Subsidiaries for determining eligibility, vesting and severance calculations (but not the accrual of benefits under any defined benefit or similar plan), and to waive any preexisting conditions and waiting periods, to the extent such conditions or waiting periods had been satisfied under the terms of comparable plans applicable to such employee prior to the Closing, and in applying any deductible or similar limitations under any welfare plan of the Company or the Purchaser, to give credit for amounts taken into account under the analogous plan of the Company prior to Closing.

(b) Post-Closing Use of "Response Insurance" Name. The Purchaser affirms that it is its present intention and plan: (i) to conduct the business of the Company under the name, "Response Insurance," for the foreseeable future and for at least the two-year period following the Closing; and (ii) to evaluate the use of the Response Insurance name in connection with the Purchaser's existing direct-to-consumer automobile insurance business.

(c) Reasonable Best Efforts: Cooperation. The Purchaser shall use its 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 Sellers and the Company to that end. The Purchaser shall use its reasonable best efforts promptly to make, or cause to be made, all regulatory filings, notices or applications it is required to make in connection with the consummation of the Transactions.

(d) Yellow Book. The Purchaser agrees that it will be responsible for producing all of the "yellow books," RBC and other statutory reports in respect of the year in which the Closing Date occurs.

(e) Further Assurances. From time to time after the Closing Date, the Purchaser shall promptly execute, acknowledge and deliver any other assurances or documents reasonably requested by the Sellers and necessary for the Sellers to satisfy their obligations hereunder and to give effect to the Transactions.

Section 6.9. Tax Matters.

(a) Tax Periods Ending On or Before the Closing Date. The Purchaser shall prepare or cause to be prepared and file or cause to be filed on a timely basis all Tax Returns for the Company for taxable periods beginning on or before the close of business on the Closing Date ("Pre-Closing Taxable Periods") that have not been filed prior to the Closing Date. Such Tax Returns shall be prepared consistent with past practice, except as required by applicable Law. Sellers shall not be required to make any indemnification pursuant to Article VIII in respect of a representation or warranty or covenant in this Agreement with respect to Taxes to the extent it is inconsistent with an original Tax Return or amended, refiled or modified Tax Return of the Company and Subsidiaries filed or caused to be filed by Purchaser after Closing unless (i) Purchaser shall have provided a draft of the Tax Return reflecting the inconsistency to the Designated Representative at least 20 days prior to filing the Tax Return, and (ii) Designated Representative does not make a written request to Purchaser within 10 days of Designated Representative's receipt of the draft Tax Return to change the Tax Return in a manner that (A) would lessen or eliminate the inconsistency (provided that a change request shall not satisfy this clause (A) and indemnification shall be available to the extent the inconsistency is not eliminated), and (B) would more likely than not be sustained in litigation. With respect to Tax Returns as filed, (i) Sellers shall not be required to make indemnification in respect of a change requested by Designated Representative within 10 days of Designated Representative's receipt of a draft Tax Return and accepted by Purchaser and reflected on the Tax Return as filed but subsequently disallowed, but (ii) in all other respects Sellers shall be required to indemnify for any breaches stemming from adjustments to Tax Returns as filed (thus, indemnification would apply if a Tax Return is adjusted on audit or examination that is conducted pursuant to Section 6.9(b) hereof and sustained in a final determination in a manner reflecting a breach).

(b) Conduct and Notice of Audits. If an audit or examination is commenced, an adjustment is proposed or any other claim is made by any Government Entity with respect to a Tax Liability which is allocated to the Sellers or for which the Sellers could be liable or responsible under this Agreement or with respect to the net operating loss carryovers for which Sellers may be required to indemnify Purchaser hereunder, then the Purchaser or the relevant Company shall promptly (and in any event within ten (10) days after receipt of written notice of such audit, examination, adjustment or claim) notify the Designated Representative of such audit, examination, proposed adjustment or claim. Notwithstanding anything to the contrary in Section 8.5, the Designated Representative may elect to have control over the conduct of such audit and any related proceeding with respect to said adjustment or claim and Purchaser and the Company shall take any actions (including providing powers of attorney) necessary for Designated Representative to have such control; provided, however, that in such case, the Purchaser may participate in such audit or proceeding at its own expense.

(c) Cooperation on Tax Matters. The Purchaser, the Company and the Designated Representative shall cooperate fully, as and to the extent reasonably requested by any other Party, in connection with the filing of Tax Returns pursuant to this Section 6.9, including any analysis under Section 382 of the Code, determination or computation of any NOL Shortfall payment, and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other Party's reasonable request) the provision of returns, records and information that are reasonably relevant to any such audit, litigation, determination or other proceeding and making employees available during normal business hours on reasonable prior written notice and on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Purchaser agrees to retain or cause the Company to retain all books and records with respect to Tax

matters pertinent to the Company relating to any taxable period beginning before the Closing Date until the expiration of the statutes of limitations of the respective taxable periods (after giving effect to extensions or waivers) or, if later, the date of expiration of the indemnity contained in Section 8.2, and to abide by all record-retention agreements entered into with any taxing authority.

(d) Transfer Taxes. Any sales, use, purchase, transfer, deed, stamp, documentary stamp, or other similar Taxes and recording charges (including any penalties and interest) (collectively, "Transfer Taxes") which may be payable by reason of the transactions contemplated by this Agreement shall be borne and timely paid by the Purchaser when due, and the Purchaser shall file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes, with any related expense paid by the Purchaser.

(e) Tax Returns. Within 30 days after filing, Purchaser shall deliver to Designated Representative a certified copy of any IRS Form 1120 and similar state and local income Tax Returns filed by the Purchaser in accordance with this Section 6.9. Designated Representative and Sellers agree to preserve the confidentiality of any Tax Returns or other Tax-related information received pursuant to this Agreement, and shall not use, disclose or disseminate such information for any purpose other than determination and resolution of rights and obligations arising under this Agreement.

(f) Third Party Certificates. Purchaser and the Sellers agree, upon request, to use all reasonable efforts to obtain any certificate or other document from any governmental authority or customer of the Company or any of its Subsidiaries or any other person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including but not limited to with respect to the transactions contemplated hereby).

ARTICLE VII

CONDITIONS TO CLOSING

Section 7.1 Conditions to the Obligations of the Purchaser 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 shall have expired or been earlier terminated; and (ii) the approval and consents (or waivers thereof) by the Government Entities pursuant to Laws (if applicable) of the states set forth on Annex E (including any approval of a Form A or any similar form that is required to be filed by the Purchaser 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, consents or waivers described in Section 7.1(a) shall have been obtained 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 Purchaser. The obligation of the Purchaser to effect the Closing is also subject to the satisfaction (or written waiver by the Purchaser) at or prior to the Closing of the following conditions:

(a) Representations and Warranties. Solely for purposes of determining whether the conditions to the obligation of the Purchaser to close the Transactions have been met, each of

the representations and warranties of the Sellers set forth in this Agreement shall be true, complete and correct in all respects (without regard to any qualifications therein as to materiality or Material Adverse Effect) as of the date of this Agreement and as of the Closing Date, as if made on and as of such dates (except for such representations and warranties that are made as of a specific date which shall speak only as of such date), unless the failure of any such representations or warranties to be so true, complete and correct as of such date(s) would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect.

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

(c) Seller Certificates. The Purchaser shall have received certificates, dated the Closing Date, signed by:

(i) each of Mory Katz and James M. Stone, certifying: (A) that the conditions set forth in Section 7.2(a) and Section 7.2(b) (with respect to such Seller's covenants) have been satisfied; and (B) to the approval and appointment of the Designated Representative to fully, exclusively and irrevocably represent such Seller's interests in connection with the Escrow Agreement and the matters described in Sections 6.9 and 8.10 and Annexes F and G;

(ii) a duly authorized officer, partner or manager of, or other authorized Person for, each other Seller certifying:

(A) that the conditions set forth in Section 7.2(a) and Section 7.2(b) (with respect to such Seller's covenants) have been satisfied;

(B) to the approval and appointment of the Designated Representative to fully, exclusively and irrevocably represent such Seller's interests in connection with the Escrow Agreement and the matters described in Sections 6.9 and 8.10 and Annexes F and G;

(C) to the obtaining of all necessary corporate or partnership approvals for the completion of the Transactions on behalf of such Seller, and attaching copies of the resolutions or other documents effecting such approvals; and

(D) to the authority, signature and incumbency of the individual(s) signing any documents on behalf of such Seller in connection with the Transactions and attaching copies of the resolutions or other documents effecting such authority; and

(iii) the Designated Representative, certifying to the acceptance of its appointment as the Designated Representative to fully, exclusively and irrevocably represent each Seller's interests in connection with the Escrow Agreement and the matters described in Sections 6.9 and 8.10 and Annexes F and G.

(d) Seller Certificates. The Purchaser shall have received the following certificates, dated as of the Closing Date:

(i) Financial Officer Certificate. The Purchaser shall have received a duly executed certification from the Vice President - Finance of the Company certifying that the representations and warranties of the Sellers set forth in Sections 3.6, 3.7, 3.8 and 3.10 of the Agreement are true, complete and correct as of the date of the Agreement and the Closing Date; provided, however, that such certification shall be made only in such person's capacity as Vice

President – Finance of the Company; and

(ii) Actuary Certificate. The Purchaser shall have received a duly executed certification from the appointed actuary for the Company's insurance Subsidiaries certifying to their insurance reserves reported in the SAP Balance Sheet as of the Base Date which shall also include such actuary's best estimate of such reserves as of the Base Date; provided, however, that such certification shall be made only in such person's capacity as the appointed actuary for the Company's insurance Subsidiaries. The best estimate is not a guarantee and the actual amounts paid could vary, perhaps significantly, from the best estimate. The sole remedy for differences between the Base Date reserves and the actual paid amounts shall be as provided in Annex G.

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

(f) Escrow Agreement. The Purchaser shall have received a duly executed Escrow Agreement from the Escrow Agent and the Designated Representative on behalf of each Seller.

(g) Opinion of Counsel. The Purchaser shall have received a legal opinion for or on behalf of The Plymouth Rock Company Incorporated and the Sellers comprising the Fund Group in form and substance reasonably acceptable to the Purchaser covering all the matters set forth in Annexes B(ii) and B(iii), respectively.

(h) J.C. Flowers Litigation. The Purchaser shall have received evidence to its reasonable satisfaction that there shall have been no settlement or Order (including, without limitation, any writ or declaratory judgment) effected, issued, pending or proposed that would have the effect of causing or compelling the specific performance of the Stock Purchase Agreement dated March 28, 2007 referenced in Section 6.6(a), or declaring that such agreement remains in effect.

(i) Certificates of Good Standing and Incorporation. The Purchaser shall have received good standings certificates and copies of the articles of incorporation (or equivalent organizational documents) for the Company and each of its Subsidiaries, certified by the relevant Government Entities within their respective states of domicile and dated no earlier than sixty (60) days prior the Closing;

(j) Bylaws. The Purchaser shall have received copies of the respective bylaws or other equivalent governance documents for the Company and each of its Subsidiaries, certified by the Secretaries or Assistant Secretaries thereof as of the Closing Date.

(k) Evidence of Required Divestments, Terminations/Cancellations, and Meriden Lease Status. The Purchaser shall have received evidence to its reasonable satisfaction confirming (i) the divestment of investment interests required pursuant to Section 6.6(c), (ii) the termination of the agreements and the making of the Section 10(g)(a) election required pursuant to Section 6.6(d), (iii) the preparation of the documentation necessary for the termination and commutation of the agreements required pursuant to Section 6.6(h), and (iv) compliance with section 6.6(k).

(l) Director Resignations. The Purchaser shall have received resignations signed by each director of the Company and its Subsidiaries effective as of the Closing.

(m) Option Cancellation Payments. The Purchaser shall have received a Schedule setting forth the respective amounts due to the holders of the Company Options as required

pursuant to Section 2.2(b).

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 Sellers representing at least a majority of the Shares) prior to the Closing of the following conditions:

(a) Representations and Warranties. Solely for purposes of determining whether the conditions to the obligation of the Sellers to close the Transactions have been met, each of the representations and warranties of the Purchaser set forth in this Agreement shall be true, complete and correct in all respects (without regard to any qualifications therein as to materiality or Material Adverse Effect) as of the date of this Agreement and as of the Closing Date, as if made on and as of such dates (except for such representations and warranties that are made as of a specific date which shall speak only as of such date), unless the failure of any such representations or warranties to be so true, complete and correct as of such date(s) would not, individually or in the aggregate, reasonably be likely to adversely and materially affect Purchaser's ability to meet its obligations under Article 8.

(b) Covenants. Each of the covenants and agreements of the Purchaser 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 the Purchaser and dated the Closing Date certifying: (i) that the conditions set forth in Section 7.3(a) and Section 7.3(b) have been satisfied; and (ii) that all necessary corporate approvals for the completion of the Transactions on behalf of the Purchaser have been obtained; and (iii) to the authority, signature and incumbency of the individuals signing any documents for the Purchaser in connection with the Transactions.

(d) Escrow Agreement. The Sellers shall have received a duly executed Escrow Agreement from the Escrow Agent and the Purchaser.

(e) Opinion of Counsel. The Sellers shall have received a legal opinion for the Purchaser in form and substance reasonably acceptable to the Sellers covering all the matters set forth in Annex B(i).

ARTICLE VIII

SURVIVAL; INDEMNIFICATION; RESERVE DEVELOPMENT; ESCROW ACCOUNT

Section 8.1 Survival. The representations and warranties of the Sellers and the Purchaser 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 twenty-four (24) months after the Closing Date.

Section 8.2 Indemnification by the Sellers.

(a) Subject to Section 6.9(a) and Section 8.2(b) and Section 8.2(c), each Seller Group, to the extent of its aggregate Pro-Rata Percentage, hereby agrees that from and after the Closing it shall indemnify and hold harmless the Purchaser, its Affiliates (including the Company and its Subsidiaries), and their respective directors, officers, shareholders, employees and their 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 (including, in the event of a breach of the representations contained in Sections 3.10(j) or (k) stemming from a shortfall in the aggregate amount of the net operating loss carryforwards of the Company and its Subsidiaries as compared to the representations therein (an "NOL Shortfall"), a Loss

deemed to be an amount equal to 10% of the NOL Shortfall), 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 (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 such Seller Group contained in this Agreement; and (ii) any breach of any covenant or agreement of Sellers contained in this Agreement or any document or instrument delivered pursuant to this Agreement. Each Seller Group's liability to the Purchaser for Losses pursuant to this Section 8.2 shall be several but not joint with the other Seller Groups, provided that, the liability to the Purchaser of each member of the Seller Group designated as the "Fund Group" in Annex A shall be joint and several with all other members of such Seller Group.

(b) The Purchaser Indemnified Parties shall not be entitled to indemnification for Losses pursuant to Section 8.2(a)(i) and the Seller Groups shall not be liable under Section 8.2(a)(i) unless and until the aggregate amount of such Losses exceeds \$1,500,000 (the "Seller Deductible Amount"), and then only for the amount of such Losses in excess of the Seller 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 Seller 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, 3.2, 3.10, 3.22, 3.25, 4.1, 4.2 and 4.3. For the avoidance of doubt, the Seller Deductible Amount shall not apply to claims or payment obligations arising pursuant to Section 8.8 or Annex G.

(c) Subject to the limitations of Section 8.2(b) above and to the remaining limitations in this Section 8.2(c), each Seller Group individually shall be liable to the Purchaser under Section 8.2(a) for a percentage of Losses equal to such Seller's Group's Pro-Rata Percentage of the Purchase Price (as set forth on Annex A); provided, however, that (i) within each Seller Group, each member of such Seller Group shall be jointly and severally liable to Purchaser with all other members of such Seller Group, and (ii) in no case shall a Seller Group's liability to Purchaser for Losses pursuant to Section 8.2(a) exceed an amount equal to such Seller Group's Pro-Rata Percentage of the funds in the Escrow Account (as set forth on Annex A) (the "Seller Indemnification Limit").

(d) Notwithstanding anything to the contrary in this Agreement, including without limitation anything in this Section 8.2, the Seller Groups shall not be responsible for and shall not be required to indemnify Purchaser and its affiliates for Losses attributable to (i) Taxes incurred after the Closing Date, other than Taxes incurred as a result of an NOL Shortfall or other breach of the representations in Sections 3.10(j), (k) and (l), (ii) Taxes reflected on the Closing Date Statement of Income/Loss, or (ii) Taxes incurred as a result of actions taken on the Closing Date after the Closing.

(e) Any available amount otherwise payable by the Sellers under Section 6.9 or Section 8.2 shall be reduced by the present value of any Tax savings reasonably expected to be realized by the Purchaser, its Affiliates or the Company arising in connection with any Losses or Taxes (including from a correlative adjustment to Tax items).

(f) Any indemnification of a Purchaser Indemnified Party pursuant to this Section 8.2 shall be effected solely and exclusively by disbursement from the Escrow Account.

(g) Nothing in this Section 8.2 shall be construed to preclude or limit the Purchaser's right to pursue any and all remedies (i) for any Loss resulting from fraud on the part of the Sellers, or such fraud by the pre-acquisition officers, directors, employees and agents of the Company or its Subsidiaries of which the Sellers had Knowledge, or (ii) for indemnification from Sellers under Section 6.6(a)(ii) of this Agreement, and neither the Seller Deductible Amount, the Seller Indemnification

Limit or the limitations in Section 8.2(f) shall apply to any such claim or remedy referred to in (i) and (ii) above.

Section 8.3 [INTENTIONALLY OMITTED]

Section 8.4 Indemnification by the Purchaser.

(a) The Purchaser hereby agrees that from and after the Closing it shall, indemnify, defend and hold harmless the Sellers, their Affiliates, and their respective directors, officers, managers, shareholders, partners, members, and employees and their respective heirs, successors and permitted assigns, each in their capacity as such (the "Seller Indemnified Parties"), and together with 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, 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 Purchaser contained in this Agreement; or (ii) any breach of any covenant or agreement of the Purchaser contained in this Agreement or any document delivered pursuant to this Agreement.

