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**SHARE PURCHASE AGREEMENT**  
**DATED AS OF THE 12TH DAY OF MAY, 2016**  
**BY AND BETWEEN**  
**DIAMOND STATE INSURANCE COMPANY**  
**AND**  
**STATE NATIONAL INSURANCE COMPANY, INC.**

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## TABLE OF CONTENTS

	<u>Page</u>
Article I Purchase and Sale of the Shares .....	1
Section 1.01.    Shares .....	1
Section 1.02.    Purchase Price; Payment .....	1
Section 1.03.    Statutory Capital .....	2
Section 1.04.    Fair Consideration .....	3
Section 1.05.    Escrow Agreement .....	3
Section 1.06.    Withholding .....	4
Article II Closing .....	4
Section 2.01.    Closing Date .....	4
Section 2.02.    Deliveries by Seller .....	4
Section 2.03.    Deliveries by Purchaser .....	5
Article III Conditions Precedent to the Closing Obligations of Seller and Purchaser .....	6
Section 3.01.    Conditions Precedent to Obligations of Seller .....	6
Section 3.02.    Conditions Precedent to Obligations of Purchaser .....	7
Article IV Representations and Warranties of Seller .....	8
Section 4.01.    Organization; Power .....	8
Section 4.02.    Authorization .....	8
Section 4.03.    Capital Structure; Subsidiaries .....	9
Section 4.04.    No Conflict or Violation .....	9
Section 4.05.    Title to the Shares .....	9
Section 4.06.    Consents and Approvals .....	9
Section 4.07.    Financial Statements and Information .....	10
Section 4.08.    Books and Records .....	10
Section 4.09.    Tax Matters .....	10
Section 4.10.    Absence of Undisclosed Liabilities .....	12
Section 4.11.    Real Property .....	12
Section 4.12.    Employees and Employee Benefit Plans .....	12
Section 4.13.    Intellectual Property .....	12
Section 4.14.    Licenses and Permits .....	12
Section 4.15.    Insurance .....	13
Section 4.16.    Contracts and Commitments .....	13
Section 4.17.    Security Deposits .....	13
Section 4.18.    Regulatory Filings .....	13
Section 4.19.    Powers of Attorney; Guarantees; Required Insurance; Agents .....	14
Section 4.20.    Bank Accounts .....	14
Section 4.21.    Reinsurance Contracts .....	14

Section 4.22.	Insurance Policies Issued by the Company .....	14
Section 4.23.	Certain Transactions .....	14
Section 4.24.	Litigation .....	14
Section 4.25.	Compliance with Law .....	15
Section 4.26.	Broker's and Finder's Fees.....	15
Section 4.27.	Investment Assets.....	15
Article V Representations and Warranties of Purchaser.....		15
Section 5.01.	Organization; Power.....	15
Section 5.02.	Authorization.....	15
Section 5.03.	No Conflict or Violation.....	16
Section 5.04.	Approvals and Consents.....	16
Section 5.05.	Broker's and Finder's Fees.....	16
Section 5.06.	Investment Intent.....	16
Section 5.07.	Financial Capability .....	17
Article VI Pre-Closing Covenants .....		17
Section 6.01.	Access; Seller Cooperation .....	17
Section 6.02.	Conduct of Business .....	17
Section 6.03.	Notification of Certain Matters .....	19
Section 6.04.	Resignations .....	19
Section 6.05.	Reasonable Best Efforts; Regulatory Matters .....	19
Section 6.06.	Insurance .....	21
Article VII Indemnification; Survival.....		21
Section 7.01.	Indemnification by Seller .....	21
Section 7.02.	Indemnification by Purchaser.....	22
Section 7.03.	Indemnification Notice; Litigation Notice .....	22
Section 7.04.	Defense of Claims .....	23
Section 7.05.	Disagreement Notice .....	23
Section 7.06.	Payment of Losses.....	23
Section 7.07.	Survival .....	24
Section 7.08.	Limitations on Indemnity .....	24
Section 7.09.	Tax Treatment of Indemnification Payments .....	25
Article VIII Termination.....		25
Section 8.01.	Events of Termination.....	25
Section 8.02.	Procedure Upon Termination .....	27
Section 8.03.	Effect of Termination .....	27
Article IX Tax Matters.....		27
Section 9.01.	Tax Indemnification .....	27
Section 9.02.	Preparation and Filing of Tax Returns and Payment of Taxes.....	29

