

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

Applicant is a wholly owned subsidiary of Wilmington Holdings which is, in turn, wholly owned by Gearson. The directors and officers of Applicant, Wilmington Holdings and Gearson are:

Applicant

(a) Directors:

Daniel Koch
David Gearhart
Clifford Thompson
Marshall Schutt
Brad Hogan

(b) Officers:

Daniel Koch, President and Chief Executive Officer
Scott Foltz, Senior Vice President
Kate Wright Menase, Chief Financial Officer and Treasurer

Wilmington Holdings

(a) Directors:

Daniel Koch
David Gearhart
Clifford Thompson
Marshall Schutt

(b) Officers:

David Gearhart, Chairman and Chief Executive Officer
David Koch, President
Kate Wright Menase, Chief Financial Officer and Treasurer

Gearson

Gearson is a limited partnership with a Delaware limited liability company, Wilmington Holdings GP, LLC, as its general partner and David Gearhart as its sole manager. The members of Wilmington Holdings GP, LLC are David Gearhart, Marshall Schutt and Clifford Thompson. Schutt Private Investment Fund, LP, managed by Marshall Schutt,

has an interest in Gearson that is greater than 10%. No other person has a limited partnership interest in Gearson that reaches 10 percent.

Biographical Affidavits for each of the Directors and Officers of Applicant, Wilmington Holdings and Gearson are a part of this Form A filing but are being sent under separate cover. *Applicant is requesting confidential treatment with respect to the Biographical Affidavits.*

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Nature, source and amount of funds or other considerations used, or to be used, in effecting the merger or other acquisition of control.

The total merger consideration is \$8,500,000 ("Merger Consideration"). The Merger Consideration will be partially paid prior to closing the Merger transaction through a dividend from NICW to its parent company, National Services, Inc. ("National Services"), as discussed in Item 5 below (the "Pre-Closing Dividend"). The parties have targeted the dividend amount at \$5,500,000; however, in recognition of the Wisconsin Office of the Commissioner of Insurance's ("OCI") approval authority over the dividend amount, Section 1.7(a) and (b) of the Merger Agreement sets the dividend at \$5,500,000 or such lesser amount as the OCI may approve. See Section 1.7(a) and (b) of Merger Agreement, **Exhibit A**. Also deducted from the Merger Consideration are NICW's transaction costs as defined in Section 9.2 of the Merger Agreement and \$1,000,000 ("Holdback Amount") to act as a cushion in the event the reserves established for the Legacy Business are insufficient. See Section 1.7(b) of the Merger Agreement, **Exhibit A**.

The sole source of the funds for payment of the amount of the Merger Consideration remaining after payment of the Pre-Closing Dividend will be one or more payments made to National Services by Wilmington Holdings at or following the closing of the Merger. The source of Wilmington Holdings' funds to make such payments will be dividends from Applicant (to the extent such dividend is made prior to closing the Merger) or from the Surviving Corporation (to the extent such dividend is made post-closing), as such dividends are approved by the OCI and the Delaware Department of Insurance ("DE DOI"), as applicable. The amount owed to National Services post-closing is partially guaranteed by Wilmington Holdings through a Promissory Note made payable to National Services, the form of which is Exhibit A to the Merger Agreement. The Surviving Corporation is not obligated on the Promissory Note.

The Holdback Amount is intended to provide a cushion in the event the reserves set aside by Ability in the trust account ("Trust Account") that it maintains for the Legacy Business under its reinsurance agreement with NICW are not sufficient to cover the projected losses. The Holdback Amount remains with the Surviving Corporation, even though Wilmington Holdings has the obligation to make the post-merger Merger Consideration payments. The Merger Agreement requires that an actuarial analysis be completed at post-merger anniversary years three, four and five, with partial payment to National Services of the Holdback Amount in each