(b) The Seller Indemnified Parties shall not be entitled to indemnification for Losses pursuant to Section 8.4(a)(i) unless and until the aggregate amount of such Losses exceeds \$1,500,000 ("Purchaser Deductible Amount"), and then only for the amount of such Losses in excess of the Purchaser Deductible Amount, but regardless of the amount of any single claim (or series of claims arising from substantially identical facts or circumstances). For the avoidance of doubt, the Purchaser Deductible Amount shall not apply to claims or payment obligations arising pursuant to Section 8.8 or Annex G.

(c) In no case shall the Purchaser's liability to the Seller Indemnified Parties for Losses pursuant to Sections 8.4(a), or to the Sellers for purposes of Section 8.8 or Annex G, exceed \$15,000,000 in the aggregate (the "Purchaser Indemnification Limit").

(d) Any indemnification of a Seller Indemnified Party pursuant to this Section 8.4 shall be effected by wire transfer or transfers of immediately available funds from the Purchaser to an account designated by the applicable Seller Indemnified Party to the Purchaser within fifteen (15) days after the determination (whether by agreement of the parties, pursuant to the dispute resolution procedures described in Section 10.8 and Annex F or other terms of this Agreement) of the claim giving rise to such indemnification.

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) Except as provided in Section 6.9, 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 thirty (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) 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: (i) shall not be 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 [INTENTIONALLY OMITTED]

Section 8.8 Post-Closing Reserve Development. To enable the Sellers to participate in favorable development, and to compensate the Purchaser for unfavorable development, of the reserves of the Company's insurance Subsidiaries after the Closing, the Parties agree to the post-Closing reserve development provisions set forth in Annex G. Each Seller Group's liability to the Purchaser pursuant to this Section 8.8 and Annex G shall be several but not joint with the other Seller Groups, provided that, the liability to the Purchaser of each member of the Seller Group designated as the "Fund Group" in Annex A shall be joint and several with all other members of such Seller Group. Any compensation due to the Purchaser pursuant to this Section 8.8 and Annex G shall be payable solely and exclusively from funds in the Escrow Account.

Section 8.9 Escrow Account Procedures. Calculation of the amounts distributable to the Parties from the Escrow Account shall be made promptly after delivery of the Measurement Date Reserve Report by the Purchaser to the Designated Representative pursuant to Annex G, and such amounts shall be paid in accordance with the following procedures. The amount shown in the Measurement Date Reserve Report as owing to the Purchaser or the Sellers, as the case may be, is referred to hereafter as the

“Preliminary Reserve Payment.” The amount that is finally determined to be due to the Purchaser or the Sellers in relation to post-Closing reserve development pursuant to Annex G (whether by agreement of the Purchaser and the Designated Representative or by the dispute resolution procedures in Annex F) is referred to hereafter as the **“Final Reserve Payment.”** All payments from the Escrow Account shall be made in accordance with the procedural requirements set forth in Section 3 of the Escrow Agreement.

(a) If, on the date the Measurement Date Reserve Report is delivered to the Designated Representative, there are no unresolved, pending claims by the Purchaser for indemnification pursuant to Section 8.2, then the following procedures will apply:

(i) If the Measurement Date Reserve Report shows a Preliminary Reserve Payment owing to the Purchaser, then an amount equal to the Preliminary Reserve Payment shall be retained in the Escrow Account until the Final Reserve Payment has been determined. The excess, if any, of the balance in the Escrow Account over the amount of the Preliminary Reserve Payment shall be paid to the Sellers. When the Final Reserve Payment has been determined, if such Final Reserve Payment is due to the Purchaser it shall promptly be paid to the Purchaser from the Escrow Account (to the extent there are then sufficient funds therein) and any balance remaining in the Escrow Account shall promptly be paid to the Sellers. If the Final Reserve Payment is due to the Sellers, it shall promptly be paid by the Purchaser to the Sellers and the entire remaining balance in the Escrow Account shall likewise be paid from the Escrow Account to the Sellers.

(ii) If the Measurement Date Reserve Report shows a Preliminary Reserve Payment owing to the Sellers, then the entire balance in the Escrow Account shall promptly be paid to the Sellers. When the Final Reserve Payment has been determined, the Final Reserve Payment shall promptly be paid by the Purchaser to the Sellers in addition to the balance paid from the Escrow Account.

(b) If, on the date the Measurement Date Reserve Report is delivered to the Designated Representative, there are unresolved, pending claims by the Purchaser for indemnification pursuant to Section 8.2, then the following procedures will apply:

(i) The aggregate amount of such unresolved pending claims (**“Pending Claims”**) shall be placed on “hold” and retained in the Escrow Account pending their resolution (whether by agreement of the Purchaser and the Designated Representative or by the dispute resolution procedures in Annex F). The balance remaining, if any, in the Escrow Account after deduction of the amount placed on hold to cover Pending Claims shall be administered in accordance with Sections 8.9(b)(ii) and 8.9(b)(iii) below. As and when Pending Claims are resolved, any amounts due to the Purchaser shall promptly be paid to the Purchaser from the Escrow Account (to the extent there are sufficient funds therein). To the extent that the resolution of any Pending Claims results in a finding of no liability on the part of the Sellers or liability in an amount less than that originally claimed by the Purchaser, a corresponding amount of funds in the Escrow Account shall be released from on hold and shall become available to satisfy any amount due to the Purchaser pursuant to Annex G (to the extent applicable) or for payment to the Sellers, as the case may be.

(ii) If the Measurement Date Reserve Report shows a Preliminary Reserve Payment owing to the Purchaser, then an amount equal to the Preliminary Reserve Payment shall be retained in the Escrow Account until the Final Reserve Payment has been determined. The excess, if any, of the balance in the Escrow Account over the amount of the Preliminary Reserve Payment plus any amounts on hold for Pending Claims pursuant to Section 8.9(b)(i) shall promptly be paid to the Sellers. When the Final Reserve Payment has been determined, if such Final Reserve Payment is due to the Purchaser it shall promptly be paid to the

Purchaser from the Escrow Account (to the extent there are then sufficient funds therein), and any balance remaining in the Escrow Account in excess of any amount still on hold for Pending Claims shall promptly be paid to the Sellers. If the Final Reserve Payment is due to the Sellers, it shall promptly be paid by the Purchaser to the Sellers and any balance remaining in the Escrow Account in excess of any amount still on hold for Pending Claims shall promptly be paid from the Escrow Account to the Sellers. In all cases, any amounts on hold for Pending Claims shall be distributed in accordance with Section 8.9(b)(i).

(iii) If the Measurement Date Reserve Report shows a Preliminary Reserve Payment owing to the Sellers, then the balance in the Escrow Account shall promptly be paid to the Sellers, less any amounts on hold for Pending Claims, which amounts shall be distributed in accordance with Section 8.9(b)(i). When the Final Reserve Payment has been determined, the Final Reserve Payment shall promptly be paid by the Purchaser to the Sellers in addition to the amounts paid from the Escrow Account.

Section 8.10 Authority of Designated Representative. The Designated Representative is hereby approved and appointed to fully, exclusively and irrevocably represent the Sellers, with sole authority and discretion to act on behalf of all of the Sellers in all matters arising out of this Article VIII and the Escrow Agreement and Section 6.9, including, without limitation, the defense and settlement of claims brought by the Purchaser under Section 8.2, the initiation and settlement of claims against the Purchaser under Section 8.4, and the initiation, defense and settlement of mediation and arbitration proceedings under Section 8.8 and Annexes F and G.

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 Purchaser and the Sellers;
- (b) either by the Purchaser or by Sellers representing at least a majority of the Shares, by giving written notice of such termination to the other Parties, if the Closing shall not have occurred on or prior to May 1, 2009 so long as a material breach by the terminating Parties of their obligations under this Agreement has not proximately caused the failure of the Closing to occur by such date;
- (c) either by the Purchaser or by Sellers representing at least a majority of the Shares, by giving written notice of such termination to the other Parties, if there shall be in effect any Law that prohibits the Closing and such Law shall be final and non-appealable;
- (d) by the Purchaser, by giving thirty (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;
- (e) by Sellers representing at least a majority of the Shares, by giving thirty (30) days' written notice of such termination to the Purchaser, if there has been a breach of any of the representations, warranties, covenants or agreements of the Purchaser 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;
- (f) by the Purchaser, by giving written notice of such termination to the Sellers, if: (i) any of the conditions to Closing set forth in Sections 7.1 or 7.2 shall have become

incapable of fulfillment prior to the date set forth in Section 9.1(b); or (ii) any event, circumstance or condition of any nature whatsoever shall have occurred 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 date set forth in 9.1(b); and

(g) by Sellers representing at least a majority of the Shares, by giving written notice of such termination to the Purchaser, if any of the conditions to Closing set forth in Sections 7.1(a) or (b) or Section 7.3 shall have become incapable of fulfillment prior to the date set forth in Section 9.1(b).

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 (Dispute Resolution; Governing Law), 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 certified mail, return receipt requested, or if sent by facsimile or email; provided that the facsimile or email is promptly confirmed by telephone or written 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 Purchaser:

Trinity Universal Insurance Company
c/o Unitrin, Inc.
One East Wacker Drive
Chicago, IL 60601
Attention: Chief Financial Officer
Fax: (312) 661-4690

with a copy to:

Trinity Universal Insurance Company
c/o Unitrin, Inc.
One East Wacker Drive
Chicago, IL 60601
Attention: General Counsel
Fax: (312) 661-4941

To the Fund Group:

c/o Metalmark Subadvisor LLC
1177 Avenue of the Americas
New York, NY 10036

Attention: Howard I. Hoffen
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 Plymouth Rock Company Incorporated:

The Plymouth Rock Company Incorporated
695 Atlantic Avenue
Boston, MA 02111
Attn: Hal Belodoff
Fax: (617) 526-7969

with copies to:

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

and (if prior to the Closing Date)

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

To James M. Stone:

The Plymouth Rock Company Incorporated
695 Atlantic Avenue
Boston, MA 02111
Attn: James Stone

Fax: (617) 526-7969

To Mory Katz:

Direct Response Corporation
500 South Broad Street
Meriden, CT 06450
Attention: Mory Katz

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 Purchaser 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 Purchaser. The Purchaser 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 the Purchaser of any of its 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 No 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 Purchaser 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 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 Purchaser and the Sellers, which approval shall not be unreasonably withheld. Notwithstanding the foregoing, the Parties hereto approve: (i) the announcement of this Agreement and the Transactions to the current employees of the Company and any of its Subsidiaries, to be provided by the Company with the Purchaser's written approval of the timing and content thereof; and (ii) the Purchaser's public announcements of the execution of this Agreement and the Closing, which may include a description of the Purchase Price and other material terms, by issuance of a press release and filing of a Current Report on Form 8-K with the Securities and Exchange Commission, provided that the Purchaser shall give the Sellers an opportunity to review such announcements a reasonable time prior to release thereof.

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 Dispute Resolution; Governing Law.

(a) All disputes between any of the Parties hereunder, including, without limitation, disputes related to any Claim Notice given pursuant to Section 8.5(a) or post-Closing reserve development pursuant to Section 8.8 or Annex G, shall be resolved in accordance with the dispute resolution procedures set forth in Annex F.

(b) **THIS AGREEMENT AND ITS ENFORCEMENT WILL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.**

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.

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the signature page follows on the next page.]**

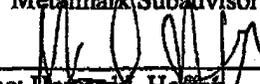
IN WITNESS WHEREOF, the parties have executed or caused this Agreement to be executed as of the date first written above.

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

By: MSCP III 892 Investors, 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: Howard I. Hoffen
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: Howard I. Hoffen
Title: Managing Director

THE PLYMOUTH ROCK COMPANY INCORPORATED

By: _____
Name:
Title:

JAMES M. STONE

MORY KATZ

TRINITY UNIVERSAL INSURANCE COMPANY

By: _____
Name:
Title:

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

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

By: MSCP III 892 Investors, 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: Howard I. Hoffman
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: Howard I. Hoffman
Title: Managing Director

THE PLYMOUTH ROCK COMPANY INCORPORATED

By: Neil Beloff

Name:
Title:

JAMES M. STONE

James M. Stone

MORY KATZ

TRINITY UNIVERSAL INSURANCE COMPANY

By: _____

Name:
Title:

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

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

By: MSCP III 892 Investors, 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: Howard I. Hoffen
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: Howard I. Hoffen
Title: Managing Director

THE PLYMOUTH ROCK COMPANY INCORPORATED

By: _____
Name:
Title:

JAMES M. STONE

MORY KATZ



TRINITY UNIVERSAL INSURANCE COMPANY

By: _____
Name:
Title:

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

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

**By: MSCP III 892 Investors, 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: Howard I. Hoffen
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: Howard I. Hoffen
Title: Managing Director**

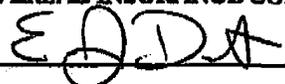
THE PLYMOUTH ROCK COMPANY INCORPORATED

**By: _____
Name:
Title:**

JAMES M. STONE

MORY KATZ

TRINITY UNIVERSAL INSURANCE COMPANY

**By: _____ 
Name: ERIC J. DRAUT
Title: ASSISTANT VICE PRESIDENT**

ANNEX A

<u>SELLER NAME</u>	<u>Seller Group</u>	<u>Seller's Number of Shares</u>	<u>Seller's Percentage of Shares (%)</u>
MORGAN STANLEY CAPITAL PARTNERS III, L.P.	Fund Group	106895.41125	40.117
MSCP III 892 INVESTORS, L.P.	Fund Group	10943.11425	4.11
MORGAN STANLEY CAPITAL INVESTORS, L.P.	Fund Group	2994.80775	1.124
DR INVESTORS, L.P.	Fund Group	103890.95025	38.99
DR INVESTORS II, L.P.	Fund Group	13609.05000	5.11
JAMES M. STONE	Stone	6578.00000	2.47
THE PLYMOUTH ROCK COMPANY INCORPORATED	PRC	21349.25000	8.01
MORY KATZ	Katz	200.00000	0.08

AGGREGATES		<u>Total Number of Shares</u>	<u>Percentage of Shares</u>
Aggregate Total		266,460.58350	100.0

ANNEX B (I)

Form of Legal Opinion of Counsel to the Purchaser

Capitalized terms used in this Annex and not otherwise defined have the meanings given to such terms in the Stock Purchase Agreement ("Agreement") to which this Annex relates.

Subject to such limitations and qualifications as are customary in legal opinions rendered in connection with transactions such as those contemplated by the Agreement, the opinion letter of the Purchaser's counsel to be delivered at the Closing pursuant to Section 7.3(e) of the Agreement shall contain opinions of such counsel substantially to the effect that:

1. **The Purchaser:**
 - (a) is a corporation duly organized, validly existing and in good standing under the Laws of the State of Texas;
 - (b) has full power and authority to execute and deliver the Agreement and to perform its obligations thereunder; and
 - (c) has taken all necessary actions to confer full authority on the Persons that have executed, or will execute, the Agreement and all related certificates and other documents on behalf of the Purchaser in connection with the Closing.

2. The execution, delivery and performance of the Agreement, and the consummation of the Transactions, by the Purchaser do not and will not violate any provision of the articles of incorporation, bylaws or other organizational documents of the Purchaser or violate or result in a breach of, or constitute a default under, any Law to which the Purchaser is subject.

3. Assuming due authorization, execution and delivery of the Agreement by all of the Parties thereto, the Agreement constitutes the valid and legally binding obligation of the 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 principles of equity.

ANNEX B (ii)

Form of Legal Opinion of Counsel to The Plymouth Rock Company Incorporated

Capitalized terms used in this Annex and not otherwise defined have the meanings given to such terms in the Stock Purchase Agreement ("Agreement") to which this Annex relates.

Subject to such limitations and qualifications as are customary in legal opinions rendered in connection with transactions such as those contemplated by the Agreement, the opinion letter of the Sellers' counsel to be delivered at the Closing pursuant to Section 7.2(g) of the Agreement shall contain opinions of such counsel substantially to the effect that:

1. The Plymouth Rock Company Incorporated (the "Subject Seller"):
 - (a) is a legal entity duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization;
 - (b) is the record owner of the number of Shares set forth opposite its name in Annex A; and
 - (c) has full power and authority to execute and deliver the Agreement and to perform its obligations thereunder.

3. The execution, delivery and performance of the Agreement, and the consummation of the Transactions, by the Subject Seller do not and will not violate any provision of the articles of incorporation, bylaws or other organizational documents of the Subject Seller or violate or result in a breach of, or constitute a default under, any Law to which such Subject Seller is subject.

4. Assuming due authorization, execution and delivery of the Agreement by all of the Parties thereto, the Agreement constitutes the valid and legally binding obligation of the Subject 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 principles of equity.

5. The authorized capital stock of Company consists of 1,000,000 Shares of common stock, of which 266,460.58350 Shares are issued and outstanding as of the date hereof. No other capital stock of the Company is authorized.

6. To the knowledge of such counsel, at the time the Closing becomes effective:
 - (a) All of the outstanding Shares have been duly authorized and are validly issued, fully paid and nonassessable; and
 - (b) There are no voting trusts, proxies, shareholders agreements, arrangements, understandings or commitments in effect to which the Subject Seller is a party with respect to the voting, disposition or other incidents of ownership of any of the Shares.

ANNEX B (iii)

Form of Legal Opinion of Counsel to the Sellers Comprising the Fund Group

Capitalized terms used in this Annex and not otherwise defined have the meanings given to such terms in the Stock Purchase Agreement ("Agreement") to which this Annex relates.