Section 9.03.	Cooperation, Exchange of Information and Record Retention .....	30
Section 9.04.	Tax Refunds .....	30
Section 9.05.	Tax Contests .....	31
Section 9.06.	Post-Closing Actions.....	31
Section 9.07.	Tax Dispute Resolution.....	31
Section 9.08.	Tax Sharing Agreements.....	32
Section 9.09.	Transfer Taxes.....	32
Section 9.10.	338(h)(10) Election; Allocation of Purchase Price .....	32
Section 9.11.	Exclusivity.....	32
Article X Other Agreements .....		32
Section 10.01.	Confidentiality.....	32
Section 10.02.	Reinsurance .....	33
Section 10.03.	Dividend .....	33
Section 10.04.	Litigation Support.....	33
Section 10.05.	Seller Marks .....	33
Section 10.06.	Post-Closing Policies.....	34
Article XI Definitions .....		34
Article XII Miscellaneous.....		40
Section 12.01.	Public Announcements.....	40
Section 12.02.	Costs and Expenses .....	41
Section 12.03.	Further Assurances .....	41
Section 12.04.	Addresses for Notices, Etc. ....	41
Section 12.05.	Headings.....	42
Section 12.06.	Construction .....	42
Section 12.07.	Severability.....	43
Section 12.08.	Entire Agreement and Amendment.....	43
Section 12.09.	No Waiver; Cumulative Remedies.....	43
Section 12.10.	Parties in Interest.....	44
Section 12.11.	Successors and Assigns; Assignment.....	44
Section 12.12.	Governing Law; Jurisdiction and Venue.....	44
Section 12.13.	Waiver of Jury Trial .....	44
Section 12.14.	Counterparts .....	45
Section 12.15.	Schedules, Exhibits and Certificates; Knowledge of Purchaser.....	45
Section 12.16.	Specific Performance .....	46
Section 12.17.	Legal Representation.....	46

**EXHIBITS**

- Exhibit A Calculation of the Estimated and Closing Statutory Capital
- Exhibit B Escrow Agreement
- Exhibit C Form of Quota Share Reinsurance Agreement

**SCHEDULES** - Schedule 5.04 Purchaser Approvals

## SHARE PURCHASE AGREEMENT

**THIS SHARE PURCHASE AGREEMENT** ("Agreement"), dated as of May 12, 2016 is by and between State National Insurance Company, Inc., a Texas corporation ("Purchaser"), and Diamond State Insurance Company, an Indiana corporation (the "Seller").

### WITNESSETH:

**WHEREAS**, United National Specialty Insurance Company, an insurance company domiciled under the laws of Wisconsin (the "Company"), is engaged in the business of selling, underwriting and administering policies or contracts of insurance and related services (the "Business");

**WHEREAS**, Seller now owns all of the outstanding shares of capital stock of the Company (the "Shares");

**WHEREAS**, Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser, the Shares upon the terms and subject to the conditions set forth in this Agreement;

**WHEREAS**, Seller desires to reinsure the existing policies of the Company and to administer such policies upon the terms and subject to the conditions set forth in this Agreement, in the Quota Share Reinsurance Agreement (as defined herein); and

**WHEREAS**, capitalized terms used but not otherwise defined shall have the meanings ascribed to them in Article XI hereto.

**NOW, THEREFORE**, in consideration of the foregoing and the mutual covenants and promises contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

## ARTICLE I

### PURCHASE AND SALE OF THE SHARES

**Section 1.01. Shares.** Upon the terms and subject to the conditions set forth in this Agreement and on the basis of the representations, warranties, covenants and agreements herein contained, at the Closing, Purchaser shall purchase, acquire and accept from Seller, and Seller shall sell, transfer, assign, convey and deliver to Purchaser, all of the right, title and interests in and to the Shares, free and clear of all Encumbrances (other than restrictions on transfer imposed by federal and state insurance and securities Laws).

