

**PLAN AND AGREEMENT OF MERGER**

**THIS PLAN AND AGREEMENT OF MERGER** ( the "Agreement") is made and entered into as of this \_\_\_ day of \_\_\_\_\_, 2012, by and among **GOVERNMENT PERSONNEL MUTUAL LIFE INSURANCE COMPANY**, a Texas mutual life insurance company ("GPM"); **GPM MERGER CORPORATION**, a Washington corporation (the "Merger Sub"); **NORTH COAST LIFE INSURANCE COMPANY**, a Washington life insurance company (the "Company"); and **CERTAIN CONTROLLING SHAREHOLDERS OF THE COMPANY** identified on the signature page of this Agreement (the "Controlling Shareholders"). GPM, the Merger Sub, the Company and the Controlling Shareholders are sometimes hereinafter collectively called the "Parties."

**WHEREAS**, the Company is a stock life insurance company duly organized, existing and in good standing under the laws of the State of Washington with an authorized capital of 1,500,000 shares of common stock with a par value of \$3.01 per share (the "Company Common Shares"), of which 1,500,000 shares are issued and outstanding (the "Outstanding Common Shares"), and 1,000,000 shares of preferred stock, par value \$1.00 per share, of which 360,791 shares were designated as Class "A" Preferred Stock, and all of which shares of preferred stock, as of the Effective Date of the Merger contemplated by this Agreement, shall have been redeemed by the Company and will no longer be issued and outstanding; and

**WHEREAS**, GPM owns all of the issued and outstanding common capital stock (the "Merger Sub Shares") of the Merger Sub, and 763,017 shares of the Outstanding Common Shares of the Company (the "GPM Shares") which were acquired by GPM as of the date of this Agreement pursuant to a certain Common Stock and Surplus Debenture Subscription Agreement dated May \_\_, 2012, entered into by and among the Company, the Controlling Shareholders and GPM (the "Subscription Agreement"); and

**WHEREAS**, the Controlling Shareholders own 620,474 shares of the Outstanding Common Shares of the Company; and

**WHEREAS**, the Controlling Shareholders, GPM and the Company have entered into a Shareholders' Agreement dated of even date herewith (the "Shareholders' Agreement"), pursuant to which GPM and the Controlling Shareholders have agreed to vote the Outstanding Common Shares of the Company held by them for and in favor of the Merger; the Subscription Agreement and the Shareholders' Agreement are sometimes referred to collectively herein as the "Ancillary Agreements;" and

**WHEREAS**, the Controlling Shareholders and the Boards of Directors of the Company, GPM and the Merger Sub have approved this Plan and Agreement of Merger whereby:

(1) The Merger Sub will be merged with and into the Company (the "Merger"), and the Company shall be the survivor of the Merger (the "Surviving Corporation") of the Merger Sub and the Company (the "Merging Corporations"), and will continue its corporate existence and operations as a life insurance company

organized under the laws of the State of Washington, and a wholly-owned subsidiary of GPM;

(2) Each of the Outstanding Common Shares of the Company (other than the GPM Shares) which are outstanding at the Effective Time shall be converted into the right to receive cash in the amount of Seven Dollars and Sixty-Six Cents (\$7.66) per share (the "Common Share Merger Price"); and

(3) The Merger Sub Shares shall be converted into 736,983 shares of the common stock, par value \$1.67 per share, of the Surviving Corporation; and

**WHEREAS**, the Board of Directors of the Company has resolved to recommend to the shareholders of the Company that this Plan and Agreement of Merger be approved by the shareholders of the Company, and that the holders of the Outstanding Common Shares of the Company (other than the GPM Shares) shall receive cash in the amount of the Merger Price for the Outstanding Common Shares of the Company (other than the GPM Shares) held by them; and

**WHEREAS**, this Plan and Agreement of Merger has been filed with and approved by the Insurance Commissioner of the State of Washington (the "Regulatory Approval").

**NOW, THEREFORE**, pursuant to the provisions of the laws of the State of Washington, and for and in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties hereto covenant and agree as follows:

## **ARTICLE ONE THE MERGER**

**1.01. The Merger.** Subject to the terms and condition set forth in this Agreement, and in accordance with the laws of the State of Washington, on the Effective Date (as hereinafter defined):

(a) The Merger Sub will be merged with and into the Company, whereupon the separate existence of the Merger Sub shall cease, and the Company shall be the Surviving Corporation, and will continue its corporate existence and operations as a life insurance company organized under the laws of the State of Washington, and a wholly-owned subsidiary of GPM.

(b) Subject to the conditions and requirements set forth in the Regulatory Approval, if any, the Merging Corporations shall file articles of merger, in substantially the form attached hereto as Exhibit A, (the "Articles of Merger") with the Office of the Commissioner of Insurance of the State of Washington and the Secretary of State of the State of Washington as required by the Laws of the State of Washington in connection with the Merger. The Merger shall become effective as of 11:59 p.m., Pacific Time, on the last day of the month during which the holders of two-thirds of the Outstanding Common Shares of the Company shall have approved this Plan and Agreement of Merger

(the "Effective Time"). The date on which the Effective Time shall occur is referred to herein as the "Effective Date."

(c) From and after the Effective Time, the separate existence of the Merger Sub shall cease, and the Company, as the Surviving Corporation, shall without further act or deed, thereupon and thereafter succeed to and possess all the rights, privileges, immunities, powers and franchises, as well of a public as of a private nature, of each of the Merging Corporations; all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares and all other choses in action, and all and every other interest of or belonging to each of the Merging Corporations shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed. The Surviving Corporation shall thenceforth be responsible and liable for all Liabilities and obligations of the Merging Corporations, and any claim existing or action or proceeding pending by or against either of the Merging Corporations may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be proceeded against or substituted in its place. Neither the rights of creditors nor any Liens upon the Assets and Properties of the Merging Corporations shall be impaired by the Merger, provided, however, that any such Liens shall be limited to the Assets and Properties subject to such Liens immediately prior to the Effective Date.

(d) All policies and Contracts of insurance in force and outstanding against the Company, whether initially issued by the Company or issued by other insurance carriers and ceded to and reinsured by the Company, shall continue in force in the Surviving Corporation on the same terms and under the same conditions as if such policies and Contracts of insurance or reinsurance agreements had been issued or entered into by the Surviving Corporation, and the Surviving Corporation shall carry out the terms of such policies and Contracts of insurance and reinsurance agreements and shall be entitled to all of the rights and privileges thereof and the reserves accumulating thereon prior to such Merger.

**1.02. Merger Price.** The total aggregate consideration payable by GPM for the Outstanding Common Shares of the Company (other than the GPM Shares) (the "Merger Price") shall be cash in the amount of Five Million Six Hundred Forty-Five Thousand Two Hundred Ninety Dollars (\$5,645,290.00), or \$7.66 per share (the "Common Share Merger Price") for each of the Outstanding Common Shares of the Company (other than the GPM Shares).

**1.03 Payment of the Common Share Merger Price; Conversion of Merger Sub Shares; Indemnification Escrow Account.** On the Effective Date, by virtue of the Merger and without any further action the part of GPM, the Controlling Shareholders, the Merger Sub, the Company, or the Surviving Corporation, the Outstanding Common Shares of the Company (other than the GPM Shares) outstanding at the Effective Time shall be converted into the right to receive cash in the amount of the Common Share Merger Price (the "Converted Common Shares"), and the Merger Sub Shares shall be converted into 736,983 shares of the common stock, par value \$1.67 per share, of the Surviving Corporation. On the Effective Date, GPM shall provide sufficient funding to Washington Trust Bank, Spokane, Washington, selected by the Surviving Corporation and GPM and which has entered into an agreement in a form and

substance reasonably satisfactory to the parties thereto, to act as agent of the Parties for the purposes of mailing and receiving Letters of Transmittal, tabulating the results and distributing the Common Share Merger Price to holders of the Converted Common Shares (the "Exchange Agent") and to pay cash or other immediately available funds to holders of the Converted Common Shares pursuant to Section 1.02 and this Section. At and after the Effective Time, the holders of certificates of the Converted Common Shares shall cease to have any rights as shareholders of the Surviving Corporation with respect to the Converted Common Shares, and their sole rights shall pertain to the receipt of the Common Share Merger Price, payable as set forth below.

(a) Converted Common Shares. On the Effective Date, GPM and the Surviving Corporation shall provide the Exchange Agent for delivery to each holder of Converted Common Shares of record on the Effective Date a letter of transmittal, in form and substance reasonably satisfactory to GPM and the Surviving Corporation, for the purposes of requesting payment of the Common Share Merger Price (the "Letters of Transmittal"). After the Effective Date, GPM shall cause the Exchange Agent to pay the Common Share Merger Price, in cash or other immediately available funds, to each holder of a certificate representing Converted Common Shares, promptly upon surrender of the same to the Exchange Agent, together with a duly executed Letter of Transmittal, provided, however, that the Exchange Agent shall pay to any Controlling Shareholders holding Converted Common Shares three-quarters (75.0%) of the Common Share Merger Price, and deposit the other one-quarter (25.0%) of the Common Share Merger Price due any such Controlling Shareholders (which, together with amounts deposited pursuant to Section 2.6(b) of the Subscription Agreement, the "Escrow Deposit") in the Indemnification Escrow Account established pursuant to Subsection 2.6(c) of the Subscription Agreement (the "Indemnification Escrow Account"). No interest will be paid or accrued for the benefit of holders of certificates representing the Converted Common Shares on the cash payable upon the surrender of such certificates. Pending such surrender and exchange, each such shareholder's certificates for the Converted Common Shares shall be deemed for all corporate purposes, by virtue of the Merger and without any action on the part of the holder thereof, to evidence only the right to receive the Common Share Merger Price. If payment is to be made to a Person other than the Person in whose name the certificate representing the Converted Common Shares surrendered is registered, it shall be a condition of payment that the Converted Common Share certificate surrendered shall be properly endorsed or otherwise in proper form for transfer and that the Person requesting such payment shall pay any transfer or other Taxes required by reason of the payment to a Person other than the registered holder of the Converted Common Share certificate surrendered or establish to the satisfaction of GPM and the Surviving Corporation that such Tax has been paid or is not applicable.

(b) Dissenting Shares. Shares of the Outstanding Common Shares held by any shareholder who has neither voted such shares in favor of the Merger nor consented thereto and with respect to which such shareholder is entitled to dissent under RCW 23B.13.020 and who exercises that right when and in the manner required by RCW 23B.13.020 and 23B.13.200 through 23B.13.280 ( the "Dissenting Shares") shall not be converted as provided in this Section 1.03(a), but shall be treated in the manner provided

under RCW Chapter 23B.13; provided, however, if a shareholder exercising a right to dissent shall, within the time periods prescribed by RCW 23B.13.200 through 23B.13.280, withdraw or fail to perfect the shareholder's dissenters' rights in accordance with the Washington Business Corporation Act, or fail to commence appropriate proceedings in respect of, or otherwise lose, such dissenters' rights, then such shareholder's Dissenting Shares shall cease to be Dissenting Shares and shall be treated as Converted Common Shares and converted as provided in this Section 1.03(a) as though such shareholder had failed to exercise a right to dissent.

(c) Expenses. GPM and the Surviving Corporation shall pay all charges and expenses, including those of the Exchange Agent, in connection with the payment of the Common Share Merger Price after the Effective Date as provided in Subsection (a) above. Until surrender in accordance with the provisions of this Section, each certificate of Converted Common Shares shall represent for all purposes the right to receive the Common Share Merger Price, without any interest thereon.

(d) Indemnification Escrow Account. On and after the Effective Date, the Exchange Agent shall deposit a sum equal to one-quarter (25.0%) of the Common Share Merger Price payable to the Controlling Shareholders for Converted Common Shares held by the Controlling Shareholders, which will be held in the Indemnification Escrow Account until the second anniversary of the Effective Date to secure the performance of the Controlling Shareholders' indemnification obligations under this Agreement and the Subscription Agreement, and which will be credited in full toward payment of the Common Share Merger Price due to such Controlling Shareholders.

#### **1.04 Surviving Corporation. At the Effective Time:**

(a) The articles of incorporation of the Company as in effect prior to the Effective Time, shall be amended to reduce the par value of the Company's common stock to \$1.67 per share, effective upon the Effective Date, and, as amended, shall continue to be the articles of incorporation of the Surviving Corporation with the same force and effect as if herein set forth in full until they shall thereafter be amended, altered or repealed in accordance with their terms or as provided by Law.

(b) The bylaws of the Company in effect immediately prior to the Effective Date shall remain in effect as the bylaws of the Surviving Corporation until they shall thereafter be duly altered, amended or repealed in accordance with their terms or as provided by Law.

(c) All persons who were executive officers and members of the Board of Directors of the Company immediately prior to the Effective Time (other than members of the Board of Directors designated by GPM) shall tender their resignations to the Surviving Corporation, effective as of the Effective Time, and GPM, as the sole shareholder of the Surviving Corporation, shall, upon the Effective Date, elect new members of the Board of Directors, which, in turn, will elect or appoint executive officers of the Surviving Corporation, which Persons shall hold such executive offices and

membership on the Board of Directors of the Surviving Corporation until the next annual meeting of the Board of Directors of the Surviving Corporation, or until their successors shall have been elected and shall have qualified, subject to the provisions of the bylaws of the Surviving Corporation or as provided by Law.

## **ARTICLE TWO REPRESENTATIONS AND WARRANTIES OF THE CONTROLLING SHAREHOLDERS AND THE COMPANY**

The Controlling Shareholders and the Company hereby represent and warrant to GPM as follows:

**2.01. Organization.** The Company is a life insurance corporation duly organized, validly existing and in good standing under the Laws of the State of Washington and is duly authorized, qualified, or admitted to do business and in good standing in all other jurisdictions in which the failure to be so authorized, qualified or admitted and in good standing, individually or in the aggregate with other such failures, has or may reasonably be expected to have a Material Adverse Effect upon the validity or enforceability of this Agreement or the ability of the Company to perform its obligations under this Agreement, or on the Business or Condition of the Company. The Company and each of the Controlling Shareholders has full power and authority to enter into this Agreement and to perform its respective obligations under this Agreement, and each of the Ancillary Agreements to which it is a party. The Company has furnished to GPM true and complete copies of the articles of incorporation (as certified by the appropriate governmental or regulatory authorities) and the bylaws of the Company, including all amendments thereto.

**2.02. Authority.** The Board of Directors of the Company has duly and validly approved this Agreement and the transactions contemplated hereby, and has resolved to recommend to the shareholders of the Company that this Agreement be approved by such shareholders. Each of the Controlling Shareholders has duly and validly approved this Agreement and the transactions contemplated hereby. The execution and delivery of this Agreement by the Company and the Controlling Shareholders and the performance by the Company and the Controlling Shareholders of each of their respective obligations under this Agreement have been duly and validly authorized by all necessary corporate action on the part of the Company, and all necessary individual, corporate or other actions required under the organizational documents of each of the Controlling Shareholders, and the Company and each of the Controlling Shareholders represents and warrants that it has full power and authority to enter into this Agreement, and, subject only to the approval of the holders of the Outstanding Common Shares of the Company, to consummate the Merger. This Agreement constitutes a legal, valid, and binding obligation of the Company and the Controlling Shareholders, and is enforceable against the Company and the Controlling Shareholders in accordance with its terms, except to the extent that (a) enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium, or similar Laws now or hereafter in effect relating to or limiting creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the

court or other similar Person before which any proceeding therefore may be brought.

**2.03. Capital Stock.** The authorized capital stock of the Company consists of 1,500,000 shares of Common Stock, par value \$3.01 per share, of which 1,500,000 shares are validly issued and outstanding, fully paid and non-assessable, and 1,000,000 shares of Preferred Stock, par value \$1.00 per share, of which 360,791 shares were designated as Class "A" Preferred Stock, and all of which shares of preferred stock, as of the Effective Date of the Merger contemplated in this Agreement, shall have been redeemed by the Company and shall no longer be issued and outstanding. 620,474 shares of the Outstanding Common Shares are owned, directly or indirectly, and beneficially or of record, by the Controlling Shareholders, and are free and clear of all Liens, except for Liens disclosed in Section 2.03 of the Disclosure Schedule. There are no outstanding securities, obligations, rights, subscriptions, warrants, options, charter or founders insurance policies, phantom stock rights, or (except for this Agreement) other Contracts of any kind that give any Person the right to (a) purchase or otherwise receive or be issued any shares of capital stock of the Company (or any interest therein) or any security or Liability of any kind convertible into or exchangeable for any shares of capital stock of the Company (or any interest therein) or (b) receive any benefits or rights similar to any rights enjoyed by or accruing to a holder of the Common Stock, or any rights to participate in the equity, income, or election of directors or officers of the Company.

**2.04 Subsidiaries.** Except as disclosed on Section 2.04 of the Disclosure Schedule, the Company does not control (whether directly or indirectly, whether through the ownership of securities or by Contract or proxy, and whether alone or in combination with others) any corporation, partnership, business organization, or other similar Person. For purposes of this section, "control" shall mean the power to direct, or cause the direction of, the management and policies of a Person, and shall be presumed to exist through the ownership or the power to vote ten percent (10.0%) or more of the voting securities or authority of the Person.

**2.05 No Conflicts or Violations.** Except as disclosed on Section 2.05 of the Disclosure Schedule, the execution and delivery of this Agreement by the Company and each of the Controlling Shareholders does not, and the performance by the Company and each of the Controlling Shareholders of its respective obligations under this Agreement will not:

(a) violate any term or provisions of any Law or any writ, judgment, decree, injunction, or similar order applicable to the Company or the Controlling Shareholders;

(b) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, any of the terms, conditions, or provisions of the articles or certificate of incorporation or bylaws of the Company, or of any organizational documents of the Controlling Shareholders;

(c) result in the creation or imposition of any Lien upon the Company or the Controlling Shareholders, or any of their respective Assets and Properties that individually or in the aggregate with any other Liens has or may reasonably be expected to have a Material Adverse Effect on the validity or enforceability of this Agreement, on the ability of the Company and the Controlling Shareholders to perform its respective

obligations under this Agreement, or on the Business or Condition of the Company;

(d) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, or give to any Person any right of termination, cancellation, acceleration, or modification in or with respect to, any Contract to which either of the Company or any of the Controlling Shareholders is a party or by which any of their respective Assets or Properties may be bound and as to which any such conflicts, violations, breaches, defaults, or rights individually or in the aggregate have or may reasonably be expected to have a Material Adverse Effect on the validity or enforceability of this Agreement, on the ability of the Company and each of the Controlling Shareholders to perform its respective obligations under this Agreement, or on the Business or Condition of the Company; or

(e) require the Company or any of the Controlling Shareholders to obtain any consent, approval, or action of, or make any filing with or give any notice to, any Person except: (i) for the Regulatory Approval described in the preamble to this Agreement; (ii) as disclosed in Section 2.05(e) of the Disclosure Schedule; or (iii) those which the failure to obtain, make, or give individually or in the aggregate with any other such failures has or may reasonably be expected to have no Material Adverse Effect on the validity or enforceability of this Agreement, on the ability of the Company and each of the Controlling Shareholders to perform its respective obligations under this Agreement, or on the Business or Condition of the Company.

**2.06 Books and Records.** The minute books and other similar records of the Company contain a true and complete record, in all Material respects, of all actions taken at all meetings and by all written consents in lieu of meetings of the shareholders, Board of Directors, and each committee thereof of the Company. The Books and Records of the Company accurately reflect in all Material respects the Business or Condition of the Company, and have been maintained in all Material respects in accordance with good business and bookkeeping practices.

**2.07 SAP Statements.** The Company has previously delivered to GPM true and complete copies of the following SAP Statements:

(a) Annual Statements of the Company for each of the years ended December 31, 2008, 2009, 2010 and 2011 (and the notes relating thereto, whether or not included therein), together with a report of independent accountants for the Company, certifying the accuracy thereof;

(b) Quarterly Statements of the Company for each fiscal quarter in 2010 and the first three quarters of 2011;

(c) Internal Financial Statements of the Company for period ending December 31, 2010 and December 31, 2011; and

(d) Reports of Independent Auditors of the Company for each of years ended

December 31, 2008, 2009 and 2010.

Except as disclosed in Section 2.07 of the Disclosure Schedule, to the Best Knowledge of the Company and the Controlling Shareholders, each such SAP Statement complied in all Material respects with all applicable Laws when so filed, and all Material deficiencies known to the Company or the Controlling Shareholders with respect to any such SAP Statement have been cured or corrected. To the Best Knowledge of the Company and the Controlling Shareholders, each such SAP Statement (and the notes relating thereto, whether or not included therein), including, without limitation, each balance sheet and each of the statements of operations, capital and surplus account, and cash flow contained in the respective SAP Statement, was prepared in accordance with SAP, is true and complete in all Material respects, and fairly presents the financial condition, the Assets and Properties, and the Liabilities of the Company as of the respective dates thereof and the results of operations and changes in capital and surplus and in cash flow of the Company for and during the respective periods covered thereby.

**2.08 No Other Financial Statements.** Except for the financial statements described in Section 2.07, (collectively, the "Financial Statements"), since December 31, 2010 no other financial statements have been prepared by or with respect to the Company (whether on a GAAP, SAP, or other basis).

**2.09 Reserves.** Except as disclosed on Section 2.09 of the Disclosure Schedule, all reserves and other similar amounts with respect to insurance as established or reflected in the SAP Statements of the Company dated as of December 31, 2010, March 31, 2011, June 30, 2011 and September 30, 2011 (including, without limitation, the reserves and amounts reflected respectively on lines 1 through 11.3 of page 3 of the December 31, 2011 Annual Statement and March 31, 2011, June 30, 2011 and September 30, 2011 Quarterly Statements of the Company) were computed in accordance with commonly accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles that are in accordance with those called for by the provisions of the related insurance Contracts and in the related reinsurance, coinsurance, and other similar Contracts of the Company, which meet the requirements of the insurance Laws of the State of Washington and each state or jurisdiction in which such insurance Contracts were issued or delivered. All such reserves and related actuarial items held in support of the insurance Contracts of the Company, when considered in light of the assets held by the Company with respect to the reserves and related actuarial items, including, without limitation, investment earnings on the assets and considerations anticipated to be received and retained under the insurance Contracts, will make good, sufficient and adequate provision (under commonly accepted actuarial standards consistently applied and fairly stated in accordance with sound actuarial principles) to cover the total amount of all reasonably anticipated matured and unmatured benefits, dividends, claims, expenses and other Liabilities of the Company under all insurance Contracts under which the Company has or will have any Liability (including, without limitation, any Liability arising under or as a result of any reinsurance, coinsurance, or other similar Contract) on the respective dates of such SAP Statements. The Company owns assets that qualify as legal reserve assets under applicable insurance Laws in an amount at least equal to all such required reserves and other similar amounts.

**2.10 Absence of Changes.** Except as disclosed in Section 2.10 of the Disclosure Schedule or as reflected in the December 31, 2011 Annual Statement of the Company, or except for changes or developments relating to the conduct of the business of the Company after the date of this Agreement in conformity with this Agreement or the Subscription Agreement, or upon the requests of GPM, since December 31, 2010, there has not been, occurred, or arisen any change in, or any event (including without limitation any damage, destruction, or loss whether or not covered by insurance), condition, or state of facts of any character that individually or in the aggregate has or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company. Except as disclosed in Section 2.10 of the Disclosure Schedule (with paragraph references corresponding to those set forth below), or except as reflected in the December 31, 2011 Annual Statement of the Company, or except for changes or developments relating to the conduct of the business of the Company after the date of this Agreement in conformity with this Agreement or the Subscription Agreement, or the requests of GPM, since December 31, 2010, the Company has operated only in the ordinary course of business and consistent with past practice, and (without limiting the generality of the foregoing) there has not been, occurred, or arisen:

(a) except for the redemption of all of the shares of the Company's Class A Preferred Stock described in the preamble to this Agreement, any declaration, setting aside, or payment of any dividend or other distribution in respect of the capital stock of the Company or any direct or indirect redemption, purchase, or other acquisition by the Company of any such stock or of any interest in or right to acquire any such stock;

(b) any employment, deferred compensation, or other salary, wage, or compensation Contract entered into between the Company and any of its respective officers, directors, employees, agents, consultants, or similar representatives, except for normal and customary Contracts with agents, employees and consultants in the ordinary course of business and consistent with past practice; or any increase in the salary, wages, or other compensation of any kind, whether current or deferred, of any officer, director, employee, agent, consultant, or other similar representative of the Company other than routine increases that were made in the ordinary course of business and consistent with past practice and that did not result in an increase of more than five percent (5.0%) of the respective salary, wages, or compensation of any such Person; or any creation of any Benefit Plan or any contribution to or amendment or modification of any Benefit Plan;

(c) any issuance, sale, or disposition by the Company of any debenture, note, stock, or other security issued by the Company, or any modification or amendment of any right of the holder of any outstanding debenture, note, stock, or other security issued by the Company;

(d) any Lien created on or in any of the Assets and Properties of the Company, or assumed by the Company with respect to any of such Assets and Properties, which Lien individually or in the aggregate with any other Liens has or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company;

(e) any prepayment of any Liabilities which individually or in the aggregate has or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company;

(f) any Liability involving the borrowing of money by the Company;

(g) any Liability incurred by the Company in any transaction (other than pursuant to any insurance Contract entered into in the ordinary course of business and consistent with past practice) not involving the borrowing of money, except such Liabilities incurred by the Company, the result of which individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company;

(h) any damage, destruction, or loss (whether or not covered by insurance) affecting any of the Assets and Properties of the Company, which damage, destruction, or loss individually or in the aggregate has or might reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company;

(i) any work stoppage, strike, slowdown, other labor difficulty, or (to the Best Knowledge of the Company and the Controlling Shareholders) union organizational campaign (in process or threatened) at or affecting the Company;

(j) any Material change in any underwriting, actuarial, investment, financial reporting, or accounting practice or policy followed by the Company, or in any assumption underlying such a practice or policy, or in any method of calculating any bad debt, contingency, or other reserve for financial reporting purposes or for any other accounting purposes;

(k) any payment, discharge, or satisfaction by the Company of any Lien or Liability other than Liens or Liabilities that were paid, discharged, or satisfied since December 31, 2010 in the ordinary course of business and consistent with past practice, or were paid, discharged, or satisfied as required under this Agreement;

(l) any cancellation of any Liability owed to the Company by any other Person;

(m) any Material write-off or write-down of, or any determination to write-off or write-down any of, the Assets and Properties of the Company or any portion thereof;

(n) any Material sale, transfer, or conveyance of any investments, or any other Assets and Properties of the Company, except in the ordinary course of business and consistent with past practice;

(o) any amendment, termination, waiver, disposal, or lapse of, or other failure to preserve, any license, permit, or other form of authorization of the Company, the result of which individually or in the aggregate has or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company;

(p) any transaction or arrangement under which the Company paid, lent, or advanced any amount to or in respect of, or sold, transferred, or leased any of its Assets and Properties or any service to, any of the Controlling Shareholders (except for payments of salaries and wages in the ordinary course of business and consistent with past practice, and except for payments made pursuant to any Contract disclosed in Section 2.10(b) or Section 2.17(a) of the Disclosure Schedule), or of any Affiliate of the Company, or any officer or director thereof; (ii) any business or other Person in which any Controlling Shareholder, the Company, or any such officer or director, or any such Affiliate has any material interest, except for advances made to, or reimbursements of expenses of, any of the Controlling Shareholders or any officers or directors of the Company for travel and other business expenses in reasonable amounts in the ordinary course of business and consistent with past practice; or advances or payments to any Affiliate of the Company pursuant to any Contract of the type described in Section 2.17(g);

(q) any Material amendment of, or any failure to perform all of its obligations under, or any default under, or any waiver of any right under, or any termination (other than on the stated expiration date) of, any Contract that involves or reasonably would involve the annual expenditure or receipt by the Company of a Material amount or that individually or in the aggregate is Material to the Business or Condition of the Company;

(r) any Material decrease in the amount of, or any Material change in the nature of, the insurance Contracts in force of the Company or any Material change in the amount or nature of the reserves, liabilities or other similar amounts of the Company with respect to such insurance Contracts (including, without limitation, reserves and other similar amounts of a type required to be reflected respectively on lines 1 through 11.3 on page 3 of any SAP Annual Statement of the Company);

(s) any amendment to the articles or certificate of incorporation or bylaws of the Company;

(t) any termination, amendment, or execution by the Company of any reinsurance, coinsurance, or other similar Contract, as ceding or assuming insurer;

(u) any expenditure or commitment for additions to property, plant, equipment or other tangible or intangible capital assets of the Company, except for any expenditure or commitment the result of which individually or in the aggregate does not have and may not reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company;

(v) any amendment or introduction by the Company of any insurance Contract other than in the ordinary course of business and consistent with past practice; or

(w) any Contract to take any of the actions described in this Section other than actions expressly permitted under this Section.

**2.11 No Undisclosed Liabilities.** Except to the extent reflected in the balance sheet included in the December 31, 2011 Annual Statement of the Company (or in the notes relating thereto), or except as disclosed in Section 2.11 of the Disclosure Schedule, there were no Liabilities (other than policyholder benefits payable in the ordinary course of business and consistent with past practice) against, relating to, or affecting the Company as of December 31, 2011 that individually or in the aggregate have or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company. Except to the extent reflected in the balance sheet included in the December 31, 2011 Annual Statement of the Company (or in the notes relating thereto), or except as disclosed in Section 2.11 of the Disclosure Schedule, since December 31, 2010, the Company has not incurred any Liabilities (other than policyholder benefits payable in the ordinary course of business and consistent with past practice) that individually or in the aggregate have or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company.

**2.12 Taxes.** Except as disclosed in Section 2.12 of the Disclosure Schedule (with paragraph references corresponding to those set forth below):

(a) All Tax Returns required to be filed with respect to the Company have been duly and timely filed, and all such Tax Returns are true and complete in all Material respects. The Company has duly and timely paid all Taxes that are due, or claimed or asserted by any taxing authority to be due, from the Company for the periods covered by such Tax Returns or has duly provided for all such Taxes in the Books and Records of the Company and in accordance with SAP, including, without limitation, in the Financial Statements. There are no Liens with respect to Taxes (except for Liens with respect to real and personal property Taxes not yet due) upon any of the Assets and Properties of the Company.

(b) With respect to any period for which Tax Returns have not yet been filed, or for which Taxes are not yet due or owing, the Company has made due and sufficient current accruals for such Taxes in its respective Books and Records and in accordance with GAAP and SAP, and such current accruals through December 31, 2011 are duly and fully provided for in the Financial Statements of the Company for the period then ended.

(c) The United States federal income Tax Returns of the Company have not been audited or examined by the IRS, and the statute of limitations for all periods through the year 2006 has expired. The state, local, and foreign income Tax Returns of the Company have not been audited or examined, and all statutes of limitation for all applicable state, local, and foreign taxable periods through the respective years specified in Section 2.12(c) of the Disclosure Statement have expired. There are no outstanding agreements, waivers, or arrangements extending the statutory period of limitation applicable to any claim for, or the period for the collection or assessment of, Taxes due from the Company for any taxable period. The Company has previously delivered to the Purchaser true and complete copies of each of the most recent audit reports relating to the United States federal, state, local, and foreign income Taxes due from the Company and the United States federal, state, local, and foreign income Tax Returns, for each of the last three taxable years, filed by the Company (insofar as such returns relate to the

Company, if filed by any affiliated or consolidated group of which the Company was then a member).

(d) No audit or other proceeding by any court, governmental or regulatory authority, or similar Person is pending or (to the Best Knowledge of the Controlling Shareholders or the Company) threatened with respect to any Taxes due from the Company or any Tax Return filed by or relating to the Company. To the Best Knowledge of the Controlling Shareholders and the Company, no assessment of Tax is proposed against the Company, or any of its Assets and Properties.

(e) No election under any of Sections 108, 168, 338, 441, 463, 472, 1017, 1033, or 4977 of the Code (or any predecessor provisions) has been made or filed by or with respect to the Company or any of its Assets and Properties. None of the Assets and Properties of the Company is an asset or property that the Purchaser or any of its Affiliates is or will be required to treat as being owned by any other Person pursuant to the provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and in effect immediately before the enactment of the Tax Reform Act of 1986, or tax-exempt use property within the meaning of Section 168(h)(1) of the Code. No closing agreement pursuant to Section 7121 of the Code (or any predecessor provision) or any similar provision of any state, local, or foreign Law has been entered into by or with respect to the Company or any of its Assets and Properties.

(f) The Company has not agreed to, nor is it required to make any adjustment pursuant to Section 481(a) of the Code (or any predecessor provision) by reason of any change in any accounting method of the Company, and the Company does not have any application pending with any taxing authority requesting permission for any changes in any accounting method of the Company. To the Best Knowledge of the Controlling Shareholders and the Company, the IRS has not proposed any such adjustment or change in any accounting method of the Company.

(g) Neither the Company nor any of the Controlling Shareholders has been or is presently in violation (or with notice or lapse of time or both, would be in violation) of any applicable Law relating to the payment or withholding of Taxes. The Company has duly and timely withheld from employee salaries, wages, and other compensation and paid over to the appropriate taxing authorities all amounts required to be so withheld and paid over for all periods under all applicable Laws.

(h) Neither any of the Controlling Shareholders nor the Company is a party to, is bound by, or has any obligation under, any Tax sharing Contract, Tax allocation Contract or similar Contract; notwithstanding any disclosure contained in the Disclosure Schedule, the Controlling Shareholders and the Company represent and warrant that, at the Closing, neither the Controlling Shareholders nor the Company shall be a party to, be bound by or have any obligation under, any Tax sharing Contract, Tax allocation Contract or similar Contract or arrangement. The Company is not a foreign person within the meaning of Section 1445(f)(3) of the Code.

(i) Other than a certain reinsurance agreement number YC-1 entered into

between the Company and GPM dated December 31, 2008, there are no reinsurance, coinsurance, or other similar Contracts under which the Company receives or has received surplus relief.

(j) The Company has not made any direct, indirect, or deemed distributions that have been or could be taxed under Section 815 of the Code.

(k) All ceding commission expenses paid or accrued by the Company in connection with any assumption reinsurance arrangement or Contract in which the Company is or was the reinsurer have been capitalized and amortized over the life or lives of such reinsurance arrangement or Contract in accordance with the decision of the United States Supreme Court in Colonial American Life Insurance Company v. Commissioner of Internal Revenue, 109 S.Ct. 2408 (1989).

(l) No Material Liabilities have been proposed in connection with any audit or other proceeding by any court, governmental or regulatory authority, or similar Person with respect to any Taxes due from the Company or any Tax Return filed by or relating to the Company.

(m) Neither any of the Controlling Shareholders nor the Company is a party to any agreement, contract, plan or arrangement that has resulted, or would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

**2.13 Litigation.** Except as disclosed in Section 2.13 of the Disclosure Schedule (with paragraph references corresponding to those set forth below):

(a) There are no actions, suits, investigations, or proceedings pending, or (to the Best Knowledge of the Controlling Shareholders) threatened, against the Controlling Shareholders, or any of their respective Assets and Properties, at law or in equity, in, before, or by any Person that individually or in the aggregate have or may reasonably be expected to have a Material Adverse Effect on the validity or enforceability of this Agreement, on the ability of the Controlling Shareholders to perform their obligations under this Agreement, or on the Business or Condition of the Company.

(b) There are no actions, suits, investigations, or proceedings pending, or (to the Best Knowledge of the Controlling Shareholders and the Company) threatened, against the Company or any of its Assets and Properties, at law or in equity, in, before, or by any Person that individually involve a claim or claims for any injunctive or similar relief or for damages that has or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company, or which contain or allege an unspecified amount of damages.

(c) There are no writs, judgments, decrees, or similar orders of any Person outstanding against the Company that individually or in the aggregate have or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company, and there are no injunctions or similar orders of any Person outstanding

against any of the Controlling Shareholders or the Company.

**2.14 Compliance with Laws.** Except as disclosed in Section 2.14 of the Disclosure Schedule, the Company has not been and currently is not in violation (or with or without notice or lapse of time or both, would be in violation) of any term or provision of any Law or any writ, judgment, decree, injunction, or similar order applicable to the Company or any of its Assets and Properties, the result of which violation individually or violations in the aggregate has or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company. Without limiting the generality of the foregoing:

(a) Since January 1, 2009 the Company has duly and validly filed or caused to be so filed all reports, statements, documents, registrations, filings, or submissions that were required by Law to be filed with any Person and as to which the failure to so file, individually or in the aggregate with other such failures, has or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company; all such filings complied with applicable Laws in all Material respects when filed and, no Material deficiencies have been asserted by any Person with respect to any such filings. The Company has previously delivered to GPM copies of the holding company registration statements, including the most recent annual amendments thereto, of the Company as filed with the Insurance Commissioner in its state of domicile.

(b) The Company has previously delivered to GPM the reports reflecting the results of the most recent financial and market conduct examinations of the Company issued by the Insurance Commissioner in its state of domicile. Except as disclosed in Section 2.14(b) of the Disclosure Schedule, all Material deficiencies or violations in such report have been resolved to the satisfaction of the Insurance Commissioner of the state of domicile of the Company.

(c) To the Best Knowledge of the Controlling Shareholders and the Company, and except as disclosed in Section 2.14(c) of the Disclosure Schedule, all outstanding insurance Contracts issued, reinsured, or underwritten by the Company are, to the extent required under applicable Laws, on forms which were submitted to and approved by the insurance regulatory authorities of each jurisdiction where such insurance Contracts were issued or delivered, or have been filed with and not objected to by such authorities within the period provided for objection. The rates charged for insurance under the insurance Contracts issued by the Company have been determined in accordance with usual and customary actuarial principles and practices, and are not based upon the race of the insureds or proposed insureds under such insurance Contracts. The Company has procedures in place for coordinating policy information in the Company's database with the federal Social Security database to determine whether insureds under life insurance and annuity Contracts are deceased.

(d) (i) To the Best Knowledge of the Controlling Shareholders and the Company, Section 2.14(d) of the Disclosure Schedule contains a true and complete list of each master or prototype (as well as any individually designed) pension, profit sharing, defined benefit, Code Section 401(k), and other retirement or employee benefit plan or

Contract (including, but not limited to, simplified employee pension plans, Code Section 403(a), (b) and (c) annuities, Keogh plans, and individual retirement accounts and individual retirement annuities) offered or sold by the Company to, or maintained or sponsored for the benefit of any employees of, any other Person, and each determination letter relating to the creation or amendment of any such plan or Contract. To the Best Knowledge of the Controlling Shareholders and the Company, and except as disclosed in Section 2.14(d) of the Disclosure Schedule, each such plan or Contract in all material respects conforms with, and has been offered, sold, maintained, and sponsored in accordance with, all applicable Laws. To the Best Knowledge of the Controlling Shareholders and the Company, and except as disclosed in Section 2.14(d) of the Disclosure Schedule, the Company is not a fiduciary with respect to any plan or Contract referenced in this Section 2.14(d).

(ii) The Company does not provide administrative or other contractual services for any plan or Contract referenced in this Section 2.14(d), including, but not limited to, any third party administrative services for an Employee Welfare Benefit Plan.

(iii) To the extent that the Company maintains any collective or commingled funds or accounts which restrict the Persons who may invest therein to tax-exempt entities or qualified plans, each such fund or account (of which a true and complete list and description is disclosed in Section 2.14(d)(3) of the Disclosure Schedule) has been established, maintained and operated in accordance with all applicable Laws, has maintained its tax-exempt status and has no nonqualified plans or trusts or other taxable entities investing in it.

(iv) In addition to the representations and warranties contained in Section 2.13, there are no claims pending, or (to the Best Knowledge of the Controlling Shareholders and the Company) threatened, against the Company or any of its Assets and Properties, under any fiduciary liability insurance policy issued by or to the Company that individually or in the aggregate has or may reasonably be expected to have a Material Adverse Effect on the Business or Condition of the Company.

## **2.15 Benefit Plans; ERISA.**

(a) Section 2.15(a) of the Disclosure Schedule contains a true and complete list and description of, and discloses the amount accrued or payable for each of the year ended December 31, 2011 under each of the Benefit Plans and identifies each of the Benefit Plans that is an Employee Pension Benefit Plan or an Employee Welfare Benefit Plan, and sets forth the valuation date of each such Benefit Plan. Neither the Controlling Shareholders nor the Company, nor any of its Affiliates has any Contract, plan, or commitment, whether legally binding or not, to create any additional Benefit Plan or to modify or change any existing Benefit Plan. Each contribution or other payment required to be made or to be voluntarily made by the Company on or before December 31, 2011 with respect to any of the Benefit Plans is disclosed in Section 2.15(a) of the Disclosure Schedule, together with the date such contribution or payment is due or is to be made.

Except as disclosed in Section 2.15(a) of the Disclosure Schedule, no Company Common Shares or other security issued by the Company or any of its Affiliates forms or has formed a material part of the Assets and Properties of any Benefit Plan.

(b) None of the Benefit Plans is or has been a multi-employer plan, as that term is defined in Section 3(37) of ERISA. To the Best Knowledge of the Controlling Shareholders and the Company, there has been no transaction, action, or omission involving the Controlling Shareholders or the Company, any ERISA Affiliate, or (to the Best Knowledge of the Controlling Shareholders and the Company) any fiduciary, trustee, or administrator of any Benefit Plan, or any other Person dealing with any such Benefit Plan or the related trust or funding vehicle, that in any manner violates or will result in a violation (with or without notice or lapse of time or both) of Sections 404 or 406 of ERISA or constitutes or will constitute (with or without notice or lapse of time or both) a prohibited transaction (as defined in Section 4975(c)(I) of the Code or Section 406 of ERISA) for which there exists neither a statutory nor a regulatory exemption and which could subject the Company or any party in interest (as defined in Section 3(14) of ERISA) to criminal or civil sanctions under Section 501 or 502 of ERISA, or to Taxes under Code Section 4975, or to any other Liability.

(c) To the Best Knowledge of the Controlling Shareholders and the Company, and except as disclosed in Section 2.15(c) of the Disclosure Schedule, there has been no reportable event (as defined in Section 4043(b) of ERISA) with respect to any Employee Pension Benefit Plan or any Employee Welfare Benefit Plan for which notice to the PBGC has not been waived by rule or regulation. To the Best Knowledge of the Controlling Shareholders and the Company, neither any of the Controlling Shareholders nor the Company, nor any ERISA Affiliate has any Liability to the PBGC (other than any Liability for insurance premiums not yet due to the PBGC), to any present or former participant in or beneficiary of any Benefit Plan (or any beneficiary of any such participant or beneficiary), or to any Employee Pension Benefit Plan or any Employee Welfare Benefit Plan. To the Best Knowledge of the Controlling Shareholders and the Company, no event, fact, or circumstance has arisen or occurred that has resulted or may reasonably be expected to result in any such Liability or a claim against the Company by the PBGC, by any present or former participant in or any beneficiary of any Employee Pension Benefit Plan or any Employee Welfare Benefit Plan (or any beneficiary of any such participant or beneficiary), or by any such Benefit Plan. To the Best Knowledge of the Controlling Shareholders and the Company, and except as disclosed in Section 2.15(c) of the Disclosure Schedule, no filing has been or will be made by the Controlling Shareholders or the Company, or any ERISA Affiliate, and no proceeding has been commenced, for the complete or partial termination of any Employee Pension Benefit Plan or any Employee Welfare Benefit Plan, and no complete or partial termination of any such Benefit Plan has occurred or, as a result of the execution or delivery of this Agreement or the consummation of the transactions contemplated hereby, will occur.

(d) To the Best Knowledge of the Controlling Shareholders and the Company, all amounts that the Company is required to pay by Law or under the terms of the Benefit Plans as a contribution or other payment to or in respect of such Benefit Plans as of the

last day of the most recent fiscal year of each of the Benefit Plans have been paid. The funding method used in connection with each Benefit Plan that is or at any time has been subject to the funding requirements of Title I, Subtitle B, Part 3 of ERISA, meets the requirements of ERISA and the Code. No Benefit Plan subject to Title IV of ERISA (or any trust established thereunder) has ever incurred any accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year of such Benefit Plan. With respect to any period for which any contribution or other payment to or in respect of any Benefit Plan is not yet due or owing, the Company has made due and sufficient current accruals for such contributions and other payments in accordance with SAP, and such current accruals through December 31, 2011 are duly and fully provided for in the Financial Statements of the Company for the period then ended.

(e) To the Best Knowledge of the Controlling Shareholders and the Company, each Benefit Plan is and has been operated and administered in all material respects in accordance with all applicable Laws, including, without limitation, ERISA and the Code. Each of the Employee Pension Benefit Plans and Employee Welfare Benefit Plans that is intended to be qualified within the meaning of Section 401(a) of the Code is so qualified and satisfies the requirements of Sections 401(a) and 501(a) of the Code, or an application for such qualification has been filed with the IRS and is currently pending. To the Best Knowledge of the Controlling Shareholders and the Company, there exists no fact, condition, or set of circumstances that has or may reasonably be expected to have a Material Adverse Effect on the qualified status of any Employee Pension Benefit Plan or any Employee Welfare Benefit Plan intended to be so qualified or the intended United States federal income Tax treatment or consequences of any Employee Pension Benefit Plan or any Employee Welfare Benefit Plan. None of the Benefit Plans, or any related trust or funding vehicle, conducts or has conducted any unrelated trade or business as that term is defined in Section 513 of the Code. All necessary governmental approvals, determinations, and notifications for all Employee Pension Benefit Plans and all Employee Welfare Benefit Plans have been obtained, or an application for such approval, determination or notification is pending with respect thereto.

(f) To the Best Knowledge of the Controlling Shareholders and the Company, the actuarial assumptions utilized, where appropriate, in connection with determining the funding of each Employee Pension Benefit Plan (as set forth in the actuarial report for such Benefit Plan) are reasonable in all Material respects. Based on such actuarial assumptions, as of December 31, 2011 the fair market value of the Assets or Properties held under each Employee Pension Benefit Plan exceeds the actuarially determined present value of all accrued benefits of such Benefit Plan (whether or not vested) determined on an ongoing-Benefit Plan basis.

(g) Except as disclosed in Section 2.15(g) of the Disclosure Schedule, and except for claims by third parties for benefits owed to participants or beneficiaries under the Benefit Plans, and except for divorce proceedings, there are no pending or (to the Best Knowledge of any of the Controlling Shareholders or the Company) threatened actions, suits, investigations, or other proceedings by any present or former participant or

beneficiary under any Benefit Plan (or any beneficiary of any such participant or beneficiary) involving any Benefit Plan or any rights or benefits under any Benefit Plan or any rights or benefits under any Benefit Plan other than ordinary and usual claims for benefits by participants or beneficiaries thereunder. There is no writ, judgment, decree, injunction, or similar order of any court, governmental or regulatory authority, or other similar Person outstanding against or in favor of any Benefit Plan or any fiduciary thereof.

**2.16 Properties.** Except as disclosed in Section 2.16 of the Disclosure Schedule (with paragraph references corresponding to those set forth below):

(a) The Company has good and valid title to all debentures, notes, stocks, securities, and other assets that are of a type required to be disclosed in Schedules B through DB of its SAP Annual Statement and that are owned by it, free and clear of all Liens.

(b) The Company owns good and indefeasible title to, or has a valid leasehold interest in, all real property used in the conduct of its business, operations, or affairs, and are of a type required to be disclosed in Schedule A of its SAP Annual Statement, free and clear of all Liens. No improvement on any such real property owned, leased, or held by the Company encroaches upon any real property of any other Person. The Company owns, leases, or has a valid right under Contract to use adequate means of ingress and egress to, from, and over all such real property.

(c) The Company owns good and indefeasible title to, or has a valid leasehold interest in or has a valid right under Contract to use, all tangible personal property that is used in the conduct of its respective business, operations, or affairs, free and clear of all Liens.

(d) The Company has, and at all times after the Closing Date will have, the right to use, free and clear of any royalty or other payment obligations, claims of infringement or alleged infringement, or other Liens, all marks, names, trademarks, service marks, patents, patent rights, assumed names, logos, trade secrets, copyrights, trade names, and service marks that are used in the conduct of its respective business, operations, or affairs (of which a true and complete list and description is disclosed in Section 2.16(d) of the Disclosure Schedule), and all computer software, programs, and similar systems owned by or licensed to the Company, or any Affiliate of the Company, or used in the conduct of its business, operations, or affairs (of which a true and complete list and description is disclosed in Section 2.16(d) of the Disclosure Schedule). Neither the Company nor any of its Affiliates is in conflict with or in violation or infringement of, nor has the Company or any Affiliate received any notice of any conflict with or violation or infringement of or any claimed conflict with, any asserted rights of any other Person with respect to any intellectual property or any computer software, programs, or similar systems, including, without limitation, any of such items disclosed in Section 2.16(d) of the Disclosure Schedule.

**2.17 Contracts.** Section 2.17 of the Disclosure Schedule (with paragraph references corresponding to those set forth below) contains a true and complete list of each of the following Contracts or other documents or arrangements (true and complete copies, or, if none, written descriptions, of which have been made available to GPM, together with all amendments thereto), to which the Company is a party or by which any of its respective Assets and Properties is or may be bound:

(a) all employment, agency, consultation, or representation Contracts or other Contracts of any type (including, without limitation, loans or advances) with any present officer, director, employee, agent, consultant, or other similar representative of the Company (or former officer, director, employee, agent, consultant or similar representative of the Company, if there exists any present or future liability with respect to such Contract, whether now existing or contingent) (other than Contracts with consultants and similar representatives who do not receive compensation of \$50,000 or more per year and other than employment or agency Contracts with agents who do not receive compensation of \$50,000 or more per year), and the name, position, and rate of compensation of each such Person and the expiration date of each such Contract, as well as all sick leave, vacation, holiday, and other similar practices, procedures, and policies of the Company established or administered other than as Benefit Plans;

(b) all Contracts with any Person containing any provision or covenant limiting the ability of the Company to engage in any line of business or to compete with or to obtain products or services from any Person or limiting the ability of any Person to compete with or to provide products or services to the Company;

(c) all partnership, joint venture, profit-sharing, or similar Contracts with any Person (other than Benefit Plans);

(d) all Material Contracts relating to the borrowing of money by the Company or to the direct or indirect guarantee by the Company of any obligation for borrowed money for the Company or any of its Affiliates, or any other Liability in respect of indebtedness of any other Person, including without limitation any Contract relating to the maintenance of compensating balances that are not terminable by the Company without penalty upon not more than sixty (60) calendar days' notice, any line of credit or similar facility, the payment for property, products, or services of any other Person even if such property, products, or services are not conveyed, delivered, or rendered, or the obligation to take-or-pay, keep-well, make-whole, or maintain surplus or earnings levels or perform other financial ratios or requirements; Section 2.17(d) of the Disclosure Schedule contains a true and complete list of any requirements for consents or approvals of creditors needed to consummate the transactions contemplated hereby;

(e) all leases or subleases of real property used in the business, operations, or affairs of the Company, and all other leases, subleases, or rental or use Contracts for which the Company is liable;

(f) all Contracts relating to the future disposition or acquisition of any investment in or security of any Person or of any interest in any business enterprise (other

than the disposition or acquisition of investments in the ordinary course of business and consistent with past practice);

(g) all Contracts or arrangements (including, without limitation, those relating to the sharing or allocation of expenses, personnel, services, or facilities) between or among the Company and any of its Affiliates or any other Person who is described in Section 2.10(p);

(h) all reinsurance, coinsurance, or other similar Contracts indicating, with respect to each such Contract, the information required to be disclosed in Schedule S of the SAP Annual Statements of the Company;

(i) all outstanding proxies, powers of attorney, or similar delegations of authority of the Company, except for powers of attorney for the service of process pursuant to applicable insurance Laws;

(j) all Contracts for any product, service, equipment, facility, or similar item (other than insurance Contracts issued, reinsured, or underwritten by the Company and other than reinsurance, coinsurance, and other similar Contracts) that by its terms do not expire or terminate or are not terminable by the Company, without penalty or other Liability, within six (6) months after December 31, 2011 and

(k) all other Contracts (other than insurance Contracts issued, reinsured, or underwritten by the Company) that involve the payment or potential payment pursuant to the terms of such Contracts, by or to the Company that are Material to the Business or Condition of the Company.

To the Best Knowledge of the Controlling Shareholders and the Company, each Contract disclosed or required to be disclosed in the Disclosure Schedule pursuant to this Section is in full force and effect and constitutes a legal, valid, and binding obligation of the Company and of each other Person that is a party thereto in accordance with its terms; and neither the Company nor (to the Best Knowledge of any of the Controlling Shareholders or the Company) any other party to such Contract is in violation or breach of or default under any such Contract (or with or without notice or lapse of time or both, would be in violation or breach of or default under any such Contract). Except as disclosed in Section 2.17 of the Disclosure Schedule (with a specific reference to this sentence), the Company is not a party to or bound by any Contract that was not entered into in the ordinary course of business and consistent with past practice or that has or may reasonably be expected to have, individually or in the aggregate with any other Contracts, a Material Adverse Effect on the Business or Condition of the Company. The Company is not a party to or bound by any collective bargaining or similar labor Contract.

**2.18 Insurance Issued or Assumed by the Company.** All of the life insurance policies and annuity Contracts of the Company have been directly issued by the Company or assumed by the Company in transactions involving assumption reinsurance and novation of the life insurance policies and annuity Contracts so that the Company is directly liable to the holders of such life insurance policies and annuity Contracts. As of the date of this Agreement the Company has, and as of the Closing Date, the Company will have, no fewer than Ninety-Five

Hundred (9,500) life insurance policies and annuity Contracts in force and outstanding. Except as required by Law or except as disclosed in Section 2.18 of the Disclosure Schedule (with paragraph references corresponding to those set forth below):

(a) All insurance Contract benefits payable by the Company to any other Person that is a party to or bound by any insurance, reinsurance, coinsurance, or other similar Contract with the Company have in all material respects been paid in accordance with the terms of the insurance, reinsurance, coinsurance and other Contracts under which they arose, except for such benefits for which the Company reasonably believes there is a reasonable basis to contest payment.

(b) No outstanding insurance Contract issued, reinsured, or underwritten by the Company entitles the holder thereof or any other Person to receive dividends, distributions, or to share in the income of the Company or to receive any other benefits based on the revenues or earnings of the Company or any other Person.

(c) The underwriting standards utilized and ratings applied by the Company and (to the Best Knowledge of the Controlling Shareholders and the Company) by any other Person that is a party to or bound by any reinsurance, coinsurance, or other similar Contract with the Company conform in all Material respects to industry accepted practices and to the standards and ratings required pursuant to the terms of the respective reinsurance, coinsurance, or other similar Contracts.

(d) To the Best Knowledge of the Controlling Shareholders and the Company, all of the Company's liability under insurance Contracts issued, reinsured, or underwritten by the Company which is beyond the Company's normal retention is fully reinsured under valid reinsurance Contracts with solvent reinsurers, and all amounts to which the Company is entitled under reinsurance, coinsurance, or other similar Contracts (including without limitation amounts based on paid and unpaid losses) are fully collectible.

(e) To the Best Knowledge of the Controlling Shareholders and the Company, each insurance agent, at the time such agent wrote, sold, or produced business for the Company, was duly licensed as an insurance agent (for the type of business written, sold, or produced by such insurance agent) in the particular jurisdiction in which such agent wrote, sold, or produced such business for the Company.

(f) To the Best Knowledge of the Controlling Shareholders and the Company, no such insurance agent violated (or with or without notice or lapse of time or both, would have violated) any term or provision of any Law or any writ, judgment, decree, injunction, or similar order applicable to the writing, sale, or production of business for the Company.

(g) The Controlling Shareholders and the Company do not have any reason to believe that the tax treatment under the Code of all insurance, annuity or investment policies, plans, or Contracts; all financial products, employee benefit plans, individual retirement accounts or annuities; or any similar or related policy, Contract, plan, or

product, whether individual, group, or otherwise, issued or sold by the Company is not and at any time has not been the same or more favorable to the purchaser, policyholder or intended beneficiaries thereof as the tax treatment under the Code for which such Contracts qualified or purported to qualify at the time of its issuance or purchase. For purposes of this Section 2.18(g), the provisions of the Code relating to the tax treatment of such contracts shall include, but not be limited to, Sections 72, 79, 89, 101, 104, 105, 106, 125, 130, 401, 402, 403, 404, 408, 412, 415, 419, 419A, 501, 505, 817, 818, 7702, and 7702A of the Code.

**2.19 Threats of Cancellation.** To the Best Knowledge of the Controlling Shareholders and the Company, except as disclosed in Section 2.19 of the Disclosure Schedule, since December 31, 2011 no policyholder, group of policyholder Affiliates, or Persons writing, selling, or producing insurance business that individually or in the aggregate accounted for five percent (5.0%) or more of the premium or annuity income of the Company for the year ended December 31, 2011, has terminated or (to the Best Knowledge of the Controlling Shareholders and the Company) threatened to terminate its insurance Contract or relationship with the Company.

**2.20 Licenses and Permits.** Except as disclosed in Section 2.20 of the Disclosure Schedule (with paragraph references corresponding to those set forth below):

(a) The Company owns or validly holds, all licenses, franchises, permits, approvals, authorizations, exemptions, classifications, certificates, registrations, and similar documents or instruments that are required for its business, operations, and affairs and that the failure to so own or hold has or may reasonably be expected to have a Material Adverse Effect on its Business or Condition.

(b) All such licenses, franchises, permits, approvals, authorizations, exemptions, classifications, certificates, registrations, and similar documents or instruments are valid and in full force and effect, and free of any restrictions imposed by any Person.

**2.21 Operations Insurance.** Section 2.21 of the Disclosure Schedule contains a true and complete list and description of all liability, property, workers compensation, directors and officers liability, and other similar insurance Contracts that insure the business, operations, or affairs of the Company, or affect or relate to the ownership, use, or operations of any of the Assets and Properties of the Company and that have been issued to the Company or any of its Affiliates (including, without limitation, the names and addresses of the insurers, the expiration dates thereof, and the annual premiums and payment terms thereof) or that are held by the Company or by any Affiliate of the Company for the benefit of the Company or either of the Company following the Closing. All such insurance is in full force and effect and (to the Best Knowledge of the Controlling Shareholders and the Company) is with financially sound and reputable insurers and, in light of the business, operations, and affairs of the Company, is in amounts and provides coverage that are reasonable and customary for Persons in similar businesses.

**2.22 Intercompany Liabilities.** Except as reflected in the December 31, 2011 Internal Financial Statements of the Company, or except as disclosed in Section 2.22 of the Disclosure Schedule, (a) there are no Liabilities between the Company, the Controlling Shareholders, or any of their Affiliates, and (b) neither any of the Controlling Shareholders nor any of its Affiliates provides or causes to be provided to the Company any products, services, equipment, facilities, or similar items that, in the case of this clause (b), individually or in the aggregate are or may reasonably be expected to be Material to the Business or Condition of the Company. Except as disclosed in Section 2.22 of the Disclosure Schedule, since December 31, 2011 no such intercompany Liabilities of a Material amount have been paid, and all settlements of such intercompany Liabilities have been made, and all allocations of such intercompany expenses have been applied, in the ordinary course of business and consistent with past practice.

**2.23 Bank Accounts.** Section 2.23 of the Disclosure Schedule contains a true and complete list of the names and locations of all banks, trust companies, securities brokers, and other financial institutions at which the Company has an account or safe deposit box or maintains a banking, custodial, trading, or other similar relationship and a true and complete list and description of each such account, box, and relationship, indicating in each case the account number and the names of the officers, employees, agents, or other similar representatives of the Company transacting business with respect thereto.

**2.24 Brokers.** All negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by the Controlling Shareholders and the Company directly with the GPM or GPM's agents, without the intervention of any Person on behalf of the Controlling Shareholders or the Company in such manner as to give rise to any valid claim by any Person against GPM, the Controlling Shareholders or the Company for a finder's fee, brokerage commission, or similar payment, except for Robert D. Shapiro and The Shapiro Network, Inc., Milwaukee, Wisconsin, which firm was engaged by the Company and whose fees shall be the sole responsibility of the Controlling Shareholders.

**2.25 Disclosure.** Neither this Agreement nor any certificate furnished by or on behalf of the Controlling Shareholders or the Company to GPM in connection with this Agreement or the transactions contemplated hereby contains any untrue statement of a Material fact by the Controlling Shareholders or the Company or omits to state a Material fact by the Controlling Shareholders or the Company necessary to make the statements herein or therein not misleading in light of the circumstances in which they were made.

### **ARTICLE THREE REPRESENTATIONS AND WARRANTIES OF GPM**

GPM represents and warrants to the Controlling Shareholders and the Company as follows:

**3.01 Organization.** GPM is a Texas mutual life insurance corporation, duly organized, validly existing and in good standing under the Laws of the State of Texas. The Merger Sub is a general business corporation duly incorporated, validly existing, and in good standing under the laws of the State of Washington. GPM is duly qualified to transact business

and is in good standing under the Laws of every state or jurisdiction in which the nature of its activities or of its properties owned, leased or operated makes such qualification necessary and in which the failure to be so qualified could reasonably be expected to have a material adverse effect on the business or condition of GPM. The aggregate number of shares which Merger Sub is authorized to issue consists of One Hundred Thousand (100,000) shares of common stock with a par value of One Dollar (\$1.00) per share, of which Ten Thousand (10,000) shares are currently validly issued and outstanding, fully paid and non-assessable, and owned by GPM, free and clear of all Liens. There are no outstanding securities, obligations, rights, subscriptions, warrants, options, phantom stock rights, or other contracts of any kind that give any person the right to (a) purchase or otherwise receive or be issued any shares of capital stock of Merger Sub (or any interest therein) or any security or liability of any kind convertible into or exchangeable for any shares of capital stock of the Merger Sub (or any interest therein) or (b) receive any benefits or rights similar to any rights enjoyed by or accruing to a holder of Merger Sub Shares, or any rights to participate in the equity, income, or election of directors or officers of Merger Sub.

**3.02 Authority.** The Boards of Directors of GPM and the Merger Sub, and GPM as the sole shareholder of the Merger Sub, have each duly and validly approved this Agreement and the transactions contemplated hereby. The execution and delivery of this Agreement by GPM and the Merger Sub and the performance by GPM and the Merger Sub of each of its respective obligations under this Agreement have been duly and validly authorized by all necessary corporate action on the part of GPM and the Merger Sub. This Agreement constitutes a legal, valid, and binding obligation of GPM and the Merger Sub and is enforceable against GPM and the Merger Sub in accordance with its terms, except to the extent that enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium, or similar Laws now or hereafter in effect relating to or limiting creditors' rights generally and the remedy of specific performance and injunctive and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the court or other similar Person before which any proceeding therefore may be brought.

**3.03 No Conflicts or Violations.** The execution and delivery of this Agreement by GPM and the Merger Sub does not, and the performance by GPM and the Merger Sub of its respective obligations under this Agreement will not:

- (a) violate any term or provision of any Law or any writ, judgment, decree, injunction, or similar order applicable to GPM or the Merger Sub;
- (b) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, any of the terms, conditions, or provisions of the articles of incorporation or bylaws of GPM or the Merger Sub;
- (c) result in the creation or imposition of any Lien upon GPM or the Merger Sub or any of their respective Assets and Properties that individually or in the aggregate with any other Liens has or may reasonably be expected to have a Material Adverse Effect on the validity or enforceability of this Agreement or on the ability of GPM or the Merger Sub to perform its respective obligations under this Agreement;

(d) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, or give to any person any right of termination, cancellation, acceleration, or modification in or with respect to, any Contract to which GPM or the Merger Sub is a party or by which any of its respective Assets and Properties may be bound and as to which any such conflicts, violations, breaches, defaults, or rights individually or in the aggregate have or may reasonably be expected to have a Material Adverse Effect on the validity or enforceability of this Agreement or on the ability of GPM or the Merger Sub to perform its respective obligations under this Agreement; or

(e) require GPM or the Merger Sub to obtain any consent, approval, or action of, or make any filing with or give any notice to, any Person except for the Regulatory Approval as contemplated in the preamble to this Agreement; as disclosed in writing to the Controlling Shareholders and the Company; or those which the failure to obtain, make, or give individually or in the aggregate with other such failures has or may reasonably be expected to have no Material Adverse Effect on the validity or enforceability of this Agreement or on the ability of GPM or the Merger Sub to perform its respective obligations under this Agreement.

**3.04 Litigation.** There are no actions, suits, investigations, or proceedings pending against GPM or the Merger Sub, or (to the Best Knowledge of GPM) threatened against GPM or the Merger Sub, at law or in equity, in, before, or by any Person, that individually or in the aggregate have or may reasonably be expected to have a Material Adverse Effect on the validity or enforceability of this Agreement, on the ability of GPM and the Merger Sub to perform its respective obligations under this Agreement or on the Business and Condition of GPM and the Merger Sub.

**3.05 Brokers.** All negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by GPM directly with the Controlling Shareholders and the Company, without the intervention of any person on behalf of GPM in such a manner as to give rise to any valid claim by any person against the Controlling Shareholders, the Company or GPM for a finder's fee, brokerage commission, or similar payment, except for Robert D. Shapiro and The Shapiro Network, Inc., Milwaukee, Wisconsin, which firm was engaged by the Company and whose fees shall be the sole responsibility of the Controlling Shareholders.

**ARTICLE FOUR**  
**OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS AND THE COMPANY**  
**BEFORE THE EFFECTIVE DATE**

The Controlling Shareholders and the Company covenant that from the date of this Agreement until the Effective Date:

**4.01 Special Meeting of Shareholders of the Company; GPM's Access.** Within ten (10) Business Days from the date of this Agreement, the Board of Directors of the Company shall call a Special Meeting of the Shareholders of the Company for the purpose of approval of this Plan and Agreement of Merger (the "Special Meeting") and provide notice thereof in accordance with the bylaws of the Company and the Laws of the State of Washington (the "Notice"). The Controlling Shareholders and the Company shall provide GPM with copies of the Notice and any proxy statement to be sent to the holders of the Outstanding Common Shares of the Company for GPM's prior approval before such Notice and proxy statement are sent to the holders of the Outstanding Common Shares, which approval shall not be unreasonably withheld by GPM. From the date of this Agreement until the Effective Date, the Controlling Shareholders will cause the Company to provide, and the Company will provide (a) GPM and its counsel, accountants, actuaries, and other representatives with full access, upon prior notice and during normal business hours, to all facilities, officers, employees, agents, accountants, actuaries, assets and properties, and books and records of the Company and will furnish GPM and such other persons during such period with all such information and data (including, without limitation, copies of contracts, benefit plans, and other books and records) concerning the business, operations, and affairs of the Company as GPM or any of such other persons reasonably may request (it being understood and agreed that GPM shall reimburse the Company for the costs of copying any documents relating to the Company that are requested by GPM, whether requested prior to or after the execution of this Agreement) and (b) GPM with timely notice of and full access to all meetings (and all actions by written consent in lieu thereof) of the board of directors and shareholders of the Company involving matters which are not in the ordinary course of business and consistent with past practice.

**4.02 No Negotiations, etc.** From the date of execution of this Agreement until the earlier of (i) the Effective Date or (ii) the termination of this Agreement pursuant to Section 12.01, the Controlling Shareholders will not take, and will not permit the Company or any Affiliate of the Controlling Shareholders or the Company (or permit any other Person acting for or on behalf of Controlling Shareholders, the Company, or any Affiliate of the Controlling Shareholders or the Company) to take, directly or indirectly, any action (a) to seek or encourage any offer or proposal from any Person to acquire any shares of capital stock or any other securities of the Company or any interest therein or, other than in the ordinary course of business, any Assets and Properties of the Company or any interest therein; (b) to merge, consolidate, or combine, or to permit any other Person to merge, consolidate or combine, with the Company; (c) to liquidate, dissolve, or reorganize the Company in any manner; (d) to acquire or transfer any Assets and Properties of the Company or any interests therein, other than in the ordinary course of business or except as contemplated by the terms of this Agreement or the Subscription Agreement; (e) to reach any agreement or understanding (whether or not such

agreement or understanding is absolute, revocable, contingent, or conditional) for, or otherwise to attempt to consummate, any such acquisition, transfer, merger, consolidation, combination, or reorganization; or (f) to furnish or cause to be furnished any information with respect to the Company to any Person (other than to GPM or the California Department of Insurance and the Office of Insurance Commissioner of the State of Washington) that the Controlling Shareholders or any Affiliate of the Controlling Shareholders (or any Person acting for or on behalf of the Controlling Shareholders, the Company, or any other Affiliate of the Controlling Shareholders or the Company) knows or has reason to believe is in the process of attempting or considering any such acquisition, transfer, merger, consolidation, combination, liquidation, dissolution, or reorganization. If the Controlling Shareholders, the Company, or any other Affiliate of the Controlling Shareholders or the Company receives from any Person (other than GPM) any offer, proposal, informational request, inquiry or contact that is subject to this Section, the Controlling Shareholders will promptly notify such Person of the terms of this Section and will promptly notify GPM of the existence of such offer, proposal, informational request, inquiry or contact.

**4.03 Conduct of Business.** The Controlling Shareholders will cause the Company to conduct its business only in the ordinary course and consistent with past practice (unless otherwise permitted or required under this Agreement). Without limiting the generality of the foregoing:

(a) The Controlling Shareholders will use all commercially reasonable efforts to (i) preserve intact the Company's present business organization, reputation, and policyholder relations; (ii) keep available the services of the Company's present officers, directors, employees, agents, consultants, and other similar representatives (it being understood and agreed to by the Parties hereto that the officers and directors of the Company, other than members of the Board of Directors designated by GPM, will terminate their positions as of the Effective Date); (iii) maintain all licenses, qualifications, and authorizations of the Company to do business in each jurisdiction in which it is so licensed, qualified, or authorized; (iv) maintain in full force and effect all contracts, documents, and arrangements referred to in Section 2.17 hereof, (v) maintain all Assets and Properties of the Company in the working order and condition as the same exist on the date of this Agreement, ordinary wear and tear excepted, (vi) maintain and protect the confidential and proprietary nature of all of the Company's policyholder lists, lists of the Company's agents and producers, billing records and commission statements, marketing plans, lists of prospective customers or agents, and other materials relating to the Company's sales and marketing practices or in force business in a manner consistent with past practices; (vii) upon the request of GPM, retrieve all policyholder lists and copies thereof in the hands of any Persons other than executive officers or employees of the Company, and make no further distributions of any such lists, except as required in group billings and commission statements distributed in the ordinary course of business; and (viii) upon the request of GPM, deliver to each of the officers, agents and employees of the Company a written statement advising them of the proprietary and confidential nature of all of the information specified in subparagraph (a)(vi) of this Section.

(b) The Controlling Shareholders will cause the Books and Records of the Company to be maintained in a form and manner that is consistent with the form and

manner used by the Company to maintain the books and records of the Company during the five (5) years prior to the Effective Date and will not permit any Material change in any underwriting, investment, actuarial, financial reporting, or accounting practice or policy of the Company or in any assumption underlying such practice or policy, or in any method of calculating any bad debt, contingency, or other reserve for financial reporting purposes or for other accounting purposes (including, without limitation, any practice, policy, assumption, or method relating to or affecting the determination of the Company's investment income, reserves or other similar amounts, or operating ratios with respect to expenses, losses, or lapses).

(c) The Controlling Shareholders will cause the Company to: (i) properly prepare and duly and timely file all reports and all Tax Returns required to be filed with any governmental or regulatory authorities with respect to the business, operations, or affairs of the Company; and (ii) duly and fully pay all Taxes indicated by such Tax Returns or otherwise levied or assessed upon the Company or any of its Assets and Properties, and withhold or collect and pay to the proper taxing authorities or hold in separate bank accounts for such payment all Taxes that the Company is required to so withhold or collect and pay, unless such Taxes are being contested in good faith and, if appropriate, reasonable reserves therefore have been established and reflected in the Books and Records of the Company in accordance with SAP.

(d) The Controlling Shareholders will cause the Company to: (i) cause all reserves and other similar amounts with respect to insurance Contracts established or reflected in the books and records of the Company to be (A) computed and reflected on a basis consistent with those reserves and other similar amounts and reserving methods followed by the Company at December 31, 2011 and (B) good, sufficient and adequate (under commonly accepted actuarial standards consistently applied and fairly stated in accordance with sound actuarial principles) to cover the total amount of all reasonably anticipated matured and unmatured benefits, dividends, losses, claims, expenses, and other liabilities of the Company under all insurance Contracts pursuant to which the Company has or will have any Liability (including, without limitation, any Liability arising under or as a result of any reinsurance, coinsurance, or other similar contract); and (ii) continue to own assets that qualify as legal reserve assets under all applicable insurance Laws in an amount at least equal to the required reserves of the Company.

(e) The Controlling Shareholders and the Company will use all commercially reasonable efforts to maintain in full force and effect until the Closing substantially the same levels of coverage as the insurance afforded under the Contracts listed in Section 2.21 of the Disclosure Schedule. Any and all benefits under such Contracts paid or payable (whether before or after the Effective Date) with respect to the business, operations, affairs, or Assets and Properties of the Company will be paid to the Company or the Surviving Corporation.

(f) The Controlling Shareholders will have caused the Company to amend its lease agreement with W. 1116 Riverside Partners prior to the date of this Agreement to

include a provision giving the Company the right to terminate the lease upon six (6) months' notice to W. 1116 Riverside Partners.

(g) The Controlling Shareholders will cause the Company to comply, in all Material respects, with all Laws applicable to its respective business, operations, or affairs.

**4.04 Corporate Matters.** The Controlling Shareholders will not permit the Company to, and the Company will not (i) except for an amendment to the articles of incorporation changing the par value of the Company's common capital stock to \$1.67 per share, effective upon the Effective Date, the Company shall not otherwise amend its articles of incorporation or bylaws (or similar governing documents); (ii) issue any shares of its capital stock (other than the issuance of the GPM Shares to GPM); (iii) issue or create any warrants, obligations, subscriptions, options, convertible securities, or other commitments under which any additional shares of its capital stock of any class might be directly or indirectly authorized, issued, or transferred from the treasury; or (iv) agree to do any of the acts listed above.

**4.05 Employee Matters.** Except as may be required by Law, or except for such representations, promises, changes, alterations, or amendments that do not and will not result in any Material Liability to the Company, the Surviving Corporation or GPM, the Controlling Shareholders will refrain, and will cause the Company to refrain, from directly or indirectly:

(a) making any representation or promise, oral or written, to any officer, director, employee, agent, consultant, or other similar representative of the Company concerning any Benefit Plan;

(b) making any change to, or amending in any way, the contracts, salaries, wages, or other compensation of any officer, director, employee, agent, consultant, or other similar representative of the Company whose annual compensation exceeds \$50,000, other than routine changes or amendments that (i) are made in the ordinary course of business and consistent with past practice, (ii) do not and will not result in increases of more than five percent (5.0%) in the salary, wages, or other compensation of any such person, and (iii) do not and will not exceed, in the aggregate, five percent (5.0%) of the total salaries, wages, and other compensation of all employees of the Company, or (iv) are made in accordance with preexisting contractual obligations;

(c) adopting, entering into, amending, altering, or terminating, partially or completely, any Benefit Plan;

(d) except for Contracts adopted, entered into, amended, altered or terminated, whether partially or completely, by the Company with insurance agents in the ordinary course of business, adopting, entering into, amending, altering, or terminating, partially or completely, any employment, agency, consultation, or representation Contract that is, or had it been in existence on the effective date of this Agreement would have been, required to be disclosed in Schedule 2.17;

(e) approving any general or company-wide pay increases for officers,

directors, employees, agents, consultants, or other similar representatives of the Company; or

(f) entering into any Contract with any officer, director, employee, agent, consultant, or other similar representative of the Company that is not terminable by the Company, without penalty or other Liability, upon not more than sixty (60) calendar days' notice.

#### **4.06 Financial Statements.**

(a) As promptly as practicable after the end of each calendar year and each calendar quarter and month commencing on the date of this Agreement, the Company will deliver to GPM a true and complete copy of the Annual Statement, Quarterly Statement and Monthly Statement of the Company filed by the Company with the Washington Office of the Insurance Commissioner for the preceding calendar year, quarter and/or month, prepared in accordance with SAP, and which shall present fairly the financial condition, the Assets and Properties, and the Liabilities of the Company as of the date(s) thereof and the results of operations, capital and surplus account, and cash flow of the Company for and during each of the periods covered thereby; and

(b) As promptly as practicable after the preparation thereof, the Company will deliver to GPM true and complete copies of such other material financial statements, reports, or analyses as may be prepared by the Company or any Affiliate of the Company and as relate to the business, operations, or affairs of the Company, including, without limitation, normal internal reports (such as those reflecting monthly premiums, claims, and cash flow) and special reports (such as those of consultants).

(c) At the Closing, the Company will deliver to GPM (i) a certificate executed by the President of the Company, based upon a contemporaneous report of the Company's independent actuary attached thereto, that there have been no Material changes in the statutory reserves of the Company from the last day of the preceding month to the Effective Date, and that the Company holds policy benefit and claims reserves, premium reserves and other Liabilities and reserves relating to life insurance policies and annuity Contracts in force on the Effective Date at least equal to those shown on the December 31, 2011 Annual Statement of the Company, adjusted for normal changes of business in force, and that the insurance Contracts in force in the Company as of December 31, 2011 have remained in force (excepting normal lapses and maturities) as of the Effective Date and (ii) a certificate executed by the President or the chief financial officer of the Company that there are no Material changes in the value of the Assets and Properties of the Company from the last day of the preceding month to the Effective Date.

**4.07 Distributions, Dividends, and Acquisitions of Stock.** The Controlling Shareholders will not permit the Company to, and the Company will not: do, or agree to do, any of the following acts: (i) declare, set aside, or pay any dividend or make any distribution in respect of the any shares of the capital stock of the Company; (ii) directly or indirectly purchase,

redeem, or otherwise acquire any shares of the Company's capital stock; or (iii) enter into any agreement obligating it to do any of the foregoing prohibited acts.

**4.08 Existing Agreements.** Except in the ordinary course of business, the Controlling Shareholders will not permit the Company to, and the Company will not: modify, amend, cancel, terminate, violate or breach any of its existing Contracts or agreements, or take or fail to take any action that (with or without notice or lapse of time or both) would constitute a violation, breach or default in any way under the terms and provisions of any Contract or agreement to which it is party or by which any of its assets or properties may be bound, or agree to do any of those acts.

**4.09 Sale of Partnership Interest.** Prior to the Effective Date, the Controlling Shareholders shall have caused the Company to enter into a binding agreement whereby the Company shall agree to sell its entire interest in West 1124 Riverside Partners at a price not less than the value of such investment as shown on the Company's most recent SAP Statement.

**4.10 No Acquisitions.** The Company will not (a) merge, consolidate, or otherwise combine or agree to merge, consolidate, or otherwise combine with any other person, (b) acquire or agree to acquire blocks of business of, or all or substantially all the Assets and Properties or capital stock or other equity securities of any other Person, or (c) otherwise acquire or agree to acquire control or ownership of any other Person.

**4.11 Investments.** From the date of this Agreement to the Closing Date, the Company will invest its future cash flow, any cash from matured and maturing investments, any cash proceeds from the sale of any of its respective Assets and Properties, and any cash funds currently held by the Company, in the ordinary course of its business and consistent with past practice to meet the reasonably anticipated current obligations of the Company. All such investments shall be limited to investment assets that shall be rated Class 1 or Class 2 by the Securities Valuation Office of the National Association of Insurance Commissioners. The Company shall provide the Purchaser with advance telephone, email or written notice of any proposed purchases, exchanges or sales or investment assets of the Company at least twenty-four (24) hours in advance of any such purchase, exchange or sale, and the Purchaser shall have the right to disapprove all such purchases, exchanges or sales, and the Company shall not complete the proposed purchase, exchange or sale if the Purchaser provides the Company with telephone, email or written disapproval within such period. The Company shall, within 15 days after the Effective Date, sell all of the real estate mortgages on the books of the Company as shown the attached Exhibit C to R. J. Martin Mortgage Company at an aggregate purchase price of \$105,783.11, less each principal payment made on such loans after February 19, 2012 times the "% of Balance" shown on such Exhibit C corresponding to the loan on which the principal payment was made. R.J. Martin Mortgage Company shall purchase such loans at the price computed as described above.

**4.12 Intercompany Liabilities.** At least five (5) business days before the Effective Date, the Controlling Shareholders will deliver to GPM a true and complete list and description of all Liabilities between the Company and any of the Controlling Shareholders and between the Company and any other Affiliate of the Company or the Controlling Shareholders to be outstanding on the Effective Date. The Company will take appropriate action to terminate all

cost sharing agreements, tax allocation agreements, reinsurance agreements, and other intercompany services agreements between the Company and the Controlling Shareholders, or any Affiliate of the Company or the Controlling Shareholders, and settle all intercompany balances effective on the Effective Date, and provide GPM with evidence of such terminations. The Company will not enter into any Contract or, except as required by any Contract disclosed in Schedule 2.17, engage in any transaction with the Controlling Shareholders or any Affiliates of the Company or the Controlling Shareholders.

**4.13 Representations and Warranties at the Effective Date.** All representations and warranties of the Controlling Shareholders and the Company set forth in this Agreement will also be true and correct as of the Effective Date as if made on that date, except to the extent the representations and warranties are expressly made as of a date certain.

**4.14 Cooperation.** The Controlling Shareholders and the Company agree to cooperate with GPM and the Surviving Corporation in consummating the transactions contemplated in this Agreement.

**4.15 Notice and Cure.** The Controlling Shareholders and the Company will notify GPM promptly in writing of, and contemporaneously will provide GPM with true and complete copies of any and all information or documents relating to, and will use all commercially reasonable efforts to cure before the Effective Date, any event, transaction, or circumstance occurring after the date of this Agreement, of which the Controlling Shareholders or the Company has knowledge, that causes or will cause any covenant or agreement of the Controlling Shareholders or the Company under this Agreement to be breached, or that renders or will render untrue any representation or warranty of the Controlling Shareholders or the Company contained in this Agreement as if the same were made on or as of the date of such event, transaction, or circumstance. The Controlling Shareholders and the Company also will use all commercially reasonable efforts to cure, before the Effective Date, any violation or breach of any representation, warranty, covenant, or agreement made by the Controlling Shareholders or the Company in this Agreement, of which the Controlling Shareholders or the Company has knowledge, whether occurring or arising before or after the date of this Agreement.

## **ARTICLE FIVE MUTUAL CONDITIONS PRECEDENT TO OBLIGATIONS**

Unless waived by the Parties in writing, each and every obligation of the Parties to be performed on or before the Closing shall be subject to the satisfaction at or prior thereto of each and all of the following conditions precedent:

**5.01 Proceedings.** There shall not be:

(a) any action, suit, investigation or other proceeding in, before, or by any court, governmental or regulatory authority, or other person seeking to restrain, enjoin or otherwise prevent consummation of any of the transactions contemplated by this Agreement or to recover any damages or other relief as a result of this Agreement or any

of the transactions contemplated hereby or as a result of any contract or agreement entered into in connection with or as a condition precedent to the consummation hereof, which action, suit, investigation, or other proceeding may, in the reasonable opinion of GPM or the Controlling Shareholders, result in a decision, ruling, or finding that individually or in the aggregate has or may reasonably be expected to have a Material Adverse Effect on the validity or enforceability of this Agreement, on the ability of the Parties to perform their respective obligations under this Agreement, or on the business or condition of GPM or the Company; or

(b) in effect on the Effective Date any voluntary or involuntary receivership, conservatorship, insolvency or other proceeding with respect to the Company or the Merger Sub; or

(c) any applicable Laws restraining or enjoining or which may reasonably be expected to nullify or render ineffective this Agreement or the consummation of the transactions contemplated hereby.

**5.02 Required Regulatory Approval.** The Regulatory Approval of each and every applicable governmental authority necessary for the consummation of the transactions contemplated hereby shall have been obtained, including, without limitation, any requisite action by the Washington Commissioner of Insurance approving the Merger and the change of control of the Company and GPM's acquisition of the GPM Shares pursuant to the terms of the Subscription Agreement and this Agreement, without the abrogation or diminishment of the Company's certificates of authority or licenses, or the imposition of any significant restrictions on the transactions contemplated hereby, and the Parties shall have received evidence satisfactory to them of the receipt of all such consents and approvals.

## ARTICLE SIX

### CONDITIONS PRECEDENT TO PERFORMANCE BY GPM AND THE MERGER SUB

The obligations of GPM and the Merger Sub to consummate the Merger under this Agreement are subject to the satisfaction, on or before the Effective Date, of all the conditions set out below in Sections 6.01 through 6.05. GPM and the Merger Sub may waive any or all of these conditions in whole or in part without prior notice; provided, however, that no such waiver of a condition shall constitute a waiver by GPM or the Merger Sub of any of their other rights or remedies, at law or in equity, if the Controlling Shareholders or the Company shall be in default of any of the representations, warranties, or covenants made by the Controlling Shareholders and the Company under this Agreement.

**6.01 Performance by the Controlling Shareholders and the Company.** The Controlling Shareholders and the Company shall have performed, satisfied, and complied with all covenants, agreements, obligations and conditions required by this Agreement to be performed or complied with by them on or before the Effective Date, and the Controlling Shareholders and the Company shall have delivered to GPM and the Merger Sub a certificate signed individually or by an authorized officer of each of the Controlling Shareholders and the

president and secretary of the Company to that effect.

**6.02 Corporate Authority.** The Board of Directors of the Company and the Controlling Shareholders shall have each taken all necessary individual, corporate or other actions required under the organizational documents of each of the Controlling Shareholders to approve the execution and delivery of this Agreement by the Controlling Shareholders and the Company, and all corporate action necessary or proper to authorize the Merger, including the approval of the holders of the Outstanding Common Shares of the Company, and the performance of each the obligations to be performed by the Controlling Shareholders and the Company under this Agreement on or before the Effective Date, and the Controlling Shareholders and the Company shall have delivered to GPM certificates, dated as of the Effective Date and executed individually, or by an authorized officer of each of the Controlling Shareholders and the president and the secretary or any assistant secretary of the Company certifying that the Controlling Shareholders and the Company have each duly and validly taken all individual or corporate action necessary to authorize their respective execution and delivery of this Agreement and its performance of their respective obligations under this Agreement, and that the resolutions (true and complete copies of which shall be attached to the certificate) of the Boards of Directors of the Company and any Controlling Shareholder that is a business entity with respect to this Agreement and the transactions contemplated hereby have been duly and validly adopted and are in full force and effect.

**6.03 Representations and Warranties of the Controlling Shareholders and the Company.** All representations and warranties by the Controlling Shareholders and the Company contained in this Agreement and the statements of the Controlling Shareholders and the Company contained in the Disclosure Schedule shall be true on and as of the Effective Date as though such representations and warranties were made on and as of that date, and the certificates of the President or the chief financial officer of the Company given pursuant to Section 4.06(c) shall be true as of the dates given, and the Controlling Shareholders and the Company shall have delivered to GPM a certificate, dated as of the Effective Date and signed individually or by a duly authorized officer of the Controlling Shareholders and by the president and secretary of the Company certifying that such representations, warranties and certifications are true and correct at and as of the Effective Date with the same force and effect as though such representations, warranties and certifications had been made or given on the Effective Date.

**6.04 No Material Adverse Change.** During the period from the date hereof to the Effective Date, there shall not have been any Material Adverse Change in the financial condition or the results of operations of the Company, and the Company shall not have sustained any Material loss or damage to any of its assets, whether or not insured, that Materially affects the ability to conduct a Material part of its business.

**6.05 Consents.** All necessary agreements and consents to the consummation of the transactions contemplated by this Agreement and the Subscription Agreement required to be obtained by GPM and the Merger Sub, or otherwise pertaining to the matters covered by it, shall have been obtained by GPM and the Merger Sub and delivered to the Controlling Shareholders and the Company.

**ARTICLE SEVEN**  
**CONDITIONS PRECEDENT TO PERFORMANCE BY THE CONTROLLING**  
**SHAREHOLDERS AND THE COMPANY**

The obligations of the Controlling Shareholders and the Company to consummate the Merger under this Agreement is subject to the satisfaction, at or before the Effective Date, of all the conditions set out below in Sections 7.01 through 7.03. The Controlling Shareholders and the Company may waive any or all of these conditions in whole or in part without prior notice; provided, however, that no such waiver of a condition shall constitute a waiver by the Controlling Shareholders or the Company of any of their other rights or remedies, at law or in equity, if GPM or the Merger Sub should be in default of any of their respective representations, warranties, or covenants under this Agreement.

**7.01 Representations and Warranties of GPM and the Merger Sub.** All representations and warranties by GPM and the Merger Sub contained in this Agreement shall be true on and as of the Effective Date as though such representations and warranties were made on and as of that date, and GPM and the Merger Sub shall have delivered to the Controlling Shareholders and the Company a certificate, dated as of the Effective Date and signed by the president and secretary of GPM and the Merger Sub certifying that such representations, warranties and certifications are true and correct at and as of the Effective Date with the same force and effect as though such representations, warranties and certifications had been made or given on the Effective Date.

**7.02 Covenants and Agreements.** GPM and the Merger Sub shall have performed and complied with all covenants and agreements and satisfied all conditions that each of them is required by this Agreement to perform, comply with, or satisfy before or on the Effective Date, and GPM and the Merger Sub shall have delivered to the Controlling Shareholders and the Company a certificate signed by the president and secretary of GPM and the Merger Sub to that effect.

**7.03 Corporate Authority.** The Boards of Directors of GPM and the Merger Sub shall have each duly authorized and approved the execution and delivery of this Agreement by GPM and the Merger Sub; and all corporate action necessary or proper to authorize the Merger including the approval of the Merger by GPM as the sole shareholder of the Merger Sub, and the performance of each the obligations to be performed by GPM and the Merger Sub under this Agreement on or before the Effective Date, and GPM and the Merger Sub shall have delivered to the Controlling Shareholders and the Company a certificate, dated as of the Effective Date and executed by the president and the secretary or any assistant secretary of GPM and the Merger Sub certifying that GPM and the Merger Sub have each duly and validly taken all corporate action necessary to authorize its execution and delivery of this Agreement and its performance of its respective obligations under this Agreement; and that the resolutions (true and complete copies of which shall be attached to the certificate) of the Boards of Directors of GPM and the Merger Sub with respect to this Agreement and the transactions contemplated hereby have been duly and validly adopted and are in full force and effect.

## ARTICLE EIGHT CLOSING MATTERS

**8.01 The Closing.** The closing of the transactions provided for in this Agreement (the "Closing") shall take place at the offices of the Company at 10:00 a.m. Pacific Time, on the Effective Date. Such Closing may, with the consent of all of the Parties, take place by delivery and exchange of documents by facsimile or email transmission with originals to follow by overnight mail service courier. Prior to or concurrently with the Closing, the Plan and Agreement of Merger, Articles of Merger, and such other certificates or documents as may be required to effect the Merger will be filed with the Insurance Commissioner of the State of Washington, and the Merger will become effective as of the Effective Time.

**8.02 The Controlling Shareholders' and the Company's Deliveries at Closing.** At the Closing, the Controlling Shareholders and the Company shall deliver to GPM the following instruments, in form and substance satisfactory to GPM and its counsel, against delivery of the items specified in Section 8.03:

(a) **Corporate Records.** All of the Books and Records of the Company, including, without limitation, the stock books, stock ledgers, minute books and corporate seals of the Company; copies of tax returns; payroll; Social Security and withholding tax records; and copies of all financial and accounting records. The Controlling Shareholders shall, after the Closing, be given access to all necessary Books and Records of the Company for tax, regulatory, litigation and other appropriate purposes upon reasonable notice to GPM stating the purpose for such use and specifying the particular Books and Records required.

(b) **Resignations.** The written resignations of all the executive officers and members of the Board of Directors of the Company (except members of the Board of Directors designated by GPM).

(c) **Certificates.** The certificates executed by designated executive officers of the Controlling Shareholders and the Company, dated as of the Effective Date, required by Sections 4.06(c), 6.01, 6.02 and 6.03 of this Agreement.

(d) **Intercompany Agreements.** An instrument in form and substance satisfactory to GPM terminating all intercompany agreements between the Company and any Affiliate of the Company or the Controlling Shareholders, including, without limitation, any cost sharing agreements between the Company and any Affiliate of the Company, effective as of the Effective Date and acknowledging payment in full of all obligations to and from the Company thereunder, excluding therefrom those leases and agreements identified and set forth in Section 2.10(p) of the Disclosure Schedule which by their terms will not be completed or terminated as of the Effective Date.

(e) **Miscellaneous.** Such other instruments as GPM or its counsel shall deem necessary or appropriate to consummate the transactions which are the subject of this Agreement.

**8.03 GPM's Deliveries at Closing.** At the Closing, GPM shall deliver to the Controlling Shareholders the following instruments and documents against delivery of the items specified in Section 8.02:

(a) **Cash Consideration.** GPM shall deposit the Merger Price with the Exchange Agent in cash, which shall be remitted by GPM to the Exchange Agent by wire transfer of immediately available funds to an account designated by the Exchange Agent. The Company shall cause the Exchange Agent to provide GPM with wire transfer instruction and bank routing numbers for payment of the Merger Price at least forty-eight (48) hours prior to the Effective Date.

(b) **Certificates.** The certificates executed by designated executive officers of GPM and the Merger Sub, dated as of the Effective Date, required by Sections 7.01, 7.02 and 7.03 of this Agreement.

## ARTICLE NINE SURVIVAL OF REPRESENTATIONS AND WARRANTIES

**9.01 Survival of Representation and Warranties.** The representations, warranties, covenants, and agreements respectively made by the Controlling Shareholders, the Company, GPM and the Merger Sub in this Agreement, in the Disclosure Schedule, or in any certificate respectively delivered by the Controlling Shareholders, the Company, GPM or the Merger Sub pursuant to Section 8.02(c) or Section 8.03(b) will survive the Closing of this Agreement and the Closing Date:

(a) until the expiration of all applicable statutes of limitations (including all periods of extension, whether automatic or permissive) in the case of the representations and warranties of the Controlling Shareholders and the Company respectively set forth in Sections 2.01, 2.02, 2.03, 2.12, and 2.15 hereof; and in the case of the indemnification agreements respectively set forth in Sections 10.01, 10.02 and 10.03 hereof; and

(b) until the thirty-sixth (36<sup>th</sup>) month anniversary of the Closing Date in the case of all other representations, warranties, covenants, and agreements, except that covenants and agreements to be performed after the Closing Date in accordance with their terms will survive until the last period to which any such Tax benefit could be carried pursuant to the Code, and each indemnification agreement as to litigation set forth in clause (iii) of Section 10.03(a) will survive until a final, non-appealable judgment has been entered with respect to the last of such litigation.

If a Claim Notice or an Indemnity Notice is given in accordance with Section 10.05 before expiration of the applicable time period referenced above, then (notwithstanding such time period) the representation, warranty, covenant, or agreement applicable to such claim shall survive until, but only for purposes of, resolution of such claim.

**ARTICLE TEN  
INDEMNIFICATION**

**10.01 Tax Indemnification.**

(a) Subject to the provisions of Article Nine hereof, Section 2.12, (including, but not limited to any knowledge qualifiers or other limitation contained therein), Section 10.04, Section 10.05 and this Section, the Controlling Shareholders, jointly and severally, agree to pay, and to indemnify GPM and the Surviving Corporation in respect of, and hold each of them harmless against, any and all Losses for or in respect of Taxes actually incurred by, imposed upon, or assessed against GPM or the Surviving Corporation as a result of or relating to the Tax liability of the Company for any period ending on or before the Effective Date, to the extent that the Company has not made due and sufficient accruals for such Taxes on its Books and Records in accordance with SAP as of the Effective Date.

(b) The Controlling Shareholders will notify GPM or (if applicable) GPM will notify the Controlling Shareholders promptly of the commencement of any claim, audit, examination, or other proposed change or adjustment by any taxing authority concerning any Tax or other Losses covered by Section 10.01(a) ("Tax Claim").

(c) The Controlling Shareholders will furnish GPM, or (if applicable) GPM will furnish the Controlling Shareholders promptly with copies of all correspondence (including, without limitation, notices, requests, explanations, determinations, schedules, charts, and lists) received from any taxing authority in connection with any Tax Claim. The Controlling Shareholders will have the right to approve in advance any correspondence sent to any taxing authority by or on behalf of GPM or the Surviving Corporation with respect to any Tax Claim to the extent such correspondence would adversely affect the Controlling Shareholders' obligations under Section 10.01(a); provided, however, that the Controlling Shareholders will be deemed to have approved any such correspondence to the extent notice their disapproval thereof is not delivered or mailed to GPM in accordance with Article Thirteen hereof with reasonable promptness, but in any event at least fourteen (14) calendar days before the date on which payment of the Tax is due or, if earlier, at least fourteen (14) calendar days before the date on which the ability of GPM or the Surviving Corporation to defend against the Tax Claim is irrevocably prejudiced.

(d) At its option (following reasonable notice to and consultation with GPM), the Controlling Shareholders may contest any Tax Claim on behalf of GPM or the Surviving Corporation in any legally permissible manner until such time as any payment for Taxes or other Losses with respect to such Tax Claim is due or, upon the Controlling Shareholders' payment of such Taxes and other Losses, may sue for a refund thereof where permitted by applicable Law. Except as provided in the last sentence of this subsection, the Controlling Shareholders will control all proceedings taken in connection with any such contest or refund suit, and may pursue or forego any and all administrative appeals, proceedings, hearings, and conferences with the taxing authority in respect of

such Tax Claim. GPM and the Surviving Corporation will take such lawful action in connection with the contest or refund suit as the Controlling Shareholders may reasonably request in writing from time to time, including, without limitation, the prosecution of the contest or refund suit to a final determination, provided that (i) the Controlling Shareholders request such action with reasonable promptness, but in all events at least fourteen (14) calendar days before the date on which payment of the Taxes or other Losses are due or become final, or if earlier, at least fourteen (14) calendar days before the date on which GPM's or the Surviving Corporation's ability to defend against the Tax Claim is irrevocably prejudiced, (ii) a reasonable basis exists for such contest or refund suit, and (iii) the Controlling Shareholders acknowledge (without any equivocation) its obligations under this Section. Notwithstanding the foregoing provisions of this Subsection 10.01(d), if such contest or refund suit has or may reasonably be expected to have a material effect on the Liability of GPM or the Surviving Corporation for Taxes with respect to any period ending after the Effective Date, then the Controlling Shareholders and GPM and the Surviving Corporation will jointly control any such contest or refund suit.

**10.02 Benefit Plan Indemnification.** Subject to the provisions of Article Nine, Section 10.05 and Section 10.06, the Controlling Shareholders, jointly and severally, agree to indemnify GPM and the Surviving Corporation in respect of, and hold each of them harmless against, any and all Losses resulting from or relating to (a) any failure by the Company before the Effective Date, or any failure by the Controlling Shareholders or any ERISA Affiliate or any Benefit Plan fiduciary at any time, to fund or perform its respective obligations under any Benefit Plan or to comply with any provisions of ERISA, the Code, or any other applicable Law in connection with the operation or administration of any Benefit Plan; (b) any prohibited transaction (as defined in Section 4975(c)(1) of the Code or Section 405 of ERISA) occurring before the Effective Date and involving any Benefit Plan; (c) any prohibited transaction occurring after the Effective Date and involving any Benefit Plan other than any Benefit Plan adopted, maintained, or sponsored by GPM after the Effective Date; (d) any reportable event (as defined in Section 4043(b) of ERISA and the regulations promulgated by the PBGC thereunder) occurring before the Effective Date and involving any Benefit Plan; or (e) any complete or partial termination of any Benefit Plan at or before the Effective Date.

**10.03 Other Indemnification.**

(a) Subject to the provisions of Article Nine, Section 10.04, Section 10.05 and Section 10.06, the Controlling Shareholders, jointly and severally, agree to indemnify GPM, the Surviving Corporation, and each of their respective officers, directors, employees, agents and representatives (the "GPM Indemnified Parties") in respect of, and hold each of them harmless against:

- i. any and all Losses (other than Losses that the Controlling Shareholders have paid or are liable to pay to GPM or the Surviving Corporation pursuant to Section 10.01) resulting from or relating to any misrepresentation, breach of warranty, or non-fulfillment of or failure to

perform any covenant or agreement on the part of the Controlling Shareholders or the Company made as a part of or contained in this Agreement, the Disclosure Schedule, or any certificate delivered by or on behalf of the Controlling Shareholders and the Company pursuant to Section 8.02(c); and

ii. any and all Losses in excess of any amounts actually reserved on the Internal Financial Statements of the Company for the period ending December 31, 2011 resulting from or relating to any claim (other than claims for such actual policy benefits as are specified under life insurance policies or annuity Contracts issued, reinsured, or underwritten by the Company) asserted in any action, suit, investigation, or proceeding against the Company or the Surviving Corporation (whether as a defendant, counterclaim or third party defendant, intervenor, or otherwise) pending on the Effective Date of this Agreement or arising at any time with respect to matters occurring before the Effective Date, whether or not such action, suit, investigation or proceeding is disclosed in the Disclosure Schedule.

(b) Subject to the provisions of Article Nine and Section 10.04 and Section 10.05, GPM agrees to indemnify the Controlling Shareholders in respect of, and hold the Controlling Shareholders harmless against, any and all Losses resulting from or relating to any misrepresentation, breach of warranty, or non-fulfillment of or failure to perform any covenant or agreement on the part of GPM or the Merger Sub made as a part of or contained in this Agreement or any certificate delivered by or for GPM and the Merger Sub pursuant to Section 8.03(b).

**10.04 Method of Asserting Claims.** All claims for indemnification by any indemnified party under Section 10.03 will be asserted and resolved as follows:

(a) Third-Party Claims. In the event that, following the Closing, any Indemnified Party asserts a claim or demand for indemnification or receives notice of any claim or the commencement of any action or proceeding by any Person who is not a party to this Agreement or an affiliate of a Party (a "Third-Party Claim") for which an Indemnifying Party would be liable for damages to an Indemnified Party under Section 10.03, the Indemnified Party will deliver a notice ("Claim Notice") to the Indemnifying Party within thirty (30) days after learning of such Third-Party Claim (or within such shorter time as may be necessary to give the indemnifying party a reasonable opportunity to respond to and defend such Third-Party Claim). The Indemnifying Party shall have the right, upon written notice to the Indemnified Party (the "Defense Notice") within fifteen (15) calendar days after receipt of the Claim Notice from the Indemnified Party, to conduct at its own expense the defense against such Third-Party Claim in its own name, or, if necessary, in the name of the Indemnified Party. The Indemnified Party shall take all reasonable action necessary to preserve the rights and defenses of the Indemnifying Party until the earlier of: (i) the date the Indemnifying Party has assumed the defense of such Third-Party Claim; or (ii) fifteen (15) calendar days after the Indemnifying Party's receipt of the Defense Notice.

i. In the event that the Indemnifying Party shall fail to give the Defense Notice, it shall be deemed to have elected not to conduct the defense of the subject Third Party Claim, and in such event the Indemnified Party shall have the right to conduct such defense in good faith and compromise and settle the claim without prior consent of the Indemnifying Party and the Indemnifying Party will be liable for all Losses paid or incurred in connection therewith.

ii. In the event the Indemnifying Party elects to conduct the defense of the subject Third Party Claim pursuant to this Section 10.04(a), the Indemnified Party will cooperate with and make available to the Indemnifying Party such assistance and materials as may be reasonably requested by it, all at the expense of the Indemnifying Party, and the Indemnified Party shall have the right at its own expense to participate in the defense assisted by counsel of its own choosing, provided that the Indemnified Party shall have the right to compromise and settle the claim only with the prior written consent of the Indemnifying Party, which consent shall be granted at the sole discretion of the Indemnifying Party. Without the prior written consent of the Indemnified Party, the Indemnifying Party will not enter into any settlement of any Third Party Claim or cease to defend against such Third Party Claim if, pursuant to or as a result of such settlement or cessation, (A) injunctive or other equitable relief would be imposed against the Indemnified Party; or (B) such settlement or cessation would lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder; or (C) such settlement includes a written admission of guilt or liability. The Indemnifying Party shall not be entitled to control, and the Indemnified Party shall be entitled to have sole control over, the defense or settlement of any Third Party Claim to the extent that such Third Party Claim seeks an order, injunction or other equitable relief against the Indemnified Party which, if successful, could materially interfere with the business, operations, assets, condition (financial or otherwise) or prospects of the Indemnified Party. If an offer is made to settle a Third Party Claim, which offer the Indemnifying Party is permitted to settle under this Section 10.04(a), and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party will give written notice to the Indemnified Party to that effect. If the Indemnified Party fails to consent to such offer within thirty (30) calendar days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and, in such event, the maximum liability of the Indemnifying Party for damages as to such Third Party Claim will not exceed the amount of such settlement offer, plus costs and expenses paid or incurred by the Indemnified Party through the end of such 30-day period.

iii. Any judgment entered or settlement agreed upon in the manner provided herein shall be binding upon the Indemnifying Party, and shall conclusively be deemed to be an obligation with respect to which the Indemnified Party is entitled to prompt indemnification hereunder.

(b) Direct Claims. It is the intent of the Parties hereto that all direct claims for indemnification hereunder by an Indemnified Party against any Indemnifying Party which do not constitute Third Party Claims ("Direct Claims") shall be subject to and benefit from the terms of this Section 10.04(b). In the event any Indemnified Party should have a Direct Claim against any Indemnifying Party hereunder, the Indemnified Party will notify the Indemnifying Party with reasonable promptness of such Direct Claim by the Indemnified Party, specifying the nature of and specific basis for such Direct Claim and the amount or the estimated amount of such Direct Claim (the "Indemnity Notice"), and the Indemnifying Party will have a period of thirty (30) calendar days within which to dispute or satisfy such Direct Claim. If the Indemnifying Party has timely disputed such claim, the Indemnifying Party and the Indemnified Party agree to proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations, or if the Indemnifying Party does not so respond to the Indemnity Notice within such thirty (30) calendar day period, the Indemnifying Party will be deemed to have rejected such Direct Claim, in which event the Indemnified Party will be free to pursue such remedies as may be available to the Indemnified Party under this Agreement or otherwise.

(c) Failure to Give Timely Notice. A failure by an Indemnified Party to give timely, complete or accurate notice as provided in this Section 10.04 will not affect the rights or obligations of any Party hereunder except and only to the extent that, as a result of such failure, any Indemnifying Party entitled to receive such notice was deprived of its right to recover payment under its applicable insurance coverage or was otherwise damaged as a result of such failure to give timely notice.

**10.05 After-Tax Losses.** With respect to the indemnification agreements set forth in this Article Ten, the Controlling Shareholders and GPM agree that:

(a) the amount of any Tax refund actually received, and the amount of any Tax reduction actually realized by GPM or the Surviving Corporation after the Effective Date as a result of Losses (including without limitation Taxes) for which any indemnification payment has been made or is then due by the Controlling Shareholders pursuant to Section 10.01 or 10.02 hereof will be promptly paid to the Controlling Shareholders or offset against damages then owed by the Controlling Shareholders to GPM or the Surviving Corporation hereunder; and

(b) the amount of any Tax refund actually received, and the amount of any Tax reduction actually realized by the Controlling Shareholders after the Effective Date as a result of Losses for which any indemnification payment has been made or is then due by GPM pursuant to Section 10.03 hereof will be promptly paid to GPM or offset against Losses then owed by GPM to the Controlling Shareholders hereunder.

**10.06 Limitations on Indemnification.** Notwithstanding the foregoing, the Controlling Shareholders and GPM agree that (a) no Losses shall be payable to the GPM Indemnified Parties by the Controlling Shareholders under Sections 10.01, 10.02 or 10.03(a) unless and until the aggregate amount of Losses exceeds Fifty Thousand Dollars (\$50,000.00) (the "Indemnification Deductible"), in which event the Controlling Shareholders shall be liable for the full amount of Losses above the Indemnification Deductible; and (b) the total amount of any Liability of the Controlling Shareholders for indemnification of Losses incurred by the GPM Indemnified Parties under this Article Ten shall be limited to an amount equal to the Escrow Deposit held in the Indemnification Escrow Account, plus accrued interest thereon. GPM and the Controlling Shareholders further agree that GPM shall be entitled to receive out of the Indemnification Escrow Account any amount due and owing from the Controlling Shareholders to the GPM Indemnified Parties for indemnification under the terms and conditions set forth in Article Nine and Sections 10.01 through 10.04, and the terms and conditions of the Escrow Agreement; up to the amount of the Escrow Deposit and any accrued interest thereon, and such Escrow Deposit, and the amount remaining, from time, to time, in the Indemnification Escrow Account, shall be deemed the sole and exclusive source of payment of such amounts of indemnification due and owing by the Controlling Shareholders to the GPM Indemnified Parties, and to the extent that there is a balance remaining in the Indemnification Escrow Account upon the expiration of the periods specified in Section 9.01 (and the GPM Indemnified Parties do not have any pending Indemnity Notice against the Controlling Shareholders that has not yet been paid or settled), the amount of such remaining balance shall be paid to the Exchange Agent for distribution to the Controlling Shareholders. If there is an Indemnity Notice outstanding at the expiration of the time periods specified in Section 9.01, then (notwithstanding such time period), the balance remaining in the Indemnification Escrow Account shall not be paid until the resolution of such outstanding Claim.

## ARTICLE ELEVEN COSTS

**11.01 Commission.** The Controlling Shareholders will be responsible, jointly and severally, for any broker's commission, finder's fee or similar payment owed to Robert D. Shapiro and The Shapiro Network, Inc. engaged by the Company in connection with the transaction contemplated by this Agreement.

**11.02 Expenses.** Each of the Parties shall pay all costs and expenses incurred or to be incurred by it in negotiation and preparing this Agreement and in carrying out the undertakings, obligations and other transactions contemplated by this Agreement, including the payment of any filing fees associated with the Regulatory Approval contemplated in Section 1.01(a).

## ARTICLE TWELVE TERMINATION AND REMEDIES

**12.01 Permitted Termination.** Any Party may, on or before the Effective Date, terminate this Agreement, without liability to any other Party:

(a) By mutual written consent of the Parties, or by either GPM and the Merger Sub, on one hand, or the Company and the Controlling Shareholders, on the other hand, if the conditions set forth in Article Five have not been satisfied as of the Effective Date;

(b) By GPM and the Merger Sub, if GPM and the Merger Sub delivers to the Controlling Shareholders and the Company a notice of termination prior to the expiration of the period for review of the Disclosure Schedule provided under Section 15.07 of this Agreement.

(c) By GPM and the Merger Sub, if any of the conditions provided for in Article Six of Agreement have not been met and have not been waived in writing by GPM and the Merger Sub on or before the Effective Date; or

(d) By the Controlling Shareholders and the Company, if any of the conditions provided for in Article Seven of this Agreement have not been met and have not been waived in writing by the Controlling Shareholders and the Company on or before the Effective Date.

In the event of termination or abandonment by any Party as provided in this Section 12.01, written notice shall forthwith be given to the other Party and neither Party shall have any Liability to the other hereunder except such Liability as may arise as a result of a breach hereof.

**12.02 Return of Documents and Nondisclosure.** If this Agreement is terminated for any reason pursuant to Section 12.01, each Party shall return all documents and material which shall have been furnished by or on behalf of the other Party.

**12.03 Attorneys' Fees and Costs.** If any proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing Parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

## ARTICLE THIRTEEN NOTICES

**13.01 Notices.** All notices, requests, demands, and other communication under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the Party to whom notice is to be given, or on the second day after mailing if mailed to the Party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, or on the first day after being sent by facsimile transmission or commercial courier. All notices sent by mail or commercial courier or via facsimile transmission shall be addressed as follows:

If to the Company, to:

North Coast Life Insurance Company  
Attn: Robert J. Ogden, President

P.O. Box 1445  
Spokane, WA 99210-1445  
Facsimile: (509) 747-8569

With a copy to:

Randall Danskin  
Attn: Douglas J. Siddoway, Esq.  
601 W. Riverside Ave., Suite 1500  
Spokane, WA 99201  
Facsimile: (509) 624-2528

If to the Controlling Shareholders, to: North Coast Life Insurance Company

Attn: Robert J. Ogden  
P.O. Box 1445  
Spokane, WA 99210-1445  
Facsimile: (509) 747-8569

With a copy to:

Timothy J. Giesa, Esq.  
Reed & Giesa, P.S.  
222 North Wall Street, Suite 410  
Spokane, WA 99201  
Facsimile: (509) 838-6341

If to GPM or Merger Sub:

Government Personnel Mutual Life  
Insurance Company  
Attn: Peter J. Hennessey III, CLU, FLMI  
Chairman, President & CEO  
2211 N.E. Loop 410  
PO Box 659567  
San Antonio, Texas 78265-9567  
Facsimile: (210) 357-2216

With a copy to:

Thompson, Coe, Cousins & Irons, LLP  
Attention: David D. Knoll, Esq.  
701 Brazos Street, Suite 1500  
Austin, Texas 78701  
Facsimile: (512) 708-8777

Any Party may change its address for purposes of this Section by giving the other Parties written notice of the new address in the manner set forth above.

#### **ARTICLE FOURTEEN GOVERNING LAW**

**14.01 Governing Law.** This Agreement shall be construed in accordance with, and governed by, the Laws of the State of Washington, without regard to its conflicts of Laws principles. The Parties agree that any action, suit or proceeding at Law, in equity or otherwise

which in any way arises out of or relates to this Agreement or the transactions contemplated hereby may be brought in Spokane County, Washington, and all objections to personal jurisdiction and venue in any action, suit or proceeding so commenced are hereby expressly waived by the Parties hereto.

## ARTICLE FIFTEEN MISCELLANEOUS PROVISIONS

**15.01 Severability.** If any provision of this Agreement is held invalid or unenforceable by any court of final jurisdiction, it is the intent of the Parties that all other provisions of this Agreement be construed to remain fully valid, enforceable, and binding on the Parties.

**15.02 Definitions.** Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings specified in Exhibit B. Unless the context otherwise requires, (a) references in this Agreement to the singular number shall include the plural, and the plural number shall include the singular; (b) words denoting gender shall include the masculine, feminine and neuter; (c) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement; (d) unless otherwise specified, all Article and Section references pertain to this Agreement, and are for purposes of convenience only, and shall not be deemed to constitute a part of this Agreement or to affect the meaning or interpretation of this Agreement in any way; (e) the term "or" means "and/or;" and (f) the phrase "ordinary course of business and consistent with past practice," refers to the business and practice of the Company.

**15.03 Entire Agreement.** This Agreement and the Ancillary Agreements set forth the entire agreement and understanding of the Parties with respect to the transaction contemplated herein, and supersede all prior agreements, arrangements, and understandings related to the subject matter hereof.

**15.04 Successors and Assigns.** All terms, provisions, covenants, representations, warranties and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the Parties hereto and their respective successors and assigns.

**15.05 Modification.** This Agreement may be amended, modified, superseded or canceled and any of the terms, provisions, covenants, representations, warranties, and conditions hereof may be waived, only by written instrument executed by all of the Parties hereto, or, in the case of a waiver, by the Party waiving compliance. The failure of any Party at any time or times to require performance of any provision hereof shall in no manner affect the right to enforce the same. No waiver by any Party of any condition, or the breach of any term, provision, covenant, representation, or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more incidents, shall be construed as a further or continuing waiver of any such condition or breach, or waiver of any other condition or of the breach of any other term, provision, covenant, representation or warranty.

**15.06 Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute

one and the same agreement.

**15.07 Disclosure Schedule.** The Company and the Controlling Shareholders agree to deliver to GPM and the Merger Sub a bound record dated as of the date of this Agreement containing full and complete copies of all documents, lists, descriptions, exceptions and other information and materials as required under the Schedules referred to in this Agreement (the "Disclosure Schedule") not later than ten (10) Business Days after the date of execution hereof, which Disclosure Schedule is to be attached to this Agreement and incorporated herein for all purposes. From time to time prior to the Effective Date, but in no event later than three (3) Business Days prior to the Effective Date, the Company and the Controlling Shareholders may supplement or amend the Disclosure Schedule delivered in connection herewith with respect to any matter which, if existing or occurring at or prior to the date of this Agreement, would have been required to have been set forth or described in such Disclosure Schedule, and which has been rendered inaccurate or incomplete thereby. GPM and the Merger Sub shall have the right to extend the Effective Date for up to seven (7) Business Days to review the amended or supplemented Disclosure Schedule. GPM and the Merger Sub may, within seven (7) Business Days after the delivery of the Disclosure Schedule or any supplements or amendments thereto, terminate this Agreement if, in its sole opinion, matters disclosed therein result in a Material Adverse Change in the Business or Condition of the Company, and such matters are not resolved to the satisfaction of GPM and the Merger Sub.

**15.08 Public Announcements.** All notices to third parties and all other publicity concerning the transactions contemplated by this Agreement shall be jointly planned and coordinated by and among the Parties. No Party shall act unilaterally in this regard without the prior written approval of the others; however, this approval shall not be unreasonably withheld.

Executed this \_\_\_\_ day of \_\_\_\_\_, 2012.

**NORTH COAST LIFE INSURANCE  
COMPANY**

By: \_\_\_\_\_  
Robert J. Ogden, President

**CONTROLLING SHAREHOLDERS:**

\_\_\_\_\_  
C. Robert Ogden

\_\_\_\_\_  
Robert J. Ogden

\_\_\_\_\_  
Douglas H. Ogden

\_\_\_\_\_  
David M. Ogden

**R.J. MARTIN MORTGAGE COMPANY**

By: \_\_\_\_\_  
Name: C. Robert Ogden  
Title: President

**W. 1116 RIVERSIDE PARTNERS**

By: \_\_\_\_\_  
Name: C. Robert Ogden  
Title: Managing Partner

**GOVERNMENT PERSONNEL MUTUAL  
LIFE INSURANCE COMPANY**

By: \_\_\_\_\_

Peter J. Hennessey III, CLU, FLMI]  
Chairman, President & CEO

**GPM MERGER CORPORATION**

By: \_\_\_\_\_

Peter J. Hennessey III, CLU, FLMI  
President

EXHIBIT A

ARTICLES OF MERGER  
OF  
DOMESTIC CORPORATIONS

Pursuant to the provisions of the Washington Business Corporation Act (RCW 23B.01.010 *et seq.*), the undersigned corporations hereby submit the following Articles of Merger for filing for the purpose of merging GPM Merger Corporation (hereafter "GPMer"), a Washington corporation, with and into North Coast Life Insurance Company (hereafter "NCL"), a Washington corporation.

ARTICLE I

The Merger Agreement pertaining to the merger of GPMer with and into NCL is attached hereto as Exhibit A.

ARTICLE II

The Merger Agreement (and the merger specified therein) was approved by the sole shareholder of GPMer by unanimous written consent dated \_\_\_\_\_, 2012 and by two-thirds of the shareholders of NCL at a Special Meeting of the Shareholders of NCL held on \_\_\_\_\_, 2012. As of such date, 10,000 shares of common stock of GPMer were outstanding and 1,500,000 shares of common stock of NCL were outstanding.

DATED as of the \_\_\_\_ day of \_\_\_\_\_, 2012.

GPM Merger Corporation  
a Washington corporation

By: \_\_\_\_\_  
Peter J. Hennessey III, its President

North Coast Life Insurance Company  
a Washington corporation

By: \_\_\_\_\_  
Robert J. Ogden, its President

## EXHIBIT B

### DEFINITIONS OF TERMS

"Affiliate" shall mean any Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Person specified.

"Agreement" shall mean this Plan and Agreement of Merger, together with the exhibits and the Disclosure Schedule attached hereto, and the Ancillary Agreements and other documents to be executed and delivered respectively by the Controlling Shareholders, the Company, GPM and/or the Merger Sub pursuant hereto.

"Ancillary Agreements" shall have the meaning ascribed to that term in the preamble of this Agreement.

"Annual Statement" shall mean any annual statement of the Company filed with or submitted to the insurance regulatory authorities in the State of Washington on forms prescribed or permitted by such authorities.

"Articles of Merger" shall have the meaning ascribed to that term in Section 1.01(b) of this Agreement, and shall be substantially in the form of **Exhibit A**.

"Assets and Properties" shall mean all assets or properties of every kind, nature, character, and description (whether real, personal, or mixed whether tangible or intangible, whether absolute, accrued, contingent, fixed, or otherwise, and wherever situated) as now operated, owned, or leased by a specified Person, including without limitation cash, cash equivalents, securities, accounts and notes receivable, real estate, equipment, furniture, fixtures, insurance or annuities in force, goodwill, and going-concern value.

"Benefit Plans" shall mean all Employee Pension Benefit Plans, all Employee Welfare Benefit Plans, all stock bonus, stock ownership, stock option, stock purchase, stock appreciation rights, phantom stock, and other stock plans (whether qualified or nonqualified), and all other pension, welfare, severance, retirement, bonus, deferred compensation, incentive compensation, insurance (whether life, accident and health, or other and whether key man, group, workers' compensation, or other), profit sharing, disability, thrift, day care, legal services, leave of absence, layoff, and supplemental or excess benefit plans, and all other benefit Contracts, arrangements, or procedures having the effect of a plan, in each case existing on or before the Closing Date under which the Company is or may hereafter become obligated in any manner (including without limitation obligations to make contributions or other payments) and which cover some or all of the present or former officers, directors, employees, agents, consultants, or other similar representatives providing services to or for the Company; provided, however, that such term shall not include (a) routine employment policies and procedures developed and applied in the ordinary course of business and consistent with past practice, including without limitation sick leave, vacation, and holiday policies, and (b) directors and officers liability insurance.

"Best Knowledge" of any Person shall mean knowledge actually possessed by the Person, or which should have been obtained by or possessed by such Person in the ordinary course of the relevant Person's performance of his or her duties to the Company on or before the Closing Date. When attributable to the Controlling Shareholders or the Company, Best Knowledge shall apply to knowledge possessed, or which should have been obtained or possessed by those Persons who are or were executive officers, partners, managers or directors of any of the Controlling Shareholders or the Company or who exercised responsibility for a principal operational or administrative function or department of any of the Controlling Shareholders or the Company in the ordinary course of the relevant Person's performance of duties on behalf of any of the Controlling Shareholders or the Company at any time prior to the Closing Date.

"Books and Records" shall mean all accounting, financial reporting, Tax, business, marketing, corporate, and other files, documents, instruments, papers, books, and records of a specified Person, including without limitation financial statements, budgets, projections, ledgers, journals, deeds, titles, policies, manuals, minute books, stock certificates and books, stock transfer ledgers, Contracts, franchises, permits, agency lists, policyholder lists, supplier lists, reports, computer files, retrieval programs, operating data or plans, and environmental studies or plans.

"Business Day" shall mean a day other than Saturday, Sunday, or any day on which the principal commercial banks located in the City of Spokane, Washington are authorized or obligated to close under the Laws of the State of Washington.

"Business or Condition" shall mean the organization, existence, authority, capitalization, business, licenses, condition (financial or otherwise), cash flow, management, sales force, solvency, prospects, SAP results of operations, insurance or annuities in force, SAP capital and surplus, reserves, Liabilities, or Assets and Properties of a specified Person.

"Claim Notice" shall mean written notification of a Third Party Claim by and Indemnified Party to an Indemnifying Party pursuant to Section 10.04(a), enclosing a copy of all papers served, if any.

"Closing" and shall have the meaning ascribed to that term in Section 8.01 of this Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended (including without limitation any successor code), and the rules and regulations promulgated thereunder.

"Common Share Merger Price" shall have the meaning ascribed to that term in Section 1.02 of this Agreement.

"Company" shall mean North Coast Life Insurance Company, a stock life insurance company organized under the laws of the State of Washington.

"Company Common Shares" shall have the meaning ascribed to that term in the preamble of this Agreement.

“Contract” shall mean any agreement, lease, sublease, license, sublicense, promissory note, evidence of indebtedness, insurance policy, annuity, reinsurance agreement, reinsurance treaty, or other contract or commitment (whether written or oral).

“Controlling Shareholders” shall mean the individual Persons and entities identified as “Controlling Shareholders” on the signature pages of this Agreement.

“Converted Common Shares” shall have the meaning ascribed to that term in Section 1.03 of this Agreement.

“Defense Notice” shall have the meaning ascribed to that term in Section 10.04(a) of this Agreement.

“Direct Claim” shall have the meaning ascribed to that term in Section 10.04(b) of this Agreement.

“Disclosure Schedule” shall mean the bound record dated as of the date of this Agreement, furnished by the Company and the Controlling Shareholders to GPM pursuant to Section 15.07 of this Agreement, and containing all lists, descriptions, exceptions, and other information and materials as are required to be included therein pursuant to this Agreement.

“Dissenting Shares” shall have the meaning ascribed to that term in Section 1.03(b) of this Agreement.

“Effective Date” shall have the meaning ascribed to that term in Section 1.01(b) of this Agreement.

“Effective Time” shall have the meaning ascribed to that term in Section 1.01(b) of this Agreement.

“Employee Pension Benefit Plan” shall mean each employee pension benefit plan (whether or not insured), as defined in Section 3(2) of ERISA, which is or was in existence on or before the Closing Date and to which the Company is or may hereafter become obligated in any manner as an employer.

“Employee Welfare Benefit Plan” shall mean each employee welfare benefit plan (whether or not insured), as defined in Section 3(1) of ERISA, which is or was in existence on or before the Closing Date and to which the Company is or may hereafter become obligated in any manner as an employer.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended (including without limitation any successor act), and the rules and regulations promulgated thereunder.

“Escrow Agent” shall have the meaning ascribed to that term in Section 2.6(c) of the Subscription Agreement.

"Escrow Agreement" shall mean the escrow agreement entered into by the Controlling Shareholders, GPM and the Escrow Agent pursuant to Section 2.6(c) of the Subscription Agreement.

"Escrow Deposit" shall have the meaning ascribed to that term in Section 1.03(a) of this Agreement.

"Exchange Agent" shall have the meaning ascribed to that term in Section 1.03 of this Agreement.

"Financial Statements" shall have the meaning ascribed to that term in Section 2.08 of this Agreement.

"GAAP" shall mean generally accepted accounting principles, consistently applied throughout the specified period and in the immediately prior comparable period.

"GPM" shall mean Government Personnel Mutual Life Insurance Company, a Texas mutual life insurance company.

"GPM Indemnified Parties" shall have the meaning ascribed to that term in Section 10.03(a) of this Agreement.

"GPM Shares" shall have the meaning ascribed to that term in the preamble to this Agreement.

"Indemnification Deductible" shall have the meaning ascribed to that term in Section 10.06 of this Agreement.

"Indemnification Escrow Account" shall have the meaning ascribed to that term in Section 1.03(a) of this Agreement.

"Indemnified Party" shall mean a Person claiming indemnification under Section 10.03 of this Agreement.

"Indemnifying Party" shall mean a Person against whom claims of indemnification are being asserted under Section 10.03 of this Agreement.

"Indemnity Notice" shall have the meaning ascribed to that term in Section 10.04(b) of this Agreement.

"Internal Financial Statements" shall mean the Financial Statements described in Section 2.07(b) of this Agreement.

"IRS" shall mean the United States Internal Revenue Service or any successor agency.

"Law" or "Laws" shall mean all laws, statutes, ordinances, regulations, and other pronouncements having the effect of law in the United States of America, any foreign country, or any domestic or foreign state, province, commonwealth, city, county, municipality, territory,

protectorate, possession, court, tribunal, agency, government, department, commission, arbitrator, board, bureau, or instrumentality thereof.

“Letters of Transmittal” shall have the meaning ascribed to that term in Section 1.03(a) of this Agreement.

“Liabilities” shall mean all debts, obligations, and other liabilities of a Person (whether absolute, accrued, contingent, fixed, or otherwise, or whether due or to become due).

“Lien” shall mean any mortgage, pledge, assessment, security interest, lease, sublease, lien, adverse claim, levy, charge, or other encumbrance of any kind, or any conditional sale Contract, title retention Contract, or other Contract to give or to refrain from giving any of the foregoing.

“Loss” or “Losses” shall mean any and all monetary damages, Liabilities, fines, fees, penalties, interest obligations, deficiencies, losses, reductions in value of assets or increases in reserves, financial statement adjustments, costs and expenses (including without limitation punitive, treble, or other exemplary or extra contractual damages, amounts paid in settlement, interest, court costs, costs of investigation, fees and expenses of attorneys, accountants, actuaries, and other experts, and other expenses of litigation or of any claim, default, or assessment) sustained by any Person who is a Party to or entitled to indemnification under this Agreement or one or more of the Ancillary Agreements.

“Material” or “Material Adverse Effect” shall mean any condition, change or effect (or series of related conditions, changes or effects) that individually or in the aggregate is substantially or significantly different from the usual and customary norms of the condition specified, or which is substantially or significantly adverse to (i) the business, operations, condition (financial or otherwise) or results of operations of the Person specified; (ii) the validity or enforceability of this Agreement; or (iii) the ability of either of the Parties to perform their obligations under this Agreement. Without limiting the generality of the foregoing, a change or effect will not be deemed “Material” in a financial sense unless it has, individually or in the aggregate, a financial impact of \$50,000.00 or more.

“Merger” shall have the meaning ascribed to that term in the preamble to this Agreement.

“Merger Price” shall have the meaning ascribed to that term in Section 1.02 of this Agreement.

“Merger Sub” shall mean GPM Merger Corporation, a corporation formed under the laws of the State of Washington as a wholly-owned subsidiary of GPM.

“Merger Sub Shares” shall have the meaning ascribed to that term in the preamble to this Agreement.

“Merging Corporations” shall have the meaning ascribed to that term in the preamble to this Agreement.

"Monthly Statement" shall have the meaning ascribed to that term in Section 2.07(b) of this Agreement.

"Notice" shall mean the notice of a Special Meeting of the shareholders of the Company as described in Section 4.01 of this Agreement.

"Outstanding Common Shares" shall have the meaning ascribed to that term in the preamble to this Agreement.

"Party" or "Parties" shall mean the Controlling Shareholders, the Company, GPM and the Merger Sub, individually or collectively.

"Person" shall mean any natural person, corporation, general partnership, limited partnership, proprietorship, trust, union, association, court, tribunal, agency, government, department, commission, self-regulatory organization, arbitrator, board, bureau, instrumentality, or other entity, enterprise, authority, or business organization.

"Quarterly Statement" shall mean any SAP quarterly statement prepared by the Company filed with or submitted to the insurance regulatory authority in its state of domicile on forms prescribed or permitted by such authority.

"RCW" shall mean the Revised Code of Washington, as the same shall be amended from time to time.

"Regulatory Approval" shall have the meaning ascribed to that term in the preamble to this Agreement.

"SAP" shall mean the accounting practices required or permitted by the National Association of Insurance Commissioners and the insurance regulatory authorities in the State of Washington, consistently applied throughout the specified period and in the immediately prior comparable period.

"SAP Statements" shall mean the Annual Statements, Quarterly Statements, and other financial statements and presentations of the Company prepared in accordance with SAP and delivered to the Purchaser pursuant to either or both of Sections 2.07 and 4.06.

"Shareholders' Agreement" shall have the meaning ascribed to that term in the preamble to this Agreement.

"Special Meaning" shall have the meaning ascribed to that term in Section 4.01 of this Agreement.

"Subscription Agreement" shall have the meaning ascribed to that term in the preamble to this Agreement.

"Surviving Corporation" shall have the meaning ascribed to that term in the preamble to this Agreement.

"Taxes" shall mean all taxes, charges, fees, levies, or other similar assessments or Liabilities, including without limitation income, gross receipts, ad valorem, premium, excise, real property, personal property, windfall profit, sales, use, transfer, licensing, withholding, employment, payroll, Phase III, and franchise taxes and Guaranty Fund assessments imposed by the United States of America or any state, local, or foreign government, or any subdivision agency, or other similar Person of the United States or any such government; and such term shall include any interest, fines, penalties, assessments, or additions to tax resulting from, attributable to, or incurred in connection with any such tax or any contest or dispute thereof.

"Tax Claim" shall have the meaning ascribed to it in Section 10.01(b) of this Agreement.

"Tax Returns" shall mean any report, return, or other information required to be supplied to a taxing authority in connection with Taxes.

"Third-Party Claim" shall have the meaning ascribed to that term in Section 10.03(a) of this Agreement.

**EXHIBIT C**

<u>Loan #</u>	<u>Name</u>		<u>Rate of Interest</u>	<u>Principal Balance 2/29/2012</u>	<u>Sales Price</u>	<u>% of Balance</u>
40075100	Delgado, Lazaro and Maria	TX	10.000%	\$ 8,320	\$ 8,320	100%
90245100	Jones, Louise	AL	8.5000%	18,881	18,881	100%
990075100	North, Karen	ID	10.250%	50,982	50,982	100%
40045101	Scott Brown/Kimberly Cox	TX	8.000%	11,170	1,000	9%
289025100	Henderson, Curtis	WA	9.000%	21,214	21,214	100%
901305100	Pollard, Susie	AL	8.500%	27,421	2,742	10%
90385100	Tillman, Rosie	AL	7.500%	26,442	2,644	10%
<b>Totals</b>				<b>\$164,430</b>	<b>\$105,783</b>	