Subject to such limitations and qualifications as are customary in legal opinions rendered in connection with transactions such as those contemplated by the Agreement, the opinion letter of the Sellers' counsel to be delivered at the Closing pursuant to Section 7.2(g) of the Agreement shall contain opinions of such counsel substantially to the effect that:

Ladies and Gentlemen:

We have acted as special counsel for Morgan Stanley Capital Partners III, L.P., a Delaware limited partnership, MSCP III 892 Investors, L.P., a Delaware limited partnership, Morgan Stanley Capital Investors, L.P., a Delaware limited partnership, DR Investors, L.P., a Delaware limited partnership and DR Investors II, L.P., a Delaware limited partnership (the "MSCP Stockholders"), in connection with the Stock Purchase Agreement dated [____], 2008 (the "Stock Purchase Agreement") with you, The Plymouth Rock Company Incorporated, James S. Stone and Mory Katz, under which you have agreed to purchase from the MSCP Stockholders and The Plymouth Rock Company Incorporated, James S. Stone and Mory Katz all of the issued and outstanding shares (the "Shares") of common stock, par value \$0.01 per share, of Direct Response Corporation, a Delaware corporation.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion.

Capitalized terms used but not otherwise defined herein are used as defined in the Stock Purchase Agreement.

Based upon the foregoing, we are of the opinion that:

1. Each Selling Stockholder is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware, and each Selling Stockholder has the power and authority to enter into the Stock Purchase Agreement and to perform its obligations thereunder.
2. The Stock Purchase Agreement has been duly authorized, executed and delivered by or on behalf of each of the MSCP Stockholders.
3. The Stock Purchase Agreement is a valid and binding agreement of each of the MSCP Stockholders, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and equitable principles of general applicability, provided that we express no opinion as to the validity, binding effect or enforceability of paragraph [6.6(f)] of the Stock Purchase Agreement.
4. Upon payment for the Shares to be sold by the MSCP Stockholders to you as provided in the Stock Purchase Agreement and delivery of such Shares to you indorsed to you or in blank in the State of New York by an "appropriate person" (as defined by Section 8-107(a) of the Uniform Commercial Code as in effect in the State of New York (the "UCC")), you shall be a "protected purchaser" of such Shares within the meaning of Section 8-303 of the UCC (assuming that you do not have notice of any adverse claim (as such phrase is defined in Section 8-105 of the UCC) to such Shares).

5. The execution and delivery by the MSCP Stockholders of, and the performance by the MSCP Stockholders of their respective obligations under, the Stock Purchase Agreement will not contravene (i) any provision of the laws of the State of New York, the General Corporation Law and the Revised Uniform Limited Partnership Act of the State of Delaware or any federal law of the United States of America that in our experience is normally applicable to general business corporations or limited partnerships in relation to transactions of the type contemplated by the Stock Purchase Agreement; *provided* that we express no opinion as to federal or state securities laws or (ii) the certificates of formation or limited partnership agreements of the MSCP Stockholders.

In rendering the opinions in paragraph (3) above, we have assumed that each party to the Stock Purchase Agreement, other than each Selling Stockholder, has been duly formed and is validly existing and in good standing under the laws of the jurisdiction of its organization. In addition, we have assumed that the execution, delivery and performance by each party thereto (other than in respect of the MSCP Stockholders), (1) are within its powers, (2) do not contravene, or constitute a default under, the certificate of incorporation or bylaws or other constitutive documents of such party, (3) require no action by or in respect of, or filing with, any governmental body, agency or official and (4) do not contravene, or constitute a default under, any provision of applicable law or regulation or any judgment, injunction, order or decree or any agreement or other instrument binding upon such party, and that the Stock Purchase Agreement is a valid, binding and enforceable agreement of each party thereto, other than the MSCP Stockholders.

We are members of the Bar of the State of New York, and the foregoing opinion is limited to the laws of the State of New York, the federal laws of the United States of America and the General Corporation Law and the Revised Uniform Limited Partnership Act of the State of Delaware.

This opinion is rendered solely to you in connection with the Stock Purchase Agreement. This opinion may not be relied upon by you for any other purpose or relied upon by any other person (including any person acquiring Shares from you) or furnished to any other person without our prior written consent.

ANNEX C

ESCROW AGREEMENT

This Escrow Agreement is dated as of _____, 2008 (the "Agreement") and is among Trinity Universal Insurance Company ("Trinity" or the "Purchaser"), Metalmark Subadvisor LLC (the "Designated Representative") and The Bank of New York Trust Company, N.A., a national banking association, as escrow agent (the "Escrow Agent").

WHEREAS, pursuant to a Stock Purchase Agreement, among TRINITY ("Purchaser"), and MORGAN STANLEY CAPITAL PARTNERS III, L.P., MSCP III 892 INVESTORS, L.P., MORGAN STANLEY CAPITAL INVESTORS, L.P., DR INVESTORS, L.P., DR INVESTORS II, L.P., JAMES M. STONE, THE PLYMOUTH ROCK COMPANY INCORPORATED, and MORY KATZ ("Sellers"), dated as of _____, 2008 (the "Stock Purchase Agreement"), Trinity is purchasing the common stock of Direct Response Corporation ("Company") from Sellers;

WHEREAS, the Stock Purchase Agreement provides, among other things, that Trinity will deposit and pay specified amounts into escrow to be held and distributed by the Escrow Agent in accordance with the terms of this Agreement;

WHEREAS, in executing the Stock Purchase Agreement, the Sellers have irrevocably appointed Metalmark Subadvisor LLC as the "Designated Representative" of each Seller, subject only to the successor procedures approved by the Sellers pursuant to Section 8 below;

WHEREAS, pursuant to such appointment, the Designated Representative has full and exclusive power to send and receive communications on behalf of the Sellers in connection with the Escrow Agreement, to make determinations binding upon the Sellers with respect to any claims asserted by Trinity or the Designated Representative against the Escrow Account pursuant to the Escrow Agreement and the Stock Purchase Agreement; and

WHEREAS, Trinity and the Designated Representative wish to appoint the Escrow Agent to serve as the escrow agent hereunder, and the Escrow Agent is willing to do so subject to the terms, provisions and conditions set forth herein;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, and for other good, fair and valuable considerations and reasonably equivalent value, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the Escrow Agent, Trinity and the Designated Representative do agree as follows, intending to be legally bound:

Section 1. Establishment of Escrow Account

(a) In accordance with the terms of the Stock Purchase Agreement, Trinity is contemporaneously herewith depositing with and to be held in escrow by the Escrow Agent the sum of Fifteen Million Dollars (\$15,000,000), which is hereby accepted by the Escrow Agent to deposit and maintain in an escrow account (the "Escrow Account") in its capacity as Escrow Agent pursuant to the terms of this Agreement.

(c) Trinity, the Designated Representative and the Sellers shall each furnish the Escrow Agent with a completed Form W-8 or Form W-9, as applicable.

(d) By virtue of their execution of the Stock Purchase Agreement, the Sellers have authorized the establishment of the Escrow Account pursuant to the terms hereof.

Section 2. Investments

- (a) The Escrow Agent agrees to invest and reinvest funds in the Escrow Account, but only upon written instructions signed by an authorized agent of Trinity, in the investment categories specified on Exhibit A, which may be amended from time to time by written agreement of Trinity and the Designated Representative.
- (b) The parties recognize and agree that the Escrow Agent will not provide supervision, recommendations or advice relating to either the investment of moneys held in the Escrow Account or the purchase, sale, retention or other disposition of any permitted investment.
- (c) Interest and other earnings on permitted investments shall be added to the Escrow Account and references herein to the funds in the Escrow Account shall include all such interest and earnings. Any loss or expense incurred as a result of an investment will be borne by the Escrow Account.
- (d) The Escrow Agent is hereby authorized to execute purchases and sales of permitted investments through the facilities of its own trading or capital markets operations or those of any affiliated entity. The Escrow Agent shall send statements to each of the parties hereto on a monthly basis reflecting activity in the Escrow Account for the preceding month. Although Trinity and the Designated Representative each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, Trinity and the Designated Representative hereby agree that confirmations of permitted investments are not required to be issued by the Escrow Agent for each month in which a monthly statement is rendered. No statement need be rendered for the Escrow Account if no activity occurred for such month.
- (e) Trinity and the Designated Representative acknowledge and agree that the disbursements of funds from the Escrow Account pursuant to Section 3 below is subject to the sale and final settlement of permitted investments. Proceeds of a sale of permitted investments will be delivered on the Business Day on which the appropriate instructions are delivered to the Escrow Agent if received prior to the deadline for same day sale of such permitted investments. If such instructions are received after the applicable deadline, proceeds will be delivered on the next succeeding Business Day.

Section 3. Disbursement of Escrow Account

- (a) The Escrow Agent shall make disbursements from the Escrow Account pursuant to Section 8.9 of the Stock Purchase Agreement in accordance with one or more written notices in a form substantially similar to that attached hereto as Exhibit B, jointly executed and delivered by authorized representatives of Trinity and the Designated Representative ("Payment Notice(s)") instructing the Escrow Agent to disburse specified amounts of the Escrow Account funds to Trinity or to the Sellers, as specified therein. Upon receipt of any such Payment Notice, the Escrow Agent shall promptly liquidate sufficient investments in the Escrow Account to permit the distribution in cash of the amount(s) specified in such Payment Notice.
- (b) With respect to any disbursements to be made by the Escrow Agent hereunder to Sellers, the Payment Notice shall specify the amount to be paid to each Seller in accordance with the terms of the Stock Purchase Agreement.
- (c) Dividends and interest earned on investments of the funds in the Escrow Account shall be paid to the Sellers on an annual basis in accordance with the schedule set forth on Exhibit C, as may be amended as may be necessary to update wire payment accounts by the Designated Representative upon written notice to the Escrow Agent and Trinity in accordance with Section 10 below.

(d) All disbursements made by the Escrow Agent pursuant to this Section 3 shall be made by wire transfer of immediately available funds to the accounts designated in the Notice, or by bank cashier's or certified check to the payee specified in any Payment Notice delivered to the Escrow Agent under this Section 3.

Section 4. Concerning the Escrow Agent

(a) Notwithstanding any provision contained herein to the contrary, the Escrow Agent, including its officers, directors, employees and agents, shall:

(i) not be liable for any action taken or omitted under this Agreement so long as it and such individuals shall have acted in good faith and without negligence;

(ii) have no responsibility to inquire into or determine the genuineness, authenticity, or sufficiency of any securities, checks, or other documents or instruments submitted to it in connection with its duties hereunder;

(iii) be entitled to deem the signatories of any documents or instruments submitted to it hereunder as being those purported to be authorized to sign such documents or instruments on behalf of the parties hereto, and shall be entitled to rely upon the genuineness of the signatures of such signatories without inquiry and without requiring substantiating evidence of any kind, unless the Escrow Agent shall have actual knowledge of the falsity of any such signatories;

(iv) be entitled to refrain from taking any action contemplated by this Agreement in the event that it becomes aware of any disagreement between the parties hereto as to any facts or as to the happening of any contemplated event precedent to such action, provided that the Escrow Agent agrees to be bound by any arbitration award rendered pursuant to the procedures described in Annex F to the Stock Purchase Agreement;

(v) have no responsibility or liability for any diminution in value of any assets held hereunder which may result from any investments or reinvestment made in accordance with any provision which may be contained herein;

(vi) be entitled to compensation for its services hereunder as per Exhibit D attached hereto, which is made a part hereof, and for reimbursement of its out-of-pocket expenses including, but not by way of limitation, the fees and costs of attorneys or agents which it may find necessary to engage in performance of its duties hereunder, all to be paid by Trinity;

(vii) be under no obligation to invest the deposited funds or the income generated thereby until it has received a Form W-9 or W-8, as applicable, from Trinity and the Designated Representative and the Sellers, regardless of whether such party is exempt from reporting or withholding requirements under the Internal Revenue Code of 1986, as amended;

(viii) be jointly and severally indemnified and saved harmless by Trinity and the Designated Representative from all losses, liabilities, costs and expenses, including attorney fees and expenses, which may be incurred by it as a result of its acceptance of the Escrow Account or arising from the performance of its duties hereunder, unless such losses, liabilities, costs and expenses shall have been finally adjudicated to have resulted from the willful misconduct or negligence of the Escrow Agent, and such indemnification shall survive its resignation or removal, or the termination of this Agreement;

(ix) in the event that (i) any dispute shall arise between the parties with respect to the

disposition or disbursement of any of the assets held hereunder or (ii) the Escrow Agent shall be uncertain as to how to proceed in a situation not explicitly addressed by the terms of this Agreement whether because of conflicting demands by the other parties hereto or otherwise, suspend any payments or other action subject to such dispute and thereafter be fully relieved from any and all liability or obligation with respect to such suspension pending final resolution of the dispute. Trinity and the Designated Representative agree to pursue any redress or recourse in connection with such a dispute in accordance with the dispute resolution provisions set forth as Annex E to the Stock Purchase Agreement, without making the Escrow Agent a party to same;

(x) have only those duties as are specifically provided herein, which shall be deemed purely ministerial in nature, and shall under no circumstance be deemed a fiduciary for any of the parties to this Agreement. The Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of the terms and conditions of any other agreement, instrument or document between the other parties hereto, in connection herewith, other than the provisions in the Stock Purchase Agreement and Annex E thereto, insofar as such provisions relate to this Agreement and the Escrow Agent's responsibilities hereunder. This Agreement sets forth all matters pertinent to the escrow contemplated hereunder, and no additional obligations of the Escrow Agent shall be inferred from the terms of this Agreement or any other agreement except as noted in the preceding sentence. **IN NO EVENT SHALL THE ESCROW AGENT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY (i) DAMAGES OR EXPENSES ARISING OUT OF THE SERVICES PROVIDED HEREUNDER, OTHER THAN DAMAGES WHICH RESULT FROM THE ESCROW AGENT'S FAILURE TO ACT IN ACCORDANCE WITH THE STANDARDS SET FORTH IN THIS AGREEMENT, OR (ii) SPECIAL OR CONSEQUENTIAL DAMAGES, EVEN IF THE ESCROW AGENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES;**

(xi) have the right, but not the obligation, to consult with counsel of its choice and shall not be liable for action reasonably taken or omitted to be taken by Escrow Agent in accordance with the written advice of such counsel; and

(xii) have the right to perform any of its duties hereunder through agents, attorneys, custodians or nominees.

(b) The Escrow Agent shall be entitled to rely upon any written Notices executed and delivered by Trinity and/or the Designated Representative in accordance with Section 3 above. All payment instructions and Notices provided under Section 3 above shall be provided to the Escrow Agent in a written document sent in compliance with Section 10 below. Other instructions by Trinity or the Designated Representative may be made to the Escrow Agent by facsimile, e-mail (or a similar electronic method), provided that such party shall subsequently and promptly provide to the Escrow Agent the originally executed instructions, signed by an authorized representative of such party, and, in the case of Trinity, an incumbency certificate listing such authorized person. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions sent by facsimile, e-mail or other electronic method notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. Trinity or the Designated Representative, as the case may be, agrees to assume all risks arising out of the use of such electronic methods to submit instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(c) Any banking association or corporation into which the Escrow Agent may be merged, converted or with which the Escrow Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any banking association or corporation to which all or substantially all of the corporate trust business of the Escrow Agent shall be transferred, shall succeed to all the Escrow Agent's rights, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the

contrary notwithstanding, provided that Trinity and the Designated Representative shall be entitled to rely on the contact information for the Escrow Agent set forth in Section 10 below until provided written notice of a change thereto in accordance with the requirements of Section 10.

(d) Except in the Stock Purchase Agreement and related documents and records, in filings with the Securities and Exchange Commission, or in other disclosures required by law, no printed or other matter in any language (including, without limitation, prospectuses, notices, reports and promotional material) that mentions the Escrow Agent's name or the rights, powers or duties of the Escrow Agent shall be issued by the other parties hereto or on such parties' behalf unless the Escrow Agent shall first have given its specific written consent thereto.

(e) Force Majeure. The Escrow Agent shall not be obligated to perform any obligation hereunder and shall not incur any liability for the nonperformance or breach of any obligation hereunder to the extent that it is delayed in performing, unable to perform or breaches such obligation because of acts of God, war, terrorism, fire, floods, strikes, electrical outages, equipment or transmission failures, or other causes reasonably beyond its control; provided that the Escrow Agent shall use commercially reasonable efforts consistent with accepted corporate trust industry practices to maintain performance without delay or resume performance as soon as reasonably practicable under the circumstances

Section 5. Attachment of Escrow Fund; Compliance with Legal Orders

In the event that any of the funds in the Escrow Account shall be attached, garnished or levied upon by any court order, or the delivery of any funds from the Escrow Account shall be stayed or enjoined or otherwise affected by an order, award or decree of a court or arbitrator, the Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all such orders, awards or decrees so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in the event that the Escrow Agent obeys or complies with any such order, award or decree it shall not be liable to either of the other parties hereto or to any other person, firm or corporation, by reason of such compliance notwithstanding such order, award or decree be subsequently reversed, modified, annulled, set aside or vacated.

Section 6. Tax Matters

(a) Reporting of Income. The Escrow Agent shall report to the Internal Revenue Service, as of each calendar year-end, and to Trinity, the Designated Representative or the Sellers, as applicable, all income earned from the investment of any sum held in the Escrow Account consistently with the manner and timing of the distributions of funds from the Escrow Account to Trinity, the Designated Representative or the Sellers, as and to the extent required under the provisions of the Code.

(b) Preparation and Filing of Tax Returns. Trinity, the Designated Representative, and the Sellers shall each prepare and file any and all income or other tax returns applicable to the Escrow Account with the Internal Revenue Service and all applicable state and local departments of revenue in all years income is earned as such income is paid out or otherwise attributable to such party in any particular tax year as and to the extent required of such party under the provisions of the Code.

(c) Payment of Taxes. Any taxes payable on income earned from the investment of any sums held in the Escrow Account shall be paid by the recipient of a disbursement hereunder as and to the extent required under the provisions of the Code.