**Section 1.02. Purchase Price; Payment.** The aggregate consideration (the "Purchase Price") to be paid by Purchaser to Seller for the Shares shall be (a) seven million three hundred fifty thousand dollars (\$7,350,000) plus (b) the Statutory Capital as of immediately prior to the Closing, determined in accordance with the terms of Section 1.03 (the "Final Statutory Capital").

**Section 1.03. Statutory Capital.**

(a) On the second (2<sup>nd</sup>) Business Day before Closing, after the close of Business, Seller shall provide Purchaser with its calculation of the estimated Statutory Capital as of immediately prior to the Closing (the "Estimated Statutory Capital"), which shall be calculated as set forth on Exhibit A.

(b) Within forty five (45) days after the Closing Date, Seller will prepare and deliver to Purchaser a statement for the adjustment of the Estimated Statutory Capital (the "Statement") setting forth Seller's calculation of the final Statutory Capital as of immediately prior to the Closing (the "Closing Statutory Capital"), which shall be calculated as set forth on Exhibit A.

(c) The Statement will become final and binding upon the parties (and the Closing Statutory Capital will become the Final Statutory Capital) fifteen (15) days after Seller gives the Statement to Purchaser, unless Purchaser gives written notice of its disagreement of the amount of the Closing Statutory Capital (a "Notice of Disagreement") to Seller before the end of such fifteen (15) day period, specifying the amount thereof in dispute and setting forth, in reasonable detail, the basis for such dispute. If a valid Notice of Disagreement is received by Seller within the fifteen (15) day period, then the Statement (as finally determined in accordance with clause (i) or (ii) below) will become final and binding upon the parties (and the Closing Statutory Capital will become the Final Statutory Capital) on the earlier of (i) the date the parties resolve in writing any differences they have with respect to all matters specified in such Notice of Disagreement or (ii) the date any disputed matters are finally resolved in writing by the Arbitrator pursuant to Section 1.03(e).

(d) Notwithstanding the issuance of a valid Notice of Disagreement, Seller or Purchaser, as applicable, shall pay (by wire transfer of immediately available funds) any portion of the Closing Statutory Capital not in dispute as follows: (i) Seller shall pay to Purchaser an amount equal to the shortfall by which the non-disputed portion of the Closing Statutory Capital is less than the Estimated Statutory Capital within five (5) Business Days after its receipt of the Notice of Disagreement issued by Purchaser and (ii) Purchaser shall pay to Seller an amount equal to the overage by which the non-disputed portion of the Closing Statutory Capital is greater than the Estimated Statutory Capital substantially concurrently with its issuance of the Notice of Disagreement.

(e) During the fifteen (15) day period after the delivery of a valid Notice of Disagreement, Seller and Purchaser will seek in good faith to resolve in writing any differences that they have with respect to any matter specified in such Notice of Disagreement. If, at the end of such fifteen (15) day period, Seller and Purchaser have not reached agreement on all such matters, then either Seller or Purchaser may submit the matters that remain in dispute to an arbitrator (the "Arbitrator") for review and resolution. The Arbitrator will be Deloitte & Touche, LLP, provided that neither Purchaser nor Seller shall have retained Deloitte & Touche, LLP for any other matter prior to the date of such appointment as Arbitrator. The Arbitrator will determine procedures for such arbitration, subject to the terms hereof. The parties will instruct the Arbitrator to render a decision resolving the matters in dispute within thirty (30) days following completion of the submissions to the Arbitrator. Any item not specifically referred to in such Notice of Disagreement will be deemed final and binding on Seller and Purchaser in the

manner set forth in the Statement. The Arbitrator will determine the Closing Statutory Capital based solely on presentations made by Seller and Purchaser (and not by independent review). In resolving any matter specified in such Notice of Disagreement, the Arbitrator will not assign a value to any item greater than the greater value for such item claimed by either party or less than the smaller value for such item claimed by either party.

(f) All fees, costs, expenses and disbursements of the Arbitrator shall be paid by the party with whose determination the Arbitrator does not agree; provided, however, that if the Arbitrator's determination represents a compromise between the determination of Seller and Purchaser, then each party shall pay fifty percent (50%) of such fees and disbursements. If a retainer is required by the Arbitrator, the retainer shall be split equally between Purchaser and Seller; provided, however, that the retainer shall be considered part of the fees and expenses of such Arbitrator and if either party has paid a portion of such retainer, such party shall be entitled to be reimbursed by the other party to the extent required by this Section 1.03(f). Each party in such arbitration before the Arbitrator pursuant to this Section 1.03(f) will pay its own expenses incurred with respect to such arbitration.

(g) If the Final Statutory Capital as determined pursuant to Section 1.03(c) is less than the Estimated Statutory Capital, after taking into account any amounts paid by either party hereto pursuant to Section 1.03(d), Seller will pay to Purchaser an amount equal to such shortfall. If the Final Statutory Capital as determined pursuant to Section 1.03(c) is greater than the Estimated Statutory Capital, after taking into account any amounts paid by either party hereto pursuant to Section 1.03(d), Purchaser will pay to Seller an amount equal to such overage. The Final Statutory Capital automatically will be adjusted to reflect any adjustments pursuant to Section 1.03(e).

(h) Seller or Purchaser, as applicable, will pay (by wire transfer of immediately available funds) to the other the amount of any adjustment required by Section 1.03(g) within five (5) Business Days after the Closing Statutory Capital becomes the Final Statutory Capital pursuant to Section 1.03(c). Should either Seller or Purchaser not make full payment of any such obligations within such five (5) Business Day period, any amount payable shall accrue interest from and including the date such payment was due to and including the date such payment has been made at a rate per annum equal to the prime rate of interest as published in the Wall Street Journal on the date of payment plus five percent (5%). Such interest shall be calculated daily on the basis of a three hundred sixty five (365) day year and the actual number of days elapsed without compounding.

**Section 1.04. Fair Consideration.** Each of the parties acknowledges and agrees that the consideration provided for in this Article I represents fair consideration and reasonable equivalent value for the sale and transfer of the Shares and the transactions, covenants and agreements set forth in this Agreement, which consideration was agreed upon as the result of arms-length good faith negotiations between the parties and their respective representatives.

**Section 1.05. Escrow Agreement.** Simultaneously with executing this agreement, (a) Purchaser and Seller shall execute the Escrow Agreement in the form attached as Exhibit B (the "Escrow Agreement"), and (b) Purchaser shall deposit one hundred forty five thousand

dollars (\$145,000) (the “Escrow Amount”) into the Escrow Account to be held and released in accordance with the terms of the Escrow Agreement.

**Section 1.06. Withholding.** To the extent applicable, the Purchaser shall be entitled to deduct and withhold from any amount payable under this Agreement any withholding Taxes or other amounts required under applicable Law to be deducted and withheld. To the extent such amounts are so deducted or withheld, such amounts will be treated for all purposes of this Agreement as having been paid (and shall be paid over to the appropriate Governmental Entity).

## ARTICLE II

### CLOSING

**Section 2.01. Closing Date.** The Closing of the transactions contemplated by this Agreement (the “Closing”) shall take place (a) at 10:00 a.m., Madison, Wisconsin time, on the third (3rd) Business Day following the day on which the last of the conditions set forth in Article III (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at such time) is satisfied or waived by the party entitled to waive the same or (b) such other date and time as Seller and Purchaser may mutually agree in writing. The date on which the Closing occurs is referred to herein as the “Closing Date”. The Closing shall be accomplished by facsimile or email (in PDF format) transmission to the respective offices of legal counsel for the parties of the requisite documents, duly executed where required, delivered upon actual confirmed receipt, with originals to be delivered by overnight courier service on the next Business Day following the Closing Date. The parties hereto acknowledge and agree that all proceedings at the Closing shall be deemed to be taken and all documents to be executed and delivered by all parties at the Closing shall be deemed to have been taken and executed simultaneously, and no proceedings shall be deemed taken nor any document executed or delivered until all have been taken, executed and delivered. The parties hereto agree that effectiveness of the Closing shall be as of 11:59:59 p.m., Madison, Wisconsin time, on the Closing Date (the “Effective Time”).

**Section 2.02. Deliveries by Seller.** Subject to the fulfillment of the terms and conditions set forth in Section 3.01, at the Closing, Seller shall deliver (or cause to be delivered) to Purchaser originals or copies, if specified, of the following:

(a) counterparts of all agreements, documents and instruments required to be delivered by the Company or Seller pursuant to this Agreement duly executed by the Company or Seller or their respective Affiliates, including the Ancillary Agreements, as applicable;

(b) copies (or other evidence) of all the Seller Required Approvals in satisfaction of Section 3.02(d);

(c) copies of resolutions adopted by the board of directors of Seller authorizing and approving the execution and delivery of this Agreement and all agreements and other documents and instruments contemplated hereby and thereby and the consummation of the transactions contemplated hereby and thereby, certified to be true, complete, correct and in full force and effect by the Secretary of Seller;

(d) copies of the certified Articles of Incorporation of the Company, including all amendments thereto, certified as true, complete and correct and in full force and effect by the Secretary of the Company, and a copy of the Bylaws of the Company, including all amendments thereto, certified as true, complete and correct and in full force and effect by the Secretary of the Company;

(e) a certificate duly executed by Seller pursuant to Section 3.02(b) and Section 3.02(c) of this Agreement;

(f) certificates representing all of the Shares, duly executed in blank or accompanied by stock powers duly executed in blank;

(g) a certificate duly executed by Seller acknowledging delivery by Purchaser of the items set forth in Section 2.03 of this Agreement;

(h) evidences of the releases of all Encumbrances on the Shares each in form and substance satisfactory to Purchaser in its sole discretion;

(i) true and correct original copies of the Certificates of Authority to conduct the business of insurance in all jurisdictions in which the Company is licensed or eligible to transact the surplus lines business, certified within fourteen (14) days prior to the Closing Date; and

(j) a statement from Seller, in compliance with Treasury Regulations Section 1.1445-2(b)(2), certifying that Seller is not a foreign person for purposes of U.S. federal income taxation.

**Section 2.03. Deliveries by Purchaser.** At the Closing, Purchaser shall deliver (or cause to be delivered) to Seller originals, or copies if specified, of the following agreements, documents and other items:

(a) any documentation or other items necessary to release the Escrow Amount from the Escrow Account to Seller at the Closing pursuant to the terms of the Escrow Agreement;

(b) the Closing Purchase Price by wire transfer of immediately available funds to an account or accounts designated by Seller in writing no later than the second (2nd) Business Day prior to the Closing Date;

(c) copies of resolutions adopted by the board of directors of Purchaser authorizing and approving the execution and delivery of this Agreement and all agreements and other documents and instruments contemplated hereby and thereby and the consummation of the transactions contemplated hereby and thereby, certified to be true, complete, correct and in full force and effect by the Secretary of Purchaser;

(d) counterparts of all agreements, documents and instruments required to be delivered by Purchaser pursuant to this Agreement, duly executed by Purchaser or their respective Affiliates, including the Ancillary Agreements, as applicable;

(e) a certificate duly executed by a duly authorized officer of Purchaser pursuant to Section 3.01(b) and Section 3.01(c) of this Agreement;

(f) a certificate executed by the Secretary of Purchaser acknowledging delivery by the Company and Seller of the items set forth in Section 2.02 of this Agreement; and

(g) copies (or other evidence) of all of the Purchaser Required Approvals in satisfaction of Section 3.01(d).

### ARTICLE III

#### **CONDITIONS PRECEDENT TO THE CLOSING OBLIGATIONS OF SELLER AND PURCHASER**

**Section 3.01. Conditions Precedent to Obligations of Seller.** The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or prior to the Closing, of the following conditions, any one or more of which may be waived in writing by Seller (which waiver shall not be unreasonably withheld, conditioned or delayed):

(a) **Deliveries by Purchaser.** Purchaser shall have made delivery to Seller of the items specified in Section 2.03.

(b) **Representations and Warranties of Purchaser.** All representations and warranties made by Purchaser (considered collectively and individually) in this Agreement shall be true and correct in all material respects (other than any representation or warranty which is qualified by materiality shall be true and correct in all respects) as of the Closing Date (except that such representations and warranties that are made as of a specific date, need only be true and correct as of such date) as if made by Purchaser as of such date, and Seller shall have received a certificate to such effect dated the Closing Date and executed by a duly authorized officer of Purchaser.

(c) **Performance of the Obligations of Purchaser.** Purchaser shall have performed, complied with or fulfilled in all material respects all of the covenants, agreements, obligations and conditions (considered collectively and individually) required by this Agreement to be performed, complied with or fulfilled by Purchaser on or prior to the Closing Date, and Seller shall have received a certificate to such effect dated the Closing Date and executed by a duly authorized officer of Purchaser.

(d) **Required Approvals.** All Required Approvals shall have been obtained or any waiting period applicable thereto shall have been terminated or otherwise expired.

(e) **Legal Proceedings.** Neither the Purchaser nor the Company shall be subject to any injunction, preliminary restraining order or other similar decree of a court of competent jurisdiction prohibiting the consummation of the transactions contemplated by this Agreement. Since the date of this Agreement, there shall not have been commenced and be continuing against Purchaser, or against any Affiliate of Purchaser, any Proceeding (i) involving any challenge to, or seeking damages or other relief in connection with, any of the transactions contemplated by this Agreement, or (ii) that may have the effect of preventing, delaying, making

illegal, imposing limitations or conditions on or otherwise interfering with any of the transactions contemplated by this Agreement, in each case any material respect.

(f) **No Violation of Orders.** No preliminary or permanent injunction or other order issued by any Governmental Entity that declares this Agreement invalid or unenforceable in any respect or prevents or attempts to prevent the consummation of the transactions contemplated hereby or thereby shall be in effect.

**Section 3.02. Conditions Precedent to Obligations of Purchaser.** The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the fulfillment, at or prior to the Closing, of the following conditions, any one or more of which may be waived in writing by Purchaser in its sole discretion:

(a) **Deliveries by Seller.** Seller shall have made delivery to Purchaser of the items specified in Section 2.02.

(b) **Representations and Warranties of Seller.** All representations and warranties made by Seller (considered collectively and individually) in this Agreement shall be true and correct in all material respects (other than any representation or warranty which is qualified by materiality shall be true and correct in all respects) as of the Closing Date (except that such representations and warranties that are made as of a specific date, need only be true and correct as of such date) as if made by Seller as of such date, and Purchaser shall have received a certificate to such effect dated the Closing Date and executed by a duly authorized officer of Seller.

(c) **Performance of the Obligations of Seller.** Seller shall have performed, complied with or fulfilled in all material respects all of the covenants, agreements, obligations and conditions (considered collectively and individually) required by this Agreement to be performed, complied with or fulfilled by Seller on or prior to the Closing Date, and Purchaser shall have received a certificate to such effect dated the Closing Date and executed by a duly authorized officer of Seller.

(d) **Required Approvals.** All Required Approvals shall have been obtained or any waiting period applicable thereto shall have been terminated or otherwise expired.

(e) **No Material Adverse Change.** There shall not have occurred any material adverse change that would have a Company Material Adverse Effect.

(f) **Pooling Agreements.** Seller shall have, at its sole cost and expense and in a manner reasonably acceptable to Purchaser, unwound any existing pooling agreements.

(g) **Legal Proceedings.** Neither the Company nor Seller shall be subject to any injunction, preliminary restraining order or other similar decree of a court of competent jurisdiction prohibiting the consummation of the transactions contemplated by this Agreement. Since the date of this Agreement, there shall not have been commenced and be continuing against Seller, or against any Affiliate of Seller, any Proceeding (i) involving any challenge to, or seeking damages or other relief in connection with, any of the transactions contemplated by this Agreement, or (ii) that may have the effect of preventing, delaying, making illegal, imposing

limitations or conditions on or otherwise interfering with any of the transactions contemplated by this Agreement, in each case in any material respect.

(h) **No Violation of Orders.** No preliminary or permanent injunction or other order issued by any Governmental Entity that declares this Agreement invalid or unenforceable in any respect or prevents or attempts to prevent the consummation of the transactions contemplated hereby or thereby shall be in effect.

## ARTICLE IV

### **REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller hereby represents and warrants to Purchaser, subject to such exceptions as are specifically disclosed in the Statutory Statements or the Disclosure Schedules (it being agreed that an item included on a particular schedule referenced in any section or subsection of this Article IV, or on a particular schedule of the Disclosure Schedules, is deemed to relate to each other section or subsection of this Article IV to the extent that is reasonably apparent on its face to a reader of such disclosure that it also qualifies or applies to such other sections and subsections) delivered by Seller concurrently with the execution of this Agreement (the "Disclosure Schedules"), as follows:

**Section 4.01. Organization; Power.** The Company is a stock insurance company duly organized and validly existing under the Laws of Wisconsin. The Company has full power and authority to own, lease and operate its assets and to conduct the Business as it is now being conducted. The Company is licensed to transact the Business and is in good standing in each jurisdiction listed in Section 4.14 of the Disclosure Schedules. The Company has not received any written notice from the Office that the Company is not in active status in the State of Wisconsin or that proceedings for administrative or judicial dissolution of the Company have been commenced or are threatened. Neither the Company's board of directors nor its shareholders have authorized the dissolution of the Company, the filing of articles of dissolution with the Office, or the winding up of the Company's affairs by any other means.

**Section 4.02. Authorization.** Seller has all requisite corporate power and corporate authority to enter into this Agreement and such other agreements, documents and instruments contemplated by this Agreement to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and such other agreements, documents and instruments contemplated by this Agreement by Seller and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action by the board of directors of Seller, and no other corporate proceedings on the part of Seller are necessary to authorize the execution, delivery or performance of this Agreement and such other agreements, documents and instruments contemplated by this Agreement to which it is a party. Assuming the due authorization, execution and delivery by Purchaser, this Agreement constitutes the valid and binding obligation of Seller, enforceable against Seller in accordance with its terms and conditions.

**Section 4.03. Capital Structure; Subsidiaries.**

(a) The authorized capital of the Company, immediately prior to the Closing Date, consists solely of fifty thousand (50,000) shares of common stock of the Company, of which forty-two thousand (42,000) shares are issued and outstanding immediately prior to the Closing Date. All of the outstanding shares of the Company have been duly authorized, are fully paid and non-assessable and were issued in compliance in all material respects with all applicable federal and state securities Laws.

(b) There are no outstanding options, warrants or other rights of any kind to acquire any shares of the Company, nor any outstanding securities convertible into or exchangeable for, or which otherwise confer on the holder thereof any right to acquire, any shares of the Company, and the Company is not committed to issue any such option, warrant, right or security.

(c) The Company does not have any subsidiaries and, as of the Closing Date, will not own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association or other business entity.

**Section 4.04. No Conflict or Violation.** Subject to the making of the filings and registrations and receipt of the consents, approvals and waivers referred to in Section 4.06 and the expiration of related waiting periods, except as may result from any facts or circumstances relating to the identity or regulatory status of Purchaser or its Affiliates, the execution, delivery, consummation and performance of this Agreement by Seller and the consummation of the transactions contemplated hereby do not and shall not: (a) (i) violate or conflict with any material provision of the articles of incorporation, bylaws, other Governing Documents of Seller or resolutions adopted by the board of directors of Seller; (ii) violate any provision of Law applicable to the Company in any material respect; (iii) violate or result in a material breach of or constitute (with or without due notice or lapse of time or both) a default under any material Contract, consent, order or other instrument or obligation to which the Company is a party, or by which the Company's assets or properties may be bound; or (b) result in the imposition of any material Encumbrance (other than any Permitted Encumbrance) or material restriction on the Business or the Shares (with or without due notice or lapse of time or both).

**Section 4.05. Title to the Shares.** Seller has good, marketable and insurable title to all of the Shares, free and clear of all Encumbrances. Seller has complete and unrestricted power and the unqualified right to sell, convey, assign, transfer and deliver the Shares, and the instruments of assignment and transfer to be executed and delivered by Seller to Purchaser at the Closing shall be valid and binding obligations of Seller, enforceable in accordance with their respective terms, and shall effectively vest in Purchaser good, marketable and insurable title to the Shares.

**Section 4.06. Consents and Approvals.** Section 4.06 of the Disclosure Schedules sets forth a list of each consent, waiver, authorization or approval of any Governmental Entity, or of any other Person, and each declaration to or filing or registration with any Governmental Entity required in connection with the execution and delivery of this Agreement by Seller, or any agreement, document or instrument contemplated thereby by the Company or Seller, as applicable, or the performance by the Company or Seller of its obligations hereunder or

thereunder, