

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (the “Agreement”) is made by and between Preferred Contractors Insurance Company Risk Retention Group, LLC (the “Company”) and the person or entity designated on the signature page to this Agreement (the “Subscriber”) and shall be effective as of the date accepted by the Company.

WITNESSETH

WHEREAS, the Company is a Montana limited liability company that has been organized for the purpose of writing liability insurance as a risk retention group;

WHEREAS, the Subscriber desires to become a member of the Company so that it may purchase one or more policies of insurance from the Company; and

WHEREAS, the Company and the Subscriber desire to set forth in this Agreement their mutual covenants and agreements regarding the Subscriber’s purchase of shares in the Company.

NOW, THEREFORE, the parties hereby agree as follows:

ARTICLE I RECEIPT OF DOCUMENTS

1.1 Operating Agreement. The Company has provided to the Subscriber, and the Subscriber hereby acknowledges receipt of, a copy of the Operating Agreement of the Company.

1.2 Information Circular. The Company has provided to the Subscriber, and the Subscriber hereby acknowledges receipt of, an information circular describing, among other things, the material risks associated with the purchase of a single share of the Company.

1.3 Insurance Policy. The Company has provided to the Subscriber, and the Subscriber hereby acknowledges receipt of, the insurance policy form to be issued by the Company under which the Subscriber will be an insured on the date specified on the signature page to this Agreement (the “Effective Date”).

1.4 Other Documents. The Company has provided to the Subscriber, and the Subscriber hereby acknowledges receipt of, any and all such other documents and information requested by the Subscriber or its professional advisors that the Subscriber or such advisors have deemed relevant to the Subscriber’s decision to purchase shares of the Company.

ARTICLE II SUBSCRIPTION FOR SHARES

2.1 Issuance of Shares to Subscribers.

(a) Agreement to Purchase Shares. Subject to the provisions of paragraph (d) of this Section 2.1, the Company agrees to issue to the Subscriber and the Subscriber agrees to purchase in accordance with paragraphs (b) and (c) of this Section 2.1, a single share in the Company set forth on the signature page to this Agreement (the “Share”).

(b) Purchase Price for the Share. The purchase price for each Share shall be as set forth on the signature page to this Agreement.

(c) Form of Payment for Share. Payment shall be in the form of a personal, corporate or bank check delivered to the Company or its agent.

(d) Issuance of Share. No Share shall be issued by the Company to a Subscriber until all of the following conditions have been satisfied:

- (i) The Company has determined that the Subscriber meets the underwriting and other eligibility criteria adopted by the Company;
- (ii) This Agreement and the Operating Agreement have been executed and delivered by the Subscriber to the Company;
- (iii) The Subscriber is covered under a policy of insurance issued by the Company; and
- (iv) The Subscriber has paid the purchase price for the Share to the Company in accordance with paragraph (c) of this Section 2.1.

Upon satisfaction of the conditions described above, the Company shall issue to the Subscriber the Share. In the event the conditions described above are not satisfied, the Company shall terminate this Agreement upon notice to the Subscriber, and neither the Company nor the Subscriber shall continue to be bound by the terms hereof.

2.2 Restrictions on Transfer. Notwithstanding anything in this Agreement to the contrary, no Share may be sold, pledged, assigned, exchanged, encumbered, transferred, gifted, conveyed or otherwise disposed of by the Company or any Subscriber except as provided in the Company's Operating Agreement.

ARTICLE III **REPRESENTATIONS AND WARRANTIES**

3.1 Representations and Warranties of the Subscriber. The Subscriber hereby represents and warrants to the Company as follows:

(a) No Misrepresentation in this Agreement or Insurance Application. None of the representations, warranties, statements, or information provided by the Subscriber to the Company in this Agreement or in the Subscriber's application for insurance, including any supplements or amendments thereto, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make such representation, warranty, statement or information not misleading. The Subscriber shall immediately notify the Company if, for any reason, any of the statements contained in this Agreement or the application for insurance become inaccurate at any time.

(b) Basis for Acquisition of the Share. The Subscriber is not acquiring the Share based upon any representation or warranty, whether oral or written, by any person

whomsoever including, without limitation, any of the other subscribers, the shareholders, directors, officers or agents of the Company, or their employees or advisors, with respect to the future value of, or income from, the Share, but rather upon an independent examination and judgment by the Subscriber as to the goals, purposes and prospects of the Company. The Subscriber understands that it cannot sell, exchange, assign, transfer, gift, pledge, encumber, hypothecate or otherwise dispose of the Share except as expressly provided in the Operating Agreement and except as approved by the Montana Department of Insurance.

(c) **No Registration.** The Subscriber acknowledges that the Subscriber must alone bear the economic risk of the purchase of the Share and recognizes that the Share is being (i) sold to the Subscriber solely to allow the Subscriber and its affiliates to purchase liability insurance from the Company; (ii) sold to the Subscriber without registration under any state or federal law relating to the registration of securities for sale; and (iii) issued and sold in reliance on the exemption from registration under Section 5 of the federal Liability Risk Retention Act, 15 USC §§ 3901 *et seq.* The Subscriber also understands and acknowledges that the Company will not be registered as an investment company under the Investment Company Act of 1940.

(d) **Consultation with Advisors.** The Subscriber has consulted with professional advisors of its choice prior to executing this Agreement, or has had the opportunity to consult with professional advisors of its choice prior to the execution of this Agreement, to the extent desired by the Subscriber. The Subscriber acknowledges that counsel to the Company has acted solely on behalf of the Company and has not acted as an advisor or counselor to any Subscriber. The Subscriber acknowledges that investment in the Share involves certain risks, including without limitation the risk factors outlined in the information circular provided to the Subscriber.

3.2 Representations and Warranties of the Company. The Company hereby represents and warrants to the Subscriber as follows:

(a) **Organization and Good Standing.** The Company is a limited liability company, duly organized, validly existing and in good standing under the laws of the Montana and is registered or will register to do business as a risk retention group in the state in which Subscriber is located.

(b) **Licensure.** The Company holds a valid Certificate of Authority from the Montana Department of Insurance to operate as a risk retention group pursuant to the federal Liability Risk Retention Act, 15 USC §§ 3901 *et seq.*, and Montana Code Annotated §§ 33-11-101 *et seq.*

3.3 Representations and Warranties of Both Parties. Each party hereby represents and warrants to the other party as follows:

(a) **Authority.** All actions required to adopt and approve the execution and performance of this Agreement have been taken and the Agreement constitutes a binding obligation of the parties upon execution.

(b) **No Misrepresentation.** None of the representations or warranties made by a party in this Article III contains any untrue statement of a material fact or omits to state a

material fact necessary in order to make such representation and warranty not misleading.

ARTICLE IV **GENERAL PROVISIONS**

4.1 Notices. Any notice required or permitted to be given under this Agreement will be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid, return receipt requested, and addressed as follows:

If to the Company:	Preferred Contractors Insurance Company Risk Retention Group, LLC c/o The Taft Companies, LLC. 1620 Providence Road Towson, MD 21286
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If to the Subscriber:	To the Subscriber's address as set forth on the signature page to this Agreement, or such other address as the Subscriber may inform the Company in writing.
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4.2 Amendment. This Agreement may be amended only through a written instrument signed by the Company and the Subscriber.

4.3 Entire Agreement. Except as expressly provided in this Agreement to the contrary, this Agreement and any Schedules attached hereto constitute the entire agreement of the parties with respect to the subject matter hereof.

4.4 Remedies; Offset. The rights and remedies of the parties shall not be mutually exclusive and the exercise by any party of any right to which it is entitled shall not preclude the exercise of any other right it may have. The Company may, in addition to all remedies provided by law, offset any amounts otherwise due to it from the Subscriber, whether due under this Agreement or under a policy of insurance issued by the Company to the Subscriber, against any amounts due to the Subscriber hereunder, whether as dividends, distributions or in redemption for Shares and the Subscriber shall lose all voting rights in its Shares during the period when such amounts remain outstanding.

4.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Montana, without regard to any choice or conflict of law provisions thereof.

4.6 Validity. The invalidity or unenforceability of any provision in this Agreement shall in no way affect the validity or enforceability of any other provision. Moreover, if any provision of this Agreement is deemed to be invalid or unenforceable or prohibited by applicable law, such provision shall be deemed severable from the balance of this Agreement and the validity of the remaining provisions shall be enforced to the fullest extent allowed by law in the manner best calculated to fulfill the intentions of the parties as expressed herein.

4.7 Counterparts. This Agreement may be executed in counterpart, each of which shall be an original but which together shall constitute one and the same instrument.

4.8 No Third Party Benefits. This Agreement shall not be construed to create in any person or entity not a party hereto any right, claim, benefit or defense with respect to the parties hereto or in any party claiming by, through or under any of them, with respect to any loss, cost, damage, claim or cause of action arising under or pursuant to the terms of this Agreement or the insurance policies issued by the Company.

4.9 Assignment. This Agreement may not be assigned by one party to any other person or entity without the consent of the other party.

4.10 Binding Effect. This Agreement shall bind and inure to the benefit of the legal representatives, successors and permitted assigns of the Subscriber and the Company.

4.11 Further Assurances. Each party shall do all acts and things and make, execute and deliver such written instruments as shall from time to time be reasonably required to carry out the provisions of this Agreement.

4.12 Waiver. No right or remedy herein conferred upon or reserved to a party hereto is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder. The failure of either party to insist at any time upon the strict observance or performance of any of the provisions of this Agreement or to exercise any right or remedy shall not impair any such right or remedy or be construed as a waiver or relinquishment thereof with respect to a subsequent breach(es).

*[Signature page
follows]*

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

SUBSCRIBER

Signature: _____

Title: _____

Accepted as of (date): _____

**PREFERRED CONTRACTORS INSURANCE COMPANY
RISK RETENTION GROUP, LLC**
a Montana limited liability company

Signature: Phillip Salvagio
Authorized Representative

Share Subscription

Effective Date: _____

Total Shares Purchased: _____

Total Purchase Price: _____