(d) Unrelated Transactions. The Escrow Agent shall have no responsibility for the preparation and/or filing of any tax or information return with respect to any transaction, whether or not related to the Stock Purchase Agreement or a related agreement, that occurs outside the Escrow Account.

Section 7. Resignation or Removal of Escrow Agent

The Escrow Agent may resign as such following the giving of ninety (90) days prior written notice to the other parties hereto. The Escrow Agent may be removed and replaced following the giving of thirty (30) days prior joint written notice to the Escrow Agent by Trinity and the Designated Representative. In either event, the duties of the Escrow Agent shall terminate after expiration of such notice period (or as of such earlier date as may be mutually agreeable); and the Escrow Agent shall then deliver the balance of the moneys or assets then in its possession to a successor escrow agent as shall be jointly appointed by a written notice executed by Trinity and the Designated Representative and delivered to the Escrow Agent.

If Trinity and the Designated Representative have failed to appoint a successor prior to the expiration of the notice period relating to such resignation or removal, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor escrow agent or for other appropriate relief, and any such resulting appointment shall be binding upon all of the parties hereto.

Section 8. Concerning the Designated Representative.

By virtue of their execution of the Stock Purchase Agreement, including this Agreement as Annex C thereto, the Sellers shall be deemed to have authorized Metalmark Subadvisor LLC (together with any successor acting in such capacity, the "Designated Representative") to act in their behalf as provided herein, and the Sellers shall be bound by any and all actions taken hereunder and under the Stock Purchase Agreement by the Designated Representative. In the event that the initial Designated Representative resigns or is otherwise unable to act in such capacity hereunder, _____ shall automatically become the successor Designated Representative. In the event that the successor Designated Representative resigns or is otherwise unable to act in such capacity hereunder, upon written notice to the Purchaser and the Escrow Agent, a successor Designated Representative shall be selected by either the affirmative vote or the written designation of Sellers representing a majority of the Shares on the Closing Date. The Designated Representative shall receive and make all notices and communications in connection with the Stock Purchase Agreement and this Escrow Agreement and shall have the authority to settle, defend, challenge, or compromise any or all claims by Trinity to be satisfied from the Escrow Account. Trinity and the Escrow Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument or document executed, or any notice, communication, decision or action made by, the Designated Representative, and the Sellers and their respective heirs, successors and assigns and shall be fully bound thereby.

Section 9. Termination

(a) This Agreement shall terminate on the close of business on the day during which final disbursement is made, in accordance with Section 3 above, of the full balance of the Escrow Account, including final proceeds of all investments of the funds in the Escrow Account.

(b) Termination of this Agreement shall not relieve any of the parties hereto of any obligation arising under this Agreement prior to termination, including without limitation, the obligations arising under Sections 4(a)(vi) and (viii) above.

Section 10. Notices

Except as otherwise provided above in Section 4(b) with respect to instructions not relating to a payment instruction or Notice pursuant to Section 3, all notices, consents or requests to be given in connection with any of the terms or provisions of this Agreement shall be in writing and provided by personal delivery, courier delivery service or certified mail (return receipt requested), and shall become effective on the date of delivery

hereunder.

Until notified in writing by the appropriate party of a change to a different address, notices shall be addressed as follows:

(i) if to Trinity:

Trinity Universal Insurance Company
c/o Unitrin, Inc.
One East Wacker Drive
Chicago, IL 60601
Attention: General Counsel
Fax Number: (312) 661-4941

(ii) if to the Designated Representative:

Metalmark Subadvisor LLC
1177 Avenue of the Americas
New York, NY 10036
Attention: Howard I. Hoffen
Fax Number: (212) 823-1917

(iii) if to the Escrow Agent:

The Bank of New York Trust Company, N.A.
2 North LaSalle Street, Suite 1020
Chicago, Illinois 60602
Attention: Escrow Unit
Fax Number: (312) 827-8542

Section 11. Dispute Resolution

Any dispute arising under this Agreement shall be resolved in accordance with the dispute resolution procedures described in Annex F to the Stock Purchase Agreement.

Section 12. Governing Law, Counterparts

This Agreement shall be construed in accordance with the laws of the State of New York. It may be executed in several counterparts, each one of which shall constitute an original and all collectively shall constitute but one instrument.

Section 13. Amendment, Modification or Waiver

This Agreement may be amended or modified and any term of this Agreement may be waived if such amendment, modification or waiver is in writing and signed by all parties.

Section 14. Assignments of Interests

No assignment of the interest of any of the parties hereto shall be binding upon the Escrow Agent unless and until written evidence of such assignment in form satisfactory to the Escrow Agent shall be filed with and accepted by the Escrow Agent.

Section 15. USA Patriot Act

Trinity and the Designated Representative hereby acknowledge that the Escrow Agent is subject to federal laws, including the Customer Identification Program ("CIP") requirements under the USA PATRIOT Act and its implementing regulations, pursuant to which the Escrow Agent must obtain, verify and record information that allows the Escrow Agent to identify Trinity and the Sellers. Accordingly, prior to opening an Account hereunder the Escrow Agent will ask Trinity and the Designated Representative to provide certain information including, but not limited to, such names, physical addresses, tax identification numbers and other information that will help the Escrow Agent to identify and verify the required identities. For entities, this may include such information as organizational documents, certificates of good standing, licensees to do business, or other pertinent identifying information. Trinity and the Designated Representative agree that the Escrow Agent cannot open an account hereunder unless and until the Escrow Agent verifies such identities as required in accordance with the CIP.

[Signatures to this Escrow Agreement are on the following page.]

IN WITNESS WHEREOF, the parties have duly executed this Escrow Agreement as of the date first above written.

Trinity Universal Insurance Company.

By _____
Its: Vice President

Metalmark Subadvisor LLC, as Designated Representative

By: _____
Name: Howard I. Hoffen
Title: Managing Director

**The Bank of New York Trust Company, N.A.,
As Escrow Agent**

By _____
Its:

EXHIBIT A

PERMITTED INVESTMENT CATEGORIES

The funds in the Escrow Account shall be invested in the BNY Hamilton Treasury Money Fund.

EXHIBIT B

_____, 200_

The Bank of New York Trust Company, N.A.
2 North LaSalle Street, Suite 1020
Chicago, Illinois 60602

Attention: Corporate Trust Division

Re: Escrow Account No. _____; Escrow Agreement among Trinity Universal Insurance Company, Designated Representative and The Bank of New York Trust Company, N.A., as Escrow Agent (the "Escrow Agent") – PAYMENT NOTICE

Please sell investments held in the Escrow Account as necessary to distribute [\$ _____ from the Escrow Account funds] by wire transfer to _____ (name of bank, bank's ABA number and customer's account number for credit).

Very truly yours,

Trinity Universal Insurance Company

By: _____
Name:
Title:

Designated Representative

By: _____
Name:
Title:

EXHIBIT C

Schedule for Annual Earnings and Escrow
Distributions to Sellers

<u>SELLER NAME</u>	<u>Seller's Number of Shares</u>	<u>Seller's Percentage of Shares (%)</u>	<u>Wire Payment Bank Name and Account #</u>
MORGAN STANLEY CAPITAL PARTNERS III, L.P.	106895.41125	40.117	
MSCP III 892 INVESTORS, L.P.	10943.11425	4.11	
MORGAN STANLEY CAPITAL INVESTORS, L.P.	2994.80775	1.124	
DR INVESTORS, L.P.	103890.95025	38.99	
DR INVESTORS II, L.P.	13609.05000	5.11	
JAMES M. STONE	6578.00000	2.47	
THE PLYMOUTH ROCK COMPANY INCORPORATED	21349.25000	8.01	
MORY KATZ	200.00000	0.08	
TOTAL	266,460.58350	100.0	

EXHIBIT D

Escrow Account
Fee Schedule

Upon appointment of The Bank of New York Trust Company N.A. ("BNY") as Escrow Agent, Trinity shall be responsible for the payment of the fees, expenses and charges as set forth in this Fee Schedule.

GENERAL FEES

ACCEPTANCE FEE - WAIVED

This one time charge is payable at the time of the closing and includes the review and execution of the agreement and all documents submitted in support thereof and establishment of accounts.

ANNUAL ADMINISTRATIVE FEE

An annual fee of \$3,000 per escrow account will cover the duties and responsibilities related to account administration and servicing, which may include maintenance of accounts on various systems, custody and securities servicing, reporting, etc. This fee is payable in advance for the year and shall not be prorated.

INVESTMENT COMPENSATION

With respect to investments in money market mutual funds for which BNY provides shareholder services BNY (or its affiliates) may also receive and retain additional fees from the mutual funds (or their affiliates) for shareholder services as set forth in the Authorization and Direction to BNY to Invest Cash Balances in Money Market Mutual Funds.

BNY will charge a \$25.00 transaction fee for each purchase, sale, or redemption of securities other than the aforementioned Money Market Mutual Funds.

DISBURSEMENT FEE (CHECK OR WIRE) PER TRANSACTION

A fee of \$25.00 will be assessed for each disbursement.

COUNSEL FEES

If counsel is retained by BNY, a fee covering the fees and expenses of Counsel for its services, including review of governing documents, communication with members of the closing party (including representatives of the purchaser, investment banker(s), attorney(s) and BNY), attendance at meetings and the closing, and such other services as BNY may deem necessary. The Counsel fee will be the actual amount of the fees and expenses charged by Counsel and is payable at closing. Should closing not occur, you would still be responsible for payment of Counsel fees and expenses.

MISCELLANEOUS FEES

The fees for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be commensurate with the service to be provided and will be charged in BNY's sole discretion. These extraordinary services may include, but are not

limited to: proxy dissemination/tabulation, customized reporting and/or procedures, electronic account access, etc. Counsel, accountants, special agents and others will be charged at the actual amount of fees and expenses billed.

OUT-OF-POCKET EXPENSES

Additional out-of-pocket expenses may include, but are not limited to, telephone; facsimile; courier; copying; postage; supplies; expenses of foreign depositories; and expenses of BNY's representative(s) and Counsel for attending special meetings. Fees and expenses of BNY's representatives and Counsel will be charged at the actual amount of fees and expenses charged and all other expenses will be charged at cost or in an amount equal to 7% of all expenses billed for the year, in BNY's discretion, and BNY may charge certain expenses at cost and others on a percentage basis.

Terms and Disclosures

TERMS OF PROPOSAL

Final acceptance of the appointment as escrow agent under the escrow agreement is subject to approval of authorized officers of BNY and full review and execution of all documentation related hereto. Please note that if this transaction does not close, you will be responsible for paying any expenses incurred, including Counsel fees. We reserve the right to terminate this offer if we do not enter into final written documents within three months from the date this document is first transmitted to you. Fees may be subject to adjustment during the life of the engagement.

MISCELLANEOUS

The terms of this Fee Schedule shall govern the matters set forth herein and shall not be superseded or modified by the terms of the escrow agreement. This Fee Schedule shall be governed by the laws of the State of New York without reference to laws governing conflicts. BNY and the undersigned agree to jurisdiction of the federal and state courts located in the City of New York, State of New York.

CUSTOMER NOTICE REQUIRED BY THE USA PATRIOT ACT

To help the US government fight the funding of terrorism and money laundering activities, US Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (whether an individual or organization) for which a relationship is established.

What this means to you: When you establish a relationship with BNY, we will ask you to provide certain information (and documents) that will help us to identify you. We will ask for your organization's name, physical address, tax identification or other government registration number and other information that will help us to identify you. We may also ask for a Certificate of Incorporation or similar document or other pertinent identifying documentation for your type of organization.

Annex D
COMPANY DISCLOSURE SCHEDULE

August 29, 2008

This Company Disclosure Schedule is being furnished by Direct Response Corporation (the "Company") in connection with the execution and delivery of that certain Stock Purchase Agreement dated as of August 29, 2008 among Morgan Stanley Capital Partners III, L.P., MSCP III 892 Investors, L.P., Morgan Stanley Capital Investors, L.P., DR Investors, L.P., DR Investors II, L.P., James M. Stone, The Plymouth Rock Company Incorporated, Mory Katz and Trinity Universal Insurance Company (the "Agreement"). Unless the context otherwise requires, all capitalized terms used in this Company Disclosure Schedule shall have the respective meanings assigned to them in the Agreement.

Any information set forth in one section of the Company Disclosure Schedule will be deemed to apply to each other section or subsection of the Agreement to which its relevance is reasonably apparent. No disclosure in this Company Disclosure Schedule relating to any possible breach or violation of any agreement, law or regulation shall be construed as an admission or indication that any such breach or violation exists or has actually occurred or that the ultimate liability, if any, associated with any such breach or violation would be material to the Company. Except as expressly set forth herein, this Company Disclosure Schedule and the information and disclosures contained in this Company Disclosure Schedule are intended only to qualify and limit the representations, warranties and covenants of the Sellers regarding the Company contained in the Agreement and shall not be deemed to expand in any way the scope or effect of any of such representations, warranties or covenants. The headings contained in this Company Disclosure Schedule are included for convenience only, and are not intended to limit the effect of the disclosures contained in this Company Disclosure Schedule or to expand the scope of the information required to be disclosed in this Company Disclosure Schedule.

SCHEDULE 1.1

PERMITTED ENCUMBRANCES

1.1- NONE – but see Annex H

SCHEDULE 3.1 (c)

OPTIONS

3.1 (c)

RESPONSE OPTION AWARDS

<u>Name</u>	<u>Grant #</u>	<u>Grant Date</u>
August Alegi	171	3/31/2004
John Ammendola	2000	10/15/2007
James Bailey	280	3/31/2004
Hal Belodoff	190	3/31/2004
Susan Clafin	300	10/1/2007
Danny Collins	185	3/31/2004
Lee Englert	24	3/31/2004
Kathleen Gleeson	228	3/31/2004
Colleen Granahan	160	3/31/2004
Steven Hancock	1250	2/25/2008
Mory Katz	5300	3/31/2004
George Kowalsky	285	3/31/2004
Eileen Lehman	30	3/31/2004
Yvonne Mansfield	30	3/31/2004
Jayshree Maurantonio	30	3/31/2004
Ray Palermo	30	3/31/2004
Sean Payne	35	3/31/2004
Frank Quido	285	3/31/2004
David Schonbrun	30	3/31/2004
Sandy Urie	100	3/31/2004
Cliff Wess	285	3/31/2004
Plymouth Rock	188	9/15/2005
	125	10/30/2005
	1500	11/30/2005
	125	12/1/2006
	1500	1/1/2007
	125	1/1/2008
	125	2/1/2008
	125	3/1/2008
	125	4/1/2008
Jim Stone	188	9/15/2005
	125	10/30/2005
	1500	11/30/2005
Jim Stone	10,000	2/27/2004
Jeffrey Kell	125	12/1/2006
	125	1/1/2007
	125	2/1/2007
	125	3/1/2007
	125	4/1/2007
	125	5/1/2007
	126	6/1/2007
	125	7/1/2007
	125	8/1/2007
	125	9/1/2007
	125	10/1/2007
	125	11/1/2007
	125	12/1/2007
	125	1/1/2008
	125	2/1/2008
	125	3/1/2008
	125	4/1/2008
	125	5/1/2008
	125	6/1/2008
	125	7/1/2008

29,479

SCHEDULE 3.1(d)

COMPANY SUBSIDIARIES

3.1(d):

Response Insurance Company - Connecticut
Response Indemnity Company – New York
Response Indemnity Company of California - California
Warner Insurance Company – Connecticut
Response Worldwide Insurance Company- Connecticut
Response Worldwide Direct Auto Insurance Company - Connecticut
Connecticut Life and Casualty Insurance Company- Connecticut
National Merit Insurance Company - Washington
301 Oxford Valley Insurance Agency, Inc. - Pennsylvania
Response General Agency of Texas, Inc. - Connecticut
DRC Services Company, Inc. – New York
Response Property and Management Company, Inc. – Massachusetts
CL&C Holding Incorporated - Connecticut
Connecticut Casualty Insurance Agency, Inc. - Connecticut

SCHEDULE 3.4(a)

APPROVALS & CONSENTS

3.4 (a)

California – approval of Form A

Connecticut – approval of Form A

New York – approval of Application regarding Acquisition of Control

Washington – approval of Form A

Hart Scott Rodino approval or waiver

SCHEDULE 3.4(b)

CONSENTS & APPROVALS

3.4 - NONE

SCHEDULE 3.5

NON-CONTRAVENTION

3.5 - NONE

SCHEDULE 3.6

3.6 - None

SCHEDULE 3.9(a)

LITIGATION & CLAIMS

3.9 (a)(i) NONE

3.9 (a) (ii)

- ***In re: Phoenix Licensing, L.L.C., Patent Litigation, Case No. 2:08-md-01910-MHM:*** Direct Response Corporation, Warner Insurance Co., and Response Worldwide Insurance Co. are currently involved in consolidated multidistrict litigation in the U.S. District Court for the District of Arizona.

There are seven member cases in the consolidated litigation named above. Of those seven, DRC, Warner, and Response Worldwide are parties in two cases, as follows:

Phoenix Licensing, L.L.C. and LPL Licensing, L.L.C. v. Chase Manhattan Mortgage Corp., JP Morgan Chase Bank, N.A., Citibank, N.A., Citibank USA, N.A., Citibank (South Dakota), N.A., Citimortgage, Inc., Citigroup, Inc., Citicorp Credit Services, Inc., Countrywide Home Loans, Inc., Countrywide Insurance Services, Inc., Discover Financial Services, Discover Bank, GMAC Mortgage, L.L.C., GMAC Insurance Marketing, Inc., GMAC Bank, Liberty Life Insurance Co., Response Worldwide Insurance Co., Direct Response Corp., Warner Insurance Co., State Farm Mutual Automobile Insurance Co., State Farm Bank, F.S.B., USAA Federal Savings Bank, USAA Savings Bank, and United Services Automobile Assn. (Phoenix Licensing, L.L.C. et al. v. Chase Manhattan Mortgage Corp. et al.), Case No. 2:07-cv-387 (TJW/CE) was originally filed in the U.S. District Court for the Eastern District of Texas. The case was transferred to the District of Arizona, where it was assigned case number 2:08-cv-00666-MHM.

Direct Response Corp., Response Worldwide Insurance Co., and Warner Insurance Co. v. LPL Licensing, L.L.C. and Phoenix Licensing, L.L.C., Case No. 2:08-cv-00001-MHM, filed in the District of Arizona.

DRC, Warner, and Response Worldwide also moved to intervene in *State Farm Mutual Automobile Insurance Co. v. LPL Licensing, L.L.C. and Phoenix Licensing, L.L.C., Case No. 2:08-cv-01329-MHM,* but have since withdrawn the motion to intervene, without prejudice to re-filing in the future.

Update: On August 18, 2008 the Court entered a Scheduling Order. On August 8, 2008 a Joint Motion for a Protective Order was filed. We have learned that the Discover defendants have settled with Plaintiff.

- ***US Sewer and Drain v. SWIF and D.E. Love Associates, Inc., State Workers Insurance Fund and Peggy Bennett, C.C.P. Bucks County, Docket No. 0407037-29-5.***

A former DRC Subsidiary, D.E. Love Associates, Inc. was sued just prior to divestiture by a client of the Agency claiming coverage by the Pennsylvania State Worker's Compensation Fund (SWIF) and negligence by D.E. Love, the agent. While the case is being defended by CAN, the agency's E&O carrier under a reservation of rights, it has been dormant. The Court issued a notice that the case will be dismissed unless a statement of intention to proceed is filed by July 15, 2008. We are not actively involved in the case.

The injured worker also commenced a separate proceeding before the Pennsylvania Department of Labor and industry, Bureau of Workers' Compensation against the employer and SWIF in which he seeks a finding that SWIF should cover his claim.

SCHEDULE 3.10

TAXES

3.10 –

- The Company or its subsidiaries have Tax Indemnification provisions in its Stock Purchase Agreements with:
 1. Great American Insurance Company as of January 24, 2003;
 2. Unigard Insurance Company as of September 11, 2003
- The Company and its subsidiaries file a consolidated tax return.

3.10 (j) – See attached.

SCHEDULE 3.10(i)

The Company had taxable income for the tax year ended December 31, 2004. This schedule shows the years from which the NOLs were utilized to offset taxable income and shows the remaining NOL carryforwards attributable to each year as of December 31, 2006.

<u>Tax Year</u>	<u>Taxable Income Generated</u>	<u>Federal NOL Generated</u>	<u>Utilized in 2004</u>	<u>NOL Carryforward Remaining</u>
9/18/1995 - 12/31/1995		(430)	430	\$--
1/1/1996 - 4/18/1996		(511,258)	47,858	\$(463,400)
4/19/1996 - 12/31/1996		(1,205,442)	1,205,442	\$--
1997		(9,445,628)	9,445,628	\$--
1998		(17,441,877)	3,287,289	\$(14,154,588)
1999		(33,779,508)	--	\$(33,779,508)
2000		(22,866,070)	--	\$(22,866,070)
2001		(27,343,094)	--	\$(27,343,094)
2002		(21,400,252)	--	\$(21,400,252)
2003		(1,243,454)	--	\$(1,243,454)
2004	13,986,647	--	--	\$--
2005		(5,012,380)	--	\$(5,012,380)
2006		(2,914,244)	--	\$(2,914,244)

SCHEDULE 3.11 (a)
ABSENCE OF CHANGES

3.11 (a) - NONE

SCHEDULE 3.11 (b)

ABSENCE OF CHANGES

3.11 (b)

Changes relating to Conduct of Business in section 6.2:

- 1) From 1/1/08 until the date of signing of the Agreement, the Company, in the Ordinary Course, has acquired Investment Assets (including by the reinvestment of existing Investment Assets) other than United States Treasury securities or money market funds as set forth in the Schedule of Purchases provided by the Seller to the Purchaser on August 29, 2008 (excluding the "Par Quantity" and "Purchase Price" columns of the Schedule).
- 2) Response Indemnity Company amended its Charter, effective 3/3/08
- 3) Sixth Amendment to RIC/DRC Service Agreement, dated February 13, 2008, and effective May 31, 2007
- 4) Steven Hancock was hired as Chief Marketing Officer, effective 2/25/08
- 5) See schedule 3.15
- 6) **Return of Capital**
On March 7, 2008, RIC's wholly owned subsidiary, Response Indemnity Company, a New York insurance company, returned capital in the amount of \$7,422,025 in cash to RIC, in accordance with the approval of the New York Insurance Department.
- 7) **Dividends**
 - On April 1, 2008, RIC paid an extraordinary dividend in the amount of \$6,000,000 in cash to DRC, after the Connecticut Insurance Department approved the payment of the dividend.
 - On August 7, 2008, CCIA paid a dividend in the amount of \$45,000 in cash to CL&C.
- 8) **Contributions**
 - a) DRC contributed:
 - \$500,000 in cash to RIC, on January 10, 2008;
 - \$500,000 in cash to Warner, on January 22, 2008;
 - \$250,000 to RIC, on January 28, 2008;
 - \$250,000 to Warner, on January 30, 2008; and
 - b) On March 20, 2008
 - Warner contributed \$350,000 in cash to RWD; and
 - c) On April 22, 2008:
 - DRC contributed \$1,000,000 in cash to RIC; and
 - RIC contributed \$1,000,000 in cash to RWI.
 - d) On May 5, 2008:
 - DRC contributed \$1,000,000 in cash to RIC;
 - DRC contributed \$1,000,000 in cash to Warner;
 - RIC contributed \$1,000,000 in cash to RWI; and
 - Warner contributed \$1,000,000 in cash to RWD.
 - e) On June 18, 2008:
 - DRC contributed \$500,000 in cash to RIC and \$250,000 in cash to Warner; and
 - Warner contributed \$250,000 in cash to RWD.

SCHEDULE 3.13 (a)

EMPLOYEE BENEFITS

3.13(a)

Vision – VSP

Dental – Guardian

Health – Anthem

Life & Accident – The Hartford

401K – Principal Life Insurance Company

Management Equity Plan

Employment Agreements (see Schedule 3.13 (e))

Bonus Plan (see Schedule 3.13 (e))

Employee Manual

SCHEDULE 3.13 (b)

CHANGE OF CONTROL

3.13 (b)

- Consummation of Transaction will qualify as a “change in control event” under the Equity Plan – see 3.1(c) for option grant listing.
- Severance pay would be payable in accordance with Employment Agreements listed in Schedule 3.13 (e) and Section 6 of the Company’s Employee Handbook if the covered Employees are terminated in connection with the Transaction.

SCHEDULE 3.13(e)

EMPLOYMENT AGREEMENTS

3.13 (e)

Severance benefits payable under the Employment Agreements calculated as if the individual were entitled to receive severance benefits as a result of termination of employment on December 31, 2008.

John Ammendola – Hire Date: 10/15/2007 – Current Base Salary \$ [REDACTED]

1. Balance of sign on bonus due at termination \$ [REDACTED]
2. Severance within 1st two years of employment base salary for remainder of 2 year period (until 10/14/2009),
3. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 (calculated as if not prorated) \$ [REDACTED]
4. Non-competition – optional two year non-competition period from 10/15/09 through end of optional non-competition period (reduced by other earnings and amounts severance paid) @ 100% base salary.

Danny Collins – Hire Date: 4/22/2002 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months' base salary plus one month of salary for each year of employment with the Company, pro-rated for any partial final year of employment.
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Optional 2 year non-competition period -- base salary reduced by other earnings and reduced by the amount of severance paid.

Susan Clafin – Hire Date: 10/01/2007 – Current Base Salary \$ [REDACTED]

1. Severance – within 1st two years of employment base salary for remainder of 2 year period (until 9/30/2009).
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus (calculated as if not prorated) \$ [REDACTED]
3. Non-competition – optional two year period from 10/01/09 through end of optional non-competition period (reduced by other earnings and amounts severance paid) @ 100% base salary.

SCHEDULE 3.13(e) continued
EMPLOYMENT AGREEMENTS

Steven Hancock – Hire Date: 02/25/2008 – Current Base Salary \$ [REDACTED]

1. Severance – within 1st two years of employment base salary for remainder of 2 year period (until 2/24/2010).
2. Plus unused vacation time, plus guaranteed 2008 bonus of not less than 25% of annual salary. Bonus (calculated as if guaranteed is paid in 2009) \$ [REDACTED]
3. Non-competition – optional two year non-competition period from 2/24/2010 through end of optional non-competition period (reduced by other earnings and amounts severance paid) @ 100% base salary.

Mory Katz – Hire Date: 4/06/1998 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months plus 1 month for each year of employment, pro-rated for any partial final year of employment
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Mandatory non-competition period - 2 years (interplay with severance unresolved).

George Kowalsky – Hire Date: 09/25/2000 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months' base salary plus one month of salary for each year of employment with the Company, pro-rated for any partial final year of employment.
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Optional 2 year non-competition period – base salary reduced by other earnings and reduced by the amount of severance paid.

Eileen Lehman – Agreement Date: 04/01/2004 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months base salary plus one month of salary for each year of employment with the company after 4/01/04 pro-rated for any partial final year of employment.
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Optional 2 year non-competition period – base salary reduced by earnings from other employment and amount of severance paid.

Yvonne Mansfield – Agreement Date 04/01/2004 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months base salary plus one month of salary for each year of employment with the company after 4/01/04 pro-rated for any partial final year of employment.
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Optional 2 year non-competition period – base salary reduced by earnings from other employment and amount of severance paid.

SCHEDULE 3.13(e) continued
EMPLOYMENT AGREEMENTS

Jayshree Maurantonio – Agreement Date 04/01/2004 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months base salary plus one month of salary for each year of employment with the company after 4/01/04 pro-rated for any partial final year of employment.
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Optional 2 year non-competition period – base salary reduced by earnings from other employment and amount of severance paid.

Ray Palermo – Agreement Date 04/01/2004 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months base salary plus one month of salary for each year of employment with the company after 4/01/04 pro-rated for any partial final year of employment.
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Optional 2 year non-competition period – base salary reduced by earnings from other employment and amount of severance paid.

Sean Payne – Agreement Date 04/01/2004 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months base salary plus one month of salary for each year of employment with the company after 4/01/04 pro-rated for any partial final year of employment.
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Optional 2 year non-competition period – base salary reduced by earnings from other employment and amount of severance paid.

Frank Ouido – Hire Date: 6/28/1999 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months plus 1 month for each year of employment, pro-rated for any partial final year of employment
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Mandatory non-competition period - 2 years (interplay with severance unresolved).

David Schonbrun – Agreement Date 04/01/2004 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months base salary plus one month of salary for each year of employment with the company after 4/01/04 pro-rated for any partial final year of employment.
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Optional 2 year non-competition period – base salary reduced by earnings from other employment and amount of severance paid.

SCHEDULE 3.13(e) continued
EMPLOYMENT AGREEMENTS

Clifford Wess – Hire Date: 4/22/2002 – Current Base Salary \$ [REDACTED]

1. Severance – 2 months' base salary plus one month of salary for each year of employment with the Company, pro-rated for any partial final year of employment.
2. Plus unused vacation time, plus any bonus to which you are entitled at the time of termination (up to 50% of base salary). Bonus paid for 2007 \$ [REDACTED]
3. Optional 2 year non-competition period – base salary reduced by other earnings and reduced by the amount of severance paid.

SCHEDULE 3.14 (f)

CERTAIN BROKER/AGENT AGREEMENTS

3.14 (f) The Company pays contingent commissions to:

- 1. National Computerized Agencies, Inc.**
- 2. Oxford Payroll Plans, Inc.**
- 3. Pearl Carroll and Associates, LLC**

SCHEDULE 3.15

ENCUMBERED ASSETS

**3.15 See Attachment
and
See Section 6.6 (c) regarding 695 Atlantic Avenue.**

Statutory Deposits

Last Updated: 8/19/08

Group	SMAM #	Portfolio #	Company Name	Type	State	Cusip	Description	Par	Maturity	Coupon	
DRC	1785	210	RIC (CT)	Stat	North Carolina	912828GB0	US Treasury Note	\$125,000	12/31/2008	4.750%	US Bank
DRC	1785	210	RIC (CT)	Stat	Connecticut	912828GB0	US Treasury Note	\$2,125,000	12/31/2008	4.750%	Bank of
DRC	2068	220	RID (NY)	Stat	New York	912828GB0	US Treasury Note	\$505,000	12/31/2008	4.750%	Northern
DRC	1889	295	Warner	Stat	Connecticut	912828GB0	US Treasury Note	\$2,000,000	12/31/2008	4.750%	Bank of
DRC	2216	296	WDAIC	Stat	Louisiana	912828GB0	US Treasury Note	\$20,000	12/31/2008	4.750%	Capital C
DRC	2216	296	WDAIC	Stat	Connecticut	912828GB0	US Treasury Note	\$1,500,000	12/31/2008	4.750%	Bank of
DRC	2216	296	WDAIC	Stat	Florida	912828GB0	US Treasury Note	\$205,000	12/31/2008	4.750%	US Bank
DRC	2217	297	WWIC	Stat	New Mexico	912828GB0	US Treasury Note	\$405,000	12/31/2008	4.750%	Bank of
DRC	2217	297	WWIC	Stat	Arkansas	912828GB0	US Treasury Note	\$105,000	12/31/2008	4.750%	Bank of
DRC	2217	297	WWIC	Stat	Louisiana	912828GB0	US Treasury Note	\$70,000	12/31/2008	4.750%	Capital C
DRC	2217	297	WWIC	Stat	Connecticut	912828GB0	US Treasury Note	\$2,250,000	12/31/2008	4.750%	Bank of
DRC	2217	297	WWIC	Stat	Oregon	912828GB0	US Treasury Note	\$370,000	12/31/2008	4.750%	US Bank
DRC	2217	297	WWIC	Stat	Georgia	912828GB0	US Treasury Note	\$85,000	12/31/2008	4.750%	US Bank
DRC	2217	297	WWIC	Stat	North Carolina	912828GB0	US Treasury Note	\$300,000	12/31/2008	4.750%	US Bank
DRC	2217	297	WWIC	Stat	Delaware	912828GB0	US Treasury Note	\$100,000	12/31/2008	4.750%	Wilmington
DRC	2376	298	NM	Stat	Washington	912828GB0	US Treasury Note	\$1,100,000	12/31/2008	4.750%	US Bank
DRC	1785	210	RIC (CT)	Stat	Arkansas	9128276R8	US Treasury - TIPS	\$61,000	1/15/2011	3.500%	Bank of
DRC	1785	210	RIC (CT)	Stat	Massachusetts	9128276R8	US Treasury - TIPS	\$128,000	1/15/2011	3.500%	Citi
DRC	1785	210	RIC (CT)	Stat	Virginia	9128276R8	US Treasury - TIPS	\$225,000	1/15/2011	3.500%	Suntrust
DRC	1785	210	RIC (CT)	Stat	Georgia	9128276R8	US Treasury - TIPS	\$35,000	1/15/2011	3.500%	US Bank
DRC	1785	210	RIC (CT)	Stat	North Carolina	9128276R8	US Treasury - TIPS	\$179,000	1/15/2011	3.500%	US Bank
DRC	1785	210	RIC (CT)	Stat	South Carolina	9128276R8	US Treasury - TIPS	\$130,000	1/15/2011	3.500%	US Bank
DRC	1785	210	RIC (CT)	Stat	New Mexico	9128276R8	US Treasury - TIPS	\$332,000	1/15/2011	3.500%	Bank of
DRC	1785	210	RIC (CT)	Stat	Louisiana	9128276R8	US Treasury - TIPS	\$25,000	1/15/2011	3.500%	Waltney
DRC	1889	295	Warner	Stat	Arkansas	9128276R8	US Treasury - TIPS	\$250,000	1/15/2011	3.500%	Bank of
DRC	1889	295	Warner	Stat	South Carolina	9128276R8	US Treasury - TIPS	\$170,000	1/15/2011	3.500%	Bank of
DRC	1889	295	Warner	Stat	Louisiana	9128276R8	US Treasury - TIPS	\$20,000	1/15/2011	3.500%	JPMorg
DRC	1889	295	Warner	Stat	New Mexico	9128276R8	US Treasury - TIPS	\$150,000	1/15/2011	3.500%	Bank of
DRC	1889	295	Warner	Stat	Massachusetts	9128276R8	US Treasury - TIPS	\$350,000	1/15/2011	3.500%	Citi
DRC	1889	295	Warner	Stat	Georgia	9128276R8	US Treasury - TIPS	\$50,000	1/15/2011	3.500%	US Bank

SCHEDULE 3.16 (b)

RESERVES & ACTUARIAL REPORTS

3.16 (b) NONE

SCHEDULE 3.17

REINSURANCE

3.17 – See Attachment

Response Insurance Companies
2008 Reinsurance Program
Contract Terms



Automobile Property Damage Catastrophe Excess of Loss

	1st Layer 3m xs 2m 7/1/2008 to 6/30/2009 100%	2nd Layer 5m xs 5m 7/1/2008 to 6/30/2009 85%	3rd Layer 10m xs 10m 7/1/2008 to 6/30/2009 57.5%	Totals 18m xs 2m
Limit				
Effective Dates				
Placement				
Deposit Premium *	\$ 427,500	\$ 270,000	\$ 275,000	\$ 972,500
Minimum Premium *	\$ 342,000	\$ 216,000	\$ 220,000	\$ 778,000
Rate	2.23% of GNEPI	1.41% of GNEPI	1.43% of GNEPI	5.065%
Premium Remittances	1st day of calendar quarter	1st day of calendar quarter	1st day of calendar quarter	
Premium Reports	90 days after expiration	90 days after expiration	90 days after expiration	
ROL	14.25%	5.40%	2.75%	5.403%
Co-Participation	0.00%	15.00%	42.50%	27.778%
ECO/XPL	Covered @ 80%	Covered @ 80%	Covered @ 80%	
R/I Liability after Co-Participation	\$ 3,000,000	\$ 4,250,000	\$ 5,750,000	\$ 13,000,000
Subject Premium	\$ 19,200,000	\$ 19,200,000	\$ 19,200,000	\$ 19,200,000
Reinstatement	1 at 100%	1 at 100%	1 at 100%	

* - Premiums are stated at 100% placement

Casualty Excess of Loss

	1st Layer 650k xs 350k 7/1/2008 to 6/30/2009	2nd Layer 1m xs 1m 7/1/2008 to 6/30/2009	3rd Layer 3m xs 2m 7/1/2008 to 6/30/2009	Totals 4.65m xs 650k
Limit				
Effective Dates				
Loss Basis				
Deposit Premium	\$ 604,560	\$ 119,080	\$ 174,040	\$ 897,680
Minimum Premium	\$ 483,648	\$ 95,264	\$ 139,232	\$ 718,144
Rate	0.66% of GNEPI	0.13% of GNEPI	0.19% of GNEPI	5.065%
Premium Remittances	1st day of calendar quarter	1st day of calendar quarter	1st day of calendar quarter	
Premium Reports	90 days after expiration	90 days after expiration	90 days after expiration	
ECO/XPL	Covered @ 90%	Covered @ 90%	Covered @ 90%	
Subject Premium	\$ 91,600,000	\$ 91,600,000	\$ 91,600,000	\$ 91,600,000
Reinstatement	Free & Unlimited	1 Free, 1 at 100%	1 at 100%	
Cancellation	Up to 18 month run-off with AP calculated during period	Up to 18 month run-off with AP calculated during period	Up to 18 month run-off with AP calculated during period	

Response Insurance Companies
2008 Reinsurance Program
Contract Terms



Umbrella Quota Share

	<u>1st Layer</u>	<u>2nd Layer</u>
Limit	Up to 1m	1m xs 1m
Effective Dates	7/1/2008 to 1/1/2009	7/1/2008 to 1/1/2009
Participation	95% of GNWPI	100% of GNWPI
Ceding Commission	32.50%	32.50%
Premium Remittances	Monthly within 45 days	Monthly within 45 days
Premium Reports	Monthly within 15 days	Monthly within 15 days
ECO/XPL	Covered @ 90%	Covered @ 90%
Cancellation	Up to 18 months until in force at expiration has been terminated, expired or renewed. However, if Company opts for return of URP, Reinsurer is released from losses occurring after expiration.	Up to 18 months until in force at expiration has been terminated, expired or renewed. However, if Company opts for return of URP, Reinsurer is released from losses occurring after expiration.

Umbrella Quota Share - Gen Re

	<u>1st Layer</u>	<u>2nd Layer</u>
Limit	Up to 1m	1m xs 1m
Effective Dates	5/1/2000 to 7/1/2008	5/1/2000 to 7/1/2008
Participation	90% of GNWPI	100% of GNWPI
Ceding Commission	27.00%	27.00%
Premium Remittances	Quarterly within 75 days	Quarterly within 75 days
Premium Reports	Quarterly within 75 days	Quarterly within 75 days
ECO/XPL	Covered @ 90%	Covered @ 90%
Cancellation	Up to 12 months until in force at expiration has been terminated, expired or renewed.	Up to 12 months until in force at expiration has been terminated, expired or renewed.

**Response Insurance Companies
2008 Reinsurance Program
Participation**



Automobile Property Damage Catastrophe Excess of Loss

	1st Layer	2nd Layer	3rd Layer	Program Totals
American Agg	15.00% 450,000	15.00% 750,000	15.00% 1,500,000	2,700,000
QBE Re	12.50% 375,000	12.50% 625,000	12.50% 1,250,000	2,250,000
Swiss Re America	20.00% 600,000	20.00% 1,000,000	20.00% 2,000,000	3,600,000
Odyssey America	10.00% 300,000	-	-	300,000
TOA Re of America	10.00% 300,000	-	-	300,000
Catlin Insurance	10.00% 300,000	15.00% 750,000	-	1,050,000
Mapfre Re	10.00% 300,000	10.00% 500,000	10.00% 1,000,000	1,800,000
Lloyd's Syndicate 2010	5.00% 150,000	5.00% 250,000	-	400,000
Lloyd's Syndicate 2623	7.50% 225,000	7.50% 375,000	-	600,000
Total	100.00% 3,000,000	85.00% 4,250,000	57.50% 5,750,000	13,000,000

Casualty Excess of Loss

	1st Layer	2nd Layer	3rd Layer	Program Totals
QBE Re	30.00% 195,000	30.00% 300,000	30.00% 900,000	1,395,000
Swiss Re America	50.00% 325,000	50.00% 500,000	50.00% 1,500,000	2,325,000
TOA Re of America	20.00% 130,000	20.00% 200,000	20.00% 600,000	930,000
Total	100.00% 650,000	100.00% 1,000,000	100.00% 3,000,000	4,650,000

Umbrella Quota Share

	1st Layer	2nd Layer
QBE Re	13.50% 128,250	13.50% 135,000
Partner Re of America	7.00% 66,500	7.00% 70,000
Swiss Re America	52.50% 498,750	52.50% 525,000
TOA Re of America	27.00% 256,500	27.00% 270,000

100.00% 950,000 100.00% 1,000,000

SCHEDULE 3.19

CONTRACTS

3.19 (i)

ADP HR Benefit Solution with Direct Response Corporation - 9/12/2007
Carco Group, Inc with Direct Response Insurance - 9/1/1997
Choice Point with Direct Response Insurance Companies – 12/20/2007 & with Direct Response Corporation – 7/24/2007
Compuware with Direct Response Corporation – 3/31/1997
eProject with Direct Response Corporation – 9/7/2007
Harte-Hanks Direct Marketing Services with Direct Response Corporation – 2/06/2001
Hitachi with Direct Response Corporation – 5/24/2007
IBM Disaster Recovery with Direct Response Corp – 7/26/2006 & Global Services with Direct Response Corp – 2/08/2006
Keane with Direct Response Corporation – SOW 9/19/2006, SOW 9/19/2007
Kevin Greaney Consulting Agreement with Direct Response Corporation – 6/01/2008
Pathways with Direct Response Corporation - 2/10/2006
Polk-Worldwide with Response Worldwide – 5/1/2007
Safelite with Direct Response Corporation – 9/05/2007
SunGard Software with Direct Response Corporation -7/31/2007
MCI-Verizon with Direct Response Corporation – 1/11/2006
Xerox with Direct Response Service Company – 11/01/2005, 5/23/2005, 4/15/2005

3.19 (iv) – Leases

- **Meriden, CT – Meriden Business Park LLC with CL&C Holding Corp 4/24/2003**
- **Melville, NY – Huntington Quadrangle No.1 with Direct Response Corp. 10/20/2005**
- **St. Louis, MO - Great American Insurance Company with Worldwide Insurance 4/23/2005**
- **Bellevue, WA - Corporate Campus East III Limited Partnership with Direct Response Corp 7/8/2005**

3.19 (v) – DRC owns all shares of Subsidiaries. See Schedule 3.20

3.19 (vii) – See Schedule 3.20

3.19 (x) – Disaster Recovery Plan - with IBM - 7/26/2006

3.19 (xi) – Pooling Arrangements – see Schedule 3.20

3.19 (xii) - See Schedule 3.20

SCHEDULE 3.20

AFFILIATED TRANSACTIONS

3.20

Pooling Agreement

- Response Insurance Company – November 2005
- Response Worldwide Insurance Company - January 2004
- Response Worldwide Direct Auto Insurance Company – November 2005
- Connecticut Life and Casualty Insurance Company - November 2005
- National Merit Insurance Company – November 2005
- Warner Insurance Company – November 2005

Service Agreement with DRC

- RIC and other pool members (per RIC/DRC service agreement by 6th amendment) - May 31, 2007
- Response Indemnity Company – December 1, 2005
- Response Indemnity Company of California – October 1, 1999

Tax Sharing with DRC

- Response Insurance Company – January 2001
- Response Worldwide Insurance Company – April 2003
- Response Worldwide Direct Auto Insurance Company – April 2003
- Connecticut Life and Casualty Insurance Company – August 2001
- National Merit Insurance Company – January 2004
- Response Indemnity Company – March 2001
- Response Indemnity Company of California – January 2001
- Warner Insurance Company – December 2001
- DRC Services Company, Inc.
- Response Property Management Company – May 1997
- CI.&C Holding Company Incorporated -
- Connecticut Casualty Insurance Agency, Inc. – July 2001
- Response General Agency of Texas – August 2002
- 301 Oxford Valley Insurance Agency, Inc.,

SRB

- Direct Response Corporation
- Connecticut Life and Casualty Insurance Company and the following added to that agreement by amendment:
 - Response Insurance Company
 - Response Worldwide Insurance Company
 - Response Worldwide Direct Auto Insurance Company
 - Warner Insurance Company
- National Merit Insurance Company
- Response Indemnity Company

Homesite – Agency Agreement – December 1, 2001 with Direct Response Service Company

Plymouth Rock Assurance Corporation Service Agreement – December 18, 1996 with Direct Response Corporation

SCHEDULE 3.24 (a)

Intellectual Property

3.24 (a)

- **Red Phone Logo -- US Trade Mark Registration #2206353 (have valid license but do not own)**
- **See Section 3.9(a) re: Phoenix Litigation**
- **Teachers Insurance Plan -- name could not be registered (in process of seeking registration for Teachers Insurance Plan of America).**

SCHEDULE 3.24 (b)

Intellectual Property

3.24 (b) – Attached.

Direct Response Corporation TRADEMARK PORTFOLIO

Trademark	Reg./Ser. No.	Goods & Services	Status
teachers.com	77/465,690	Class 36: Insurance services, namely underwriting insurance in the fields of property, casualty and automobile insurance; insurance claims administration and processing; insurance consultation and insurance brokerage services	Filed: 5/5/08 ROA due: 12/24/08
TOTY AWARD	77/357,982	Class 35: advertising and marketing services in the field of insurance services through an awards program in the teaching field	Filed: 12/21/07 ROA due: 9/27/08
TOTY	77/357,977	Class 35: advertising and marketing services in the field of insurance services through an awards program in the teaching field	Filed: 12/21/07 ROA due: 9/27/08
FRAUD BUSTER CAMERA	78/376,879	Class 36: Insurance services, namely automobile insurance underwriting, insurance consultation, insurance brokerage, insurance claim underwriting and claims adjustment services	Statement of Use filed – 6/5/08 Non-final refusal of Statement of Use issued – 6/28/08 ROA due – 12/28/08

Direct Response Corporation TRADEMARK PORTFOLIO

Trademark	Reg./Ser. No.	Goods & Services	Status
THE DIRECT ROUTE TO SAVINGS	77/234,415	Class 36: Insurance services, namely underwriting insurance in the fields of property, casualty and automobile insurance; insurance claims administration and processing; insurance consultation and insurance brokerage services	Pending Filing Date: 7/20/07 Notice of Allowance issued 5/20/08 Statement of Use or Request for Extension due 11/20/08
RESPONSE AUTO INSURANCE	77/228,350	Class 36: Insurance services, namely underwriting insurance in the fields of property, casualty and automobile insurance; insurance claims administration and processing; insurance consultation and insurance brokerage services	Pending Filing Date: 7/12/07 Notice of Allowance issued 4/8/08 Statement of Use or Request for Extension due 11/08/08
TEACHERS' TENURE	77/210,523	Class 36: Insurance services, namely underwriting insurance in the fields of property, casualty and automobile insurance; insurance claims administration and processing; insurance consultation and insurance brokerage services	Pending Filing Date: 6/20/07 Notice of Allowance issued 5/27/08 Statement of Use or Request for Extension due 11/27/08

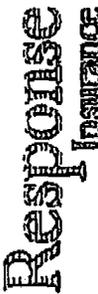
Direct Response Corporation TRADEMARK PORTFOLIO

Trademark	Reg./Ser. No.	Goods & Services	Status
<p align="center">RESPONSE WORLDWIDE DIRECT AUTO INSURANCE COMPANY</p>	<p align="center">3,083,425</p>	<p>Class 36: Insurance services, namely, underwriting insurance in the fields of property and casualty and automobile insurance, processing claims, insurance consultation, and insurance brokerage</p>	<p>Registered: 4/18/06 Section 8 and 15 Due – 4/18/11-4/18/12 Renewal Due – 4/18/16 Date of First Use: 4/2004</p>
<p align="center">RESPONSE WORLDWIDE INSURANCE COMPANY</p>	<p align="center">3,083,424</p>	<p>Class 36: Insurance services, namely, underwriting insurance in the fields of property and casualty and automobile insurance, processing claims, insurance consultation, and insurance brokerage</p>	<p>Registered: 4/18/06 Section 8 and 15 Due – 4/18/11-4/18/12 Renewal Due – 4/18/16 Date of First Use: 4/2004</p>
<p align="center">THE SAFE CHOICE FOR SAVINGS</p>	<p align="center">3,260,365</p>	<p>Class 36: Insurance services, namely underwriting insurance in the fields of property, casualty and automobile insurance; insurance claims administration and processing; insurance consultation and insurance brokerage services</p>	<p>Registered: 7/10/07 Section 8 and 15 Due – 7/10/12-7/10/13 Renewal Due – 7/10/17 Date of First Use: 8/2004</p>

Direct Response Corporation TRADEMARK PORTFOLIO

Trademark	Reg./Ser. No.	Goods & Services	Status
FRAUDBUSTER CAMERA	2,872,045	Class 9: Photographic Cameras	Registered: 8/10/04 Section 8 and 15 Due - 8/10/09-8/10/10 Renewal Due - 8/10/14 Date of First Use: 4/30/2001
	2,845,300	Class 36: Insurance services, namely underwriting insurance in the fields of property, casualty and automobile insurance; insurance claims administration and processing; insurance consultation and insurance brokerage services	Registered: 5/25/04 Section 8 and 15 Due - 5/25/09-5/25/10 Renewal Due - 5/25/14 Date of First Use: 9/1/1992
TEACHERS.COM	2,679,136	Class 36: Insurance services, namely underwriting insurance in the fields of property, casualty and automobile insurance; insurance claims administration and processing; insurance consultation and insurance brokerage services	Registered Supplemental Register: 1/21/03 Section 8 Due - 1/21/08 - 1/21/09 Renewal Due - 1/21/13 Date of First Use: 10/2000

Direct Response Corporation TRADEMARK PORTFOLIO

Trademark	Reg./Ser. No.	Goods & Services	Status
	2,811,015	Class 36: Insurance services, namely underwriting insurance in the fields of property, casualty and automobile insurance; insurance claims administration and processing; insurance consultation and insurance brokerage services	Registered: 2/3/04 Section 8 and 15 Due - 2/3/09-2/3/10 Renewal Due - 2/3/14 Date of First Use: 9/1/1992
	77/424,884	Class 36: Insurance services, namely, underwriting insurance in the fields of property casualty and automobile insurance; Insurance claims administration and processing; insurance consultation and insurance brokerage services	Filed: 3/18/08 ROA due: 12/24/08
	2,311,534	Class 36: Insurance services, namely, automobile insurance underwriting, insurance consultation, insurance brokerage, and insurance claims administration and processing	Registered: 1/25/00 (words in drawing are lined for color blue) Renewal Due - 1/25/10 Date of First Use: 10/15/1997

Direct Response Corporation TRADEMARK PORTFOLIO

Trademark	Reg/Ser. No.	Goods & Services	Status
 <p>Teachers' Insurance Plan Special rates for a special class of people Auto • Homeowners • Umbrella</p>	2,331,524	Class 36: Insurance agencies services in the fields of home, automobile, and umbrella insurance	Registered: 3/21/00 Renewal Due – 3/21/10 Date of First Use: 3/1/1992
RESPONSE INSURANCE FOR RESPONSIBLE PEOPLE	2,280,504	Class 36: Insurance services, namely, underwriting insurance in the fields of property and casualty and automobile insurance, processing claims, insurance consultation, and insurance brokerage	Registered: 9/28/99 Renewal Due – 9/28/09 Date of First Use: 10/15/1997
RESPONSE INDEMNITY	2,707,324	Class 36: Insurance services, namely, underwriting insurance in the fields of property and casualty and automobile insurance, processing claims, insurance consultation, and insurance brokerage	Registered: 4/15/03 Section 8 and 15 Due – 4/15/08 - 4/15/09 Renewal Due – 4/15/13 Date of First Use: 10/1997

Direct Response Corporation TRADEMARK PORTFOLIO

Trademark	Reg./Ser. No.	Goods & Services	Status
RESPONSE INSURANCE	2,175,677	Class 36: Insurance services, namely, underwriting, claims processing, and risk management, in the fields of property, casualty and automobile insurance	Registered: 7/21/98 Renewal Due - 7/21/08 (filed 7/17/08; reported filing to client; assigned to USPTO paralegal 7/28/08) (next renewal deadline 7/21/18) Date of First Use: 10/15/1997
W WARNER INSURANCE COMPANY and Design	1,597,808	Class 36: Property and casualty insurance underwriting services	Registered: 5/22/90 Renewal Due - 5/22/10 Date of First Use: 2/27/89
GIVING BACK TO TEACHERS WHO GIVE EVERYDAY			Confirming identification of services with client in preparation to file application
CYBERAGENT			Confirming client instructions for filing

Direct Response Corporation TRADEMARK PORTFOLIO

National Merit Marks Registered to National Merit Insurance Company		
	<p>2,473,653</p>	<p>Class 36: Insurance Underwriting services with respect to property and casualty insurance</p> <p>Registered: 7/31/01 Section 8 and 15 Accepted Renewal Due -- 7/31/11 Date of First Use: 10/1998</p>
<p>NATIONAL MERIT</p>	<p>1,376,235</p>	<p>Class 36: Insurance Underwriting services with respect to property and casualty insurance</p> <p>Registered: 12/17/85 Renewal Due -- 12/17/15 Date of First Use: 5/1/1984</p>
<p>NATIONAL MERIT INSURANCE COMPANY</p>	<p>1,375,023</p>	<p>Class 36: Insurance Underwriting services with respect to property and casualty insurance</p> <p>Registered: 12/10/85 Renewal Date -- 12/10/15 Date of First Use: 5/1/1984</p>

SCHEDULE 3.26
CORPORATE INSURANCE

-- Attached.

2007-2008 Summary of Insurances – Direct Response Corporation

Property

Insurer: Hartford Casualty Insurance Company
Policy Period: October 4, 2007 to October 4, 2008
Policy # 39-UUNAG8464

Property Replacement Limits: \$ 7,507,455- Blanket Personal Property including Equipment Breakdown and EDP.
Agreed Value. Includes Broad Form Endorsement
\$10,510,000- Blanket Business Income incl. Ordinary Payroll
\$ 1,000,000- Flood (Not A or B Zones)
\$ 1,000,000- Earthquake (Not California)
Included- Property Choice and SPICE enhancement endorsements
Included- Terrorism

Deductible: \$ 25,000- Flood and Earthquake
\$ 5,000- Any Other Cause of Loss

EDP Replacement Limits: \$ Incl. in Blanket limits- Business Electronic Equipment
\$ Incl. in Blanket limits- Software

2007-2008 Premium: \$ 18,569 Includes EDP premium.

Workers Compensation

Insurer: Hartford Fire Insurance Company

Policy Period: October 4, 2007 to October 4, 2008

Workers Compensation Limits: Coverage A- Statutory Benefits
Coverage B- Employers Liability Limits are \$1,000,000
Includes- Washington Stop Gap
Includes- Broad Form WC endorsement

2007 NCCI Experience Modification Factor: 1.040. (up 9% over 2006). Was .950

2007 Payrolls: \$20,283,830. Up 1% from 2006 levels

2007 -2008 Premium: \$ 60,179. Includes Terrorism

2007-2008 Summary of Insurances – Direct Response Corporation

General Liability

Insurer: Hartford Casualty Insurance Company
Policy Period: October 4, 2007 to October 4, 2008
General Liability Limits: \$ 2,000,000- General Aggregate- Per Location
\$ 2,000,000- Products/ Completed Operations Aggregate
\$ 1,000,000- Per Occurrence
\$ 1,000,000- Employee Benefit Liability
\$ 1,000,000- Personal/Advertising Injury
\$ 300,000- Fire, Lightning, Smoke, Water, Sprinkler Legal
\$ 10,000- Premises Medical Payments (Any one Person)
2007-2008 Premium: ~~\$ 12,378~~ - Rated on Square Footage- Non- Auditable

Automobile

Insurer: Hartford Casualty Insurance Company
Policy Period: October 4, 2007 to October 4, 2008
Automobile Limits: \$1,000,000- Combined Single Limit for all owned, non-owned, leased or hired or borrowed autos.
\$1,000,000- Uninsured/Underinsured Liability- (Non-Stacked)
State Specific Medical Payments -- CT, NY, and Fl.

\$ 25,000- Additional PIP- NY (OBEL)
\$ 1,000- Collision / Comprehensive deductibles (Scheduled vehicles)
\$ 50,000- Hired Auto Physical Damage (\$1,000 Deductibles)
\$ 40- Per day / \$900 Total Rental Reimbursement
\$ 50- Towing & Disablement
13- Schedule Autos- On file with company and agent
Included- Broad Form Auto endorsement
Scheduled Vehicles on Policy: 13
2007-2008 Premium: ~~\$ 18,343~~

Umbrella

Insurer: Hartford Casualty Insurance Company
Policy Period: October 4, 2007 to October 4, 2008
Umbrella Limits: \$20,000,000- Per Occurrence
\$20,000,000- General Aggregate (Other than Products)
\$20,000,000- Bodily Injury by Disease – Aggregate Limit
\$20,000,000- Products Completed Operations Limit
Self Insured Retention: \$ 10,000
2007-2008 Premium: ~~\$ 21,000~~

2007-2008 Summary of Insurances – Direct Response Corporation

Cyber Liability

Insurer; Steadfast Insurance Company (A Zurich company)

Policy Period; January 26, 2008 to January 26, 2009

Policy Type; Cyber Liability- Claims made

Cyber Liability Limits: Coverage A- \$1,000,000- Business Income loss including Investigative loss (capped at \$25,000)
Coverage B- \$ 100,000- Dependent Business- Each loss Event
Coverage C- \$1,000,000- Intellectual property Development losses- Each loss Event
Coverage D- \$ 50,000- Public relations Expenses-Each Loss Event
Coverage E- \$1,000,000- Loss Event Liability- Each claim including defense
Coverage F- \$1,000,000- Electronic Publishing Liability- Each claim including defense
Coverage H- \$1,000,000-E- Business Extortion – each Extortion

Deductibles; \$ 100,000- All Insuring Agreements except Coverage D which carries a \$2,500 deductible for each loss event

2007- 2008 Premium: ~~\$28,900- includes Terrorism~~

Bond

Insurer / Surety: American Home Assurance Company (an AIG company)

Bond Period: October 4, 2007 to October 4, 2008

Bond Limits:

Limits	Insuring Clauses
\$4,000,000-	Aggregate Limit per Bond Period
\$2,000,000-	Coverage A1- Fidelity
\$2,000,000-	Coverage B- On Premises
\$2,000,000-	Coverage C- In Transit
\$2,000,000-	Coverage E- Forgery/Alteration
\$2,000,000-	Coverage F- Counterfeit Currency
\$2,000,000-	Coverage J- Trading Loss
\$2,000,000-	Coverage M- Computer Theft
\$ 250,000-	Audit Expense

Deductible: \$ 100,000- All Agreements

2007- 2008 Premium: ~~\$12,561- includes Terrorism~~

2007-2008 Summary of Insurances – Direct Response Corporation

Directors and Officers Liability

Insurer: Greenwich Insurance Company (an XL company)

Policy Period: October 4, 2007 to October 4, 2008

~~Directors and Officers Limits:~~ \$4,000,000- Each Loss- (Shared limits with EPL and Fiduciary)
\$6,000,000- Aggregate (Shared limits with EPL and Fiduciary)
Included- Defense is part of the limits
Included- Company Indemnification coverage
Included- Company Liability coverage
\$ 100,000- Investigative Cost
Matched- Pending and Prior Litigation (X of Miller v DRC claim)
Included- Extended reporting at 150% of annual premium. Was 200%.

Retention: Clause 1) \$0 for Each Insured Person & all Insured person-per claim
Clause 2) \$100,000 for Executive Indemnification-per claim
Clause 3) \$100,00-Entity Coverage-per claim

2007-2008 Premium: ~~\$65,000 with Terrorism~~

Employment Practices Liability

Insurer: Greenwich Insurance Company (an XL company)

Insured Organization: Direct Response Corporation & it Subsidiaries

Policy Period: October 4, 2007 to October 4, 2008

~~Employment Practices Limits:~~ \$4,000,000- Each Loss (Shared Limits with D&O and Fiduciary)
\$6,000,000- Aggregate- (Shared Limits with D&O and Fiduciary)
Included- Defense is part of the Limits
Included- 3rd Party Discrimination
Included- Leased Employees and Independent Contractors
are considered employees under form.

Retention: \$100,000. Was \$150,000 last term.

2007-2008 Premium: ~~Included in D&O With Terrorism~~

2007-2008 Summary of Insurances – Direct Response Corporation

Fiduciary Liability

Insurer: Greenwich Insurance Company (an XL company)

Policy Period: October 4, 2007 to October 4, 2008

Fiduciary Limits: \$4,000,000- Each Loss- (Shared Limits with D&O and EPL)
\$6,000,000- Aggregate-(Shared Limits with D&O and Fiduciary)

Included- Defense is part of limits
\$ 100,00- Voluntary Compliance program

Retention: \$0 for Non Identifiable Loss. \$5,000 –Identifiable Losses

2007/2008 Premium: ~~Included in D&O With Terrorism~~

Insurance Company Errors and Omissions Liability

Insurer: Indian Harbor Insurance Company (Non Admitted- an XL company)

Policy Period: October 4, 2007 to October 4, 2008

~~Errors and Omissions Limits:~~ \$4,000,000- Each Loss
\$6,000,000- Aggregate- Separate aggregate for 2007. Shared in 2006.
Included- Defense is part the limits
Matched- Pending and Prior Litigation (X of Miller v DRC claim)

Coverage Applicable: Insuring Clause 1- Insurance Services
Insuring Clause 2- Insurance Agents E&O.

Retention: \$ 250,000- Insuring Clauses 1& 2. Was \$350,000 last term.

2007-2008 Premium: ~~\$ 115,000 With Terrorism~~
\$ 4,600. Surplus Lines Taxes.

2007-2008 Summary of Insurances – Direct Response Corporation

Insurer: AIG Insurance Company

Policy Period: October 4, 2007 to October 4, 2008

Line of Business: ~~Business~~ ~~Travel~~ ~~Accident~~

Eligibility Clause:

- Class 1- (19)- Executive Officers and Directors
- Class 2- (98)- All Salespersons, Managers and Supervisors of the policy holder, not included in any other class)
- Class 3- (343) All other active, full time employees of the policy holder, not included in any other class)

Schedule of Benefits Principal Sum:

- \$500,000– Class I (5 People)
- \$250,000– Class II (15 People)
- \$125,000– Class III (65 People)

Principal sum amounts can not exceed (10) times annual salary.

Aggregate Limit-Per Accident: \$2,500,000

2007-2008 Premium: \$2,286

SCHEDULE 3.27

PAST CORPORATE ACQUISITIONS

3.27 – See 3.9 (a) Re D.E. Love

SCHEDULE 3.28
NON-COMPETITION

3.28 - NONE

SCHEDULE 3.29 (a)

REGULATORY EXAMINATIONS

NONE

SCHEDULE 3.29(b)

Part I

Direct Response Corporation
Metalmark/J.C. Flowers Form As Since 2006

Form A Filer	California	Connecticut	Delaware	New York	Washington
Metalmark/Morgan Stanley Funds	12/1/06 (withdrawn 4/3/07)	12/1/06 (withdrawn 1/5/07)	12/1/06 (withdrawn 4/2/07)	12/1/06 (withdrawn 4/3/07)	12/1/06 (withdrawn 4/3/07)
J.C. Flowers II L.P. (original)	5/10/07	5/8/07	See Note 1	5/11/07	5/10/07
J.C. Flowers II L.P. (amended - revised transaction)	11/2/07	11/1/07	See Note 1	11/5/07	11/2/07
Metalmark/Morgan Stanley Funds	5/20/08	5/30/08	See Note 1	5/20/08	5/20/08

Note 1: Response Insurance Company was redomesticated from Delaware to Connecticut on May 31, 2007.

SCHEDULE 3.30 (a)

PRIVACY LAW COMPLIANCE

See Attachment

- **California Privacy Notice**
- **Notice of Information Practices**
- **Privacy Notice**

CALIFORNIA PRIVACY NOTICE
RESPONSE INSURANCE COMPANY
RESPONSE INDEMNITY COMPANY OF CALIFORNIA

We protect your personal information. The only employees who have access to that information are those who must have it to provide products or services to you.

We collect personal information about you from:

- Applications and forms you complete;
- Your dealings with us and others; and
- Consumer reporting agencies.

We may disclose all the information that we collect about you.

We do not disclose personal information about present and former customers to anyone unless allowed by law. We are allowed to share financial information with our affiliates to market products or services and under the law you cannot prevent those disclosures.

We disclose personal information as permitted by law to:

- Persons or organizations:
 - When necessary to allow us to perform a business, professional or insurance function;
 - To assist us in determining your eligibility for insurance; or
 - In detecting fraud;
- Other insurers, agents or insurance support organizations when necessary to an insurance transaction or to help detect fraud or other illegal activity (information from a report of an insurance support organization may be kept by it and shared with others);
- A medical care institution or professional to:
 - Verify insurance coverage or benefits;
 - Alert an individual to a medical problem; or
 - Conduct a service audit;
- An insurance department, law enforcement or other government agency to protect insurer interests or to help investigate fraud or criminal activity;
- Assist actuarial research studies;
- Permit the marketing of our insurance products or services;
- Our affiliates for auditing or marketing purposes;
- When appropriate, to a group policyholder to report claims experience or conduct an audit.

(More on other side)

You may access and request us to correct recorded information by writing to us.

Within 30 days, we will respond to your request. If you properly identify yourself, and the information you seek can be reasonably retrieved, upon request we will:

- Inform you of its nature and substance;
- If known, tell you with whom the information was shared within the prior 2 years, and if unknown, tell you the insurers, agents and insurance support organizations with whom the information is normally shared;
- Allow you to see and copy the information, or send you a copy of the information by mail. (We may charge a reasonable fee.)

If you request a correction:

- If we make the correction we will notify you and any person you name who has received the information within the prior 2 years and any insurance support organization that either keeps the information or provided us with the information; and
- If we do not correct the information, we will explain the reason, allow you to make a brief statement that we will file with the information, and will notify any person you name who has received the information within the prior 2 years and any insurance support organization that either keeps the information or provided us with the information.

Any other Notice that you may receive from us will not limit your rights under this Notice.

Notice of Information Practices

State law requires us to notify you of our information practices and your rights relating to those practices.

While we rely heavily on the information applicants and insureds supply to us, we may also collect personal information from other sources.

For instance, as part of our normal underwriting procedure, we will review motor vehicle records obtained from the Department of Motor Vehicles on all operators in your household, and we will review the claims history that you have had with any prior insurance company or companies, which we will obtain from a nationally recognized consumer investigative firm.

We will not disclose any personal information which we have collected or received in connection with any insurance transaction unless you (or any other affected person) approve that disclosure except as permitted by law in the following circumstances:

- to persons or organizations where necessary to allow performance of a business, professional or insurance function for us or to allow the person or organization to assist us in determining your eligibility for insurance or in detecting insurance fraud;
- to other insurers, agents or insurance support organizations where necessary to complete an insurance transaction or to help detect fraud or other illegal activities;
- to a medical care institution or medical professional to verify insurance coverage benefits or to alert an individual to a medical problem, or to conduct a service audit;
- to an insurance regulatory authority;
- to a law enforcement or other governmental authority where necessary to protect insurer interests or to assist in the investigation of fraud or other criminal activities;
- to facilitate actuarial research studies;
- to permit marketing of selected products or services to insureds, although you have the right to tell us that you do not wish to have personal information released for marketing purposes;
- to any of our affiliated companies whose use of personal information will be for auditing or marketing purposes; or
- (where relevant) to a group policyholder for the purpose of reporting claims experience or conducting an audit of insurance transactions.

You can obtain access to any personal information we have about you if you properly identify yourself and submit a written request to us describing the information you want to review. Once we have received your request, and if the information is reasonably locatable and retrievable, we will, within 30 business days, take the following actions:

- inform you of the nature and substance of the recorded information;
- allow you to see and copy, in person, such recorded personal information; or
- send you a copy of the recorded personal information by mail. (We may charge you a reasonable fee to cover the cost of this service)

We will also tell you at this time the identity, if recorded, of persons to whom we have disclosed the personal information within the preceding two years. If the identity of persons to whom disclosures have been made have not been recorded, we will provide you with the names of insurers, agents and insurance support organizations to whom such information is normally disclosed.

If you ask us to correct, amend or delete any information about you, we will within 30 days, either correct, amend or delete the personal information in dispute or notify you of our refusal to take such action along with the reasons for our decision. If we make the correction, amendment or deletion you've requested, we will also notify you along with any person you designate who has received the information about you within the preceding two years, any insurance support organization which maintains your personal information and the insurance support organization(s) which provided us with the disputed information.

If we refuse to make the requested correction, amendment or deletion, you are permitted to file a concise statement setting forth what you think is the correct, relevant or fair information along with a statement of the reasons why you disagree with our refusal to correct, amend or delete the information subject to dispute. We will file your statement with the disputed personal information and make any person who reviews your file aware of your statement. We will also furnish your statement to any person who has received personal information from us within the two preceding years and any insurance support organization whose primary source of personal information is an insurer.

You should know that personal information obtained from a report prepared by any insurance support organization may be retained and disclosed to other persons in the future.

Maintaining our customers' trust and confidence is a high priority for us. That is why we want you to understand how we protect your privacy when we collect and use information about you, and the measures we take to safeguard that information.

This Privacy Notice pertains to information about customers and former customers of Response Insurance Company, Response Indemnity Company, Response Indemnity Company of California, Warner Insurance Company, Connecticut Life and Casualty Insurance Company, National Merit Insurance Company, Response Worldwide Direct Auto Insurance Company, and Response Worldwide Insurance Company.

Please read it carefully. Thank you for your attention.

PRIVACY NOTICE

We collect nonpublic personal financial information about you from the following sources:

- Information we receive from you on applications or other forms;
- Information about your transactions with us, our affiliates, or others; and
- Information we receive from a consumer reporting agency.

We may disclose the following information about our customers and former customers to persons and entities that perform marketing or other services on our behalf or to financial institutions with which we have joint marketing agreements:

- Information we receive from you on applications or other forms, such as your name, address, and social security number;
- Information about your transactions with us, our affiliates or others, such as your policy coverage, premium, and payment history; and
- Information we receive from a consumer reporting agency, such as your creditworthiness and credit history.

We restrict access to nonpublic personal financial information about you to those employees and other persons who need to know that information to permit us to provide our products and services to you. We maintain physical, electronic, and procedural safeguards to guard the confidentiality of your nonpublic personal financial information in accordance with this privacy policy.

SCHEDULE 3.30(b)

PRIVACY LAW COMPLIANCE

NONE

SCHEDULE 4.2

SHAREHOLDERS AGREEMENT

- The February 27, 2004 Amended and Restated Shareholders Agreement
- The November 16, 2006 letter agreement between James M. Stone, Howard Hoffen, Direct Response Corporation and Plymouth Rock, and
- The March 31, 2008 letter agreement between Jim Stone, Direct Response Corporation, Plymouth Rock, and the MSCP Funds which amends Section 3.5 and extends the term of Section 3.7 of the 2/27/04 Shareholders Agreement.

SCHEDULE 4.3

SELLER AUTHORIZATION

<u>Seller</u>	<u>Authorized Individual(s)</u>
The Plymouth Rock Company	Hal Belodoff
James M. Stone	James M. Stone
Morgan Stanley Capital Partners, III, L.P.	Howard I. Hoffen Kenneth Clifford
MSCP III 892 Investors, L.P.	Howard I. Hoffen Kenneth Clifford
Morgan Stanley Capital Investors, L.P.	Howard I. Hoffen Kenneth Clifford
DR Investors, L.P.	Howard I. Hoffen Kenneth Clifford
DR Investors II, L.P.	Howard I. Hoffen Kenneth Clifford
Mory Katz	Mory Katz

SCHEDULE 6.2 (n)

CONDUCT OF BUSINESS

6.2 (n)

See schedules 3.13 (a) – (e)

ANNEX E

APPROVALS BY GOVERNMENT ENTITIES

Form A:

Consents of the California Department of Insurance, the Connecticut Insurance Department, the New York Insurance Department, and the Washington Office of the Insurance Commissioner to the Form A filing related to the change in control of the Company's insurance Subsidiaries, respectively.

HSR:

Both Sellers and Purchaser will be required to submit pre-merger notification filings pursuant to the Hart-Scott-Rodino Act with the Federal Trade Commission and United States Department of Justice and to observe applicable waiting periods there under prior to closing the transaction.

ANNEX F

DISPUTE RESOLUTION PROCEDURES

The following procedures shall govern the resolution of disputes arising in connection with the Stock Purchase Agreement to which this Annex relates:

I. Mediation.

In the event of a dispute, controversy or claim which arises out of or relates to this Agreement, or the breach thereof, the Parties agree first to try in good faith to settle the dispute, controversy or claim by mediation administered by the American Arbitration Association ("AAA") under its Commercial Mediation Procedures. Either Party may initiate mediation by filing with the AAA a written request for mediation. The mediation shall occur at the AAA Regional Office in Chicago, Illinois, with each Party bearing its own costs and expenses and an equal share of both the mediator's fee and the administrative fees of mediation. If mediation does not result in a resolution within sixty (60) days of the submission of the written request for mediation, then either Party may give notice to the other that the dispute, controversy or claim shall be settled by arbitration as provided below.

II. Arbitration.

A. Binding Arbitration.

Any dispute, controversy or claim arising out of or relating to the Agreement, or the breach thereof, which cannot be resolved through mediation shall be finally settled by binding arbitration administered by the AAA in accordance with its Commercial Arbitration Rules then in effect, except as specifically otherwise provided herein. This Annex shall be construed and enforced in accordance with the Federal Arbitration Act, notwithstanding any other choice of law provision in the Agreement.

B. Arbitration Procedures.

(1) Any arbitration proceeding will be conducted in the English language and the place of such proceeding shall be Chicago, Illinois.

(2) In the event of a dispute, controversy or claim arising out of or relating to Article 8.8 or Annex G of the Agreement, the arbitration proceeding shall be conducted before a panel of three neutral arbitrators. Within fifteen (15) days after the commencement of arbitration, each Party shall select one person to act as arbitrator, and within ten days of their appointment the two selected shall select a third arbitrator who shall be from the AAA's National Roster of Insurance and Reinsurance Arbitrators and shall possess actuarial experience and knowledge in the property and casualty insurance industry. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator within the allotted time, then the AAA shall select the third arbitrator subject to the aforementioned qualifications.

(3) Any other dispute, controversy or claim shall be resolved before a single neutral arbitrator, unless any Party's claim exceeds One Million Dollars (\$1,000,000), exclusive of interest and attorneys' fees, in which case the dispute shall be heard and determined by three neutral arbitrators; the arbitrator(s) shall be selected pursuant to the AAA Commercial Arbitration Rules.

(4) Prior to the commencement of the arbitration proceeding, the arbitrator(s) shall provide an oath or undertaking of impartiality.

(5) The arbitrator(s) shall allow such discovery as the arbitrator(s) determine appropriate under the circumstances, including examination by deposition of witnesses. Depositions shall be limited to a maximum of three (3) per Party, and each deposition shall be limited to a maximum of six (6) hours duration. Any dispute regarding discovery shall be determined by the arbitrator(s) and all discovery shall be completed within one hundred and fifty (150) days after the appointment of the arbitrator(s).

(6) The award of the arbitrator(s) shall be made within one (1) year of the filing of the notice of intention to arbitrate (demand), unless this time limit is extended by mutual written agreement of the Parties. The award shall be in writing and shall set forth the reasons for the disposition of any claim, and the arbitrator(s) shall have thirty (30) days thereafter to reconsider and modify such decision if any Party so requests within ten (10) days after the decision.

(7) The decision of the arbitrator(s) shall be final, binding, and non-appealable with respect to all persons, including (without limitation) persons who have failed or refused to participate in the arbitration process.

C. Authority of Arbitrator(s).

The arbitrator(s) shall have authority to award relief under legal or equitable principles, including interim or preliminary relief, and to allocate responsibility for the costs of the arbitration and to award recovery of reasonable attorneys' fees and expenses in such manner as is determined to be appropriate by the arbitrator(s). Notwithstanding the foregoing, the arbitrator(s) shall have no authority to award consequential, exemplary, special, or punitive damages, and any award of attorneys' fees and expenses shall not exceed Two Hundred and Fifty Thousand Dollars (\$250,000).

D. Entry of Judgment.

Judgment upon the award rendered by the arbitrator(s) may be entered in any court having personal and subject matter jurisdiction. The Parties each hereby submit to the personal jurisdiction of the Federal and State courts of Delaware for the purpose of confirming any such award and entering judgment thereon.

III. **Miscellaneous.**

A. Confidentiality.

All proceedings under these Dispute Resolution Procedures, and all evidence given or discovered pursuant hereto, shall be maintained in confidence by all Parties and by the arbitrator(s).

B. Continued Performance.

The fact that these Dispute Resolution Procedures shall have been or may be invoked shall not excuse any party from performing its obligations under the Agreement or the Escrow Agreement, and during the pendency of any such procedure all Parties shall continue to perform their respective obligations in good faith.

ANNEX G

POST-CLOSING RESERVE DEVELOPMENT

Capitalized terms used in this Annex and not otherwise defined herein shall have the meanings given to such terms in the Agreement to which this Annex relates.

A. Summary. As provided in this Annex G, Sellers shall be entitled to participate in favorable post-Closing development in the aggregate Closing Date Reserves (as defined below) and Purchaser shall be entitled to be compensated for unfavorable development in such Reserves. In the event that the aggregate Closing Date Reserves exceed the Measurement Date Reserves (as defined below) by at least \$1,000,000, Purchaser shall pay the Sellers 75% of such excess up to a maximum aggregate payment of \$15,000,000. In the event that the aggregate Measurement Date Reserves exceed the aggregate Closing Date Reserves by at least \$1,000,000, Purchaser shall be compensated by the Sellers as described in Section 8.9 of the Agreement for 75% of such excess, up to a maximum payment of \$15,000,000.

B. Definitions

“Base Date” has the meaning set forth in Section 1.1 of the Agreement.

“Closing Date Reserves” means the sum of Loss and LAE Reserves of the Company’s insurance Subsidiaries reported in the SAP Balance Sheet.

“Final Reserve Payment” has the meaning set forth in Section 8.9 of the Agreement.

“IBNR” means incurred but not reported with respect to Loss and LAE.

“Insurance Policies” means insurance policies issued, reinsured or assumed by the Company’s insurance Subsidiaries on or prior to the Base Date.

“Loss and LAE” means liabilities and obligations to make payments to policyholders, beneficiaries and third party claimants under the Insurance Policies and all loss adjustment expenses and defense costs, including (i) all expenses incurred by or on behalf of the Company’s insurance Subsidiaries in the investigation, appraisal, adjustment, litigation, defense or appeal of claims under the Insurance Policies and/or coverage actions under the Insurance Policies, (ii) all liabilities for consequential, exemplary, punitive or similar extra-contractual damages, or for statutory or regulatory fines or penalties, or for any loss in excess of the limits of any Insurance Policy, and (iii) court costs accrued prior to final judgment, prejudgment interest or delayed damages and interest accrued after final judgment.

“Loss and LAE Reserves” means the amount recorded on the books of the Company’s insurance Subsidiaries on account of their respective unpaid actual or potential Loss and LAE, including, without limitation, amounts for IBNR, calculated consistent with the reserve requirements, statutory accounting rules and actuarial principles applicable to the Company’s insurance Subsidiaries under applicable Law and sound actuarial principles.

“Measurement Date” means the last day of the calendar quarter in which the second anniversary of the Closing Date occurs.

“Measurement Date Reserve Report” means the report described in paragraph D below.

“Measurement Date Reserves” means the unpaid Loss and LAE Reserves of the Company’s insurance Subsidiaries calculated as of the Measurement Date, plus the aggregate amount of Loss and LAE paid

after the Base Date and on or before the Measurement Date, in each case for losses occurring on or prior to the Base Date.

"Preliminary Reserve Payment" has the meaning set forth in Section 8.9 of the Agreement.

C. Calculation Methodologies.

(i) All Loss and LAE Reserves shall be calculated in accordance with SAP as in effect on the Base Date, consistently applied, and with generally accepted actuarial practices, consistently applied. For purposes of unallocated loss adjustment expenses ("ULAE"), the Parties acknowledge and agree that ULAE is included within the definition of Loss and LAE Reserves, and that the Parties shall negotiate in good faith between the execution of this Agreement and the Closing, to determine a mutually agreeable methodology for the inclusion of ULAE.

(ii) Notwithstanding anything to the contrary in this Annex G, Measurement Date Reserves shall exclude any liabilities paid or incurred in excess of the limits of the applicable Insurance Policies that have arisen from acts of negligence, fraud or bad faith of the Company or any of its Subsidiaries or the Purchaser or any of its Affiliates, in each instance from such acts occurring after the Closing Date.

(iii) After the Closing Date and until the Measurement Date the Designated Representative (or its authorized agent) shall have the right to inspect and copy, at its own expense, portions of the books and records of each of the Company's insurance Subsidiaries relating to the adjustment and payment of claims that are subject to this Annex, and the setting of reserves for such claims, during normal business hours and with reasonable advance written notice, and provided that such activities do not unreasonably interfere with the normal business operations of any of such Subsidiaries.

D. Measurement Date Reserve Report.

As soon as reasonably practicable after the Measurement Date, but no later than thirty (30) days thereafter, Purchaser or one of its Affiliates shall deliver to the Designated Representative a written report (in the form set forth in Exhibit 1 hereto) which contains Purchaser's calculation of the Measurement Date Reserves and the total amount due to Purchaser or Sellers, as the case may be, pursuant to paragraph A above, subject to the maximum amounts set forth in paragraph A (the "Measurement Date Reserve Report"). The calculation of Measurement Date Reserves in the Measurement Date Reserve Report shall be in reasonable detail and shall include supporting data sufficient to allow the Designated Representative to perform an independent actuarial analysis to assess the reasonableness of such calculation.

E. Response by Designated Representative to Measurement Date Reserve Report.

The Designated Representative shall have a period of thirty (30) days from the date of its receipt of the Measurement Date Reserve Report to review and verify the contents of such Measurement Date Reserve Report and, in that regard, the Designated Representative (and its authorized agents) shall be given access upon reasonable advance notice during normal business hours to the books and records of Purchaser and its Affiliates that are pertinent to the calculations contained in the Measurement Date Reserve Report and to the personnel who prepared the Measurement Date Reserve Report. No later than the end of such 30-day period, the Designated Representative shall respond on behalf of the Sellers in writing to the Purchaser, indicating either that: (i) the Designated Representative agrees with Purchaser's calculation of Measurement Date Reserves in the Measurement Date Reserve Report and the resulting sum due to the Purchaser or the Sellers, as the case may be; or (ii) the Designated Representative does not agree with such calculation or such sum. If the Designated Representative's response indicates agreement, then the payment(s) specified in the Measurement Date Reserve Report shall be made in accordance with paragraph F below. If the Designated Representative's response indicates a failure to agree, then the dispute shall be resolved in accordance with the process referenced in paragraph H below.

F. Payments of Amounts Due to Sellers or Purchaser. In the event there is an amount due from Purchaser to Sellers pursuant to paragraph A above, each Seller shall be entitled to a Pro-Rata Percentage of the required payment. In the event there is an amount due from Sellers to Purchaser, Purchaser shall be reimbursed from the Escrow Account. The Parties agree that the Sellers shall not be liable to the Purchaser to the extent of any amount that remains unpaid after disbursement of all funds from the Escrow Account. Disbursements from the Escrow Account shall be charged against each Seller Group based on such Seller Group's Pro-Rata Percentage.

G. Confidentiality. Designated Representative agrees for itself, and on behalf of its authorized agents, to preserve the confidentiality of any non-public information obtained in connection with this Annex G (including, without limitation, non-public personal information protected by federal or state privacy Laws or any other information designated as private or confidential), and shall not use, disclose or disseminate such information for any other purpose. Purchaser, for itself and its Affiliates (including, after the Closing, the Company and its Subsidiaries), expressly reserves the right not to grant the Designated Representative (or its agents) access to any document which the Purchaser or its Affiliates consider protected by the attorney-client privilege or the attorney work product privilege. Any such privileged information that is inadvertently provided to, or discovered by, the Designated Representative (or its agents) shall immediately be returned to Purchaser and shall not be construed as the waiver by Purchaser or its Affiliates of any such privileges.

H. Disputes. Any failure of the Designated Representative and the Purchaser to agree on the contents of the Measurement Date Reserve Report shall be resolved in accordance with the dispute resolution procedures described in Annex F to the Agreement.

EXHIBIT 1

to ANNEX G

FORM OF MEASUREMENT DATE RESERVE REPORT

**ANNEX G
RESERVE DEVELOPMENT REPORT
TABLE OF CONTENTS
Dated - Measurement Date**

**Determination of Payments for Development
Actuarial Indications at Measurement Date
Incurred Loss and LAE Triangles
Paid Loss and LAE Triangles
Appendices - Supporting Schedules for Paid Losses and Loss adjustment Expenses**

Determination of Payments for Reserve Development

Determination of Development:

Closing Date Reserves:

A.	Losses (Part 2A, Line 34, Column 8)	0.00
B.	Loss adjustment expenses (Part 2A, Line 34, Column 9)	0.00
C.	Closing Date Reserves	0.00

Measurement Date Reserves:

Unpaid loss and loss adjustment reserves at Measurement Date:

D.	Losses	0.00
E.	Loss adjustment expenses	0.00
F.	Total Losses and Loss Adjustment Expenses at Measurement Date	0.00

Loss and loss adjustment expenses paid after Base Date through Measurement Date:

G.	Losses	0.00
H.	Loss adjustment expenses	0.00
I.	Total Losses and Loss Adjustment Expenses paid after Base Date through Measurement Date	0.00

J.	Measurement Date Reserves (F + I)	0.00
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K.	Favorable (Unfavorable) Development (C - J)	0.00
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Computation of Amounts Due Sellers:

L.	Favorable Development (If amount from line K > 1,000,000, enter amount from line K, otherwise enter zero)	0.00
M.	Compensation percentage	75.00%
N.	Amount due Sellers before cap	0.00

O.	Amount due Sellers after Cap (If amount from line N < 15,000,000, enter amount from line N, otherwise enter 15,000,000)	0.00
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Computation of Amounts Due Purchaser:

P.	Unfavorable Development (If amount from line K < -1,000,000, enter absolute value of amount from line K, amount from line K, otherwise enter zero)	0.00
Q.	Compensation percentage	75.00%
R.	Amount due Purchaser before cap	0.00

S.	Amount due Purchaser after Cap (If amount from line R < 15,000,000, enter amount from line R, otherwise enter 15,000,000)	0.00
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Note: References to Part 2A refer to amounts to be derived from the Underwriting and Investment Exhibit of the Annual Statement or their equivalents for the applicable date or period.

Actuarial Indications
At Measurement Date
Other Loss Adjustment Expenses
Coverage/Product Line

This page would show calculation of unallocated losses that are not considered ALAE and would use generally accepted actuarial methods that are consistent with past practices.

ANNEX H

Alternatives

DRC:	99DKP0\$01	DAVIDSON KEMPNER PARTNERS	12,000,000
DRC:	99DOV4\$01	DOVER STREET IV	750,000
RIC:	99OZDOM\$2	OZ DOMESTIC PARTNERS II TACONIC OPPORTUNITY	1,250,000
RIC:	99TCONC\$1	FUND	1,000,000
RIC:	99DKP0\$01	DAVIDSON KEMPNER PARTNERS	1,250,000
RWWDAIC:	99OZDOM\$2	OZ DOMESTIC PARTNERS II TACONIC OPPORTUNITY	1,500,000
RWWDAIC:	99TCONC\$1	FUND	1,000,000
RWWDAIC:	99DKP0\$01	DAVIDSON KEMPNER PARTNERS	1,500,000
RWWDAIC:	99DOV7\$01	DOVER STREET VII	150,000
RWWIC:	99OZDOM\$2	OZ DOMESTIC PARTNERS II TACONIC OPPORTUNITY	3,100,000
RWWIC:	99TCONC\$1	FUND	1,000,000
RWWIC:	99DKP0\$01	DAVIDSON KEMPNER PARTNERS	3,100,000
RWWIC:	99DOV7\$01	DOVER STREET VII	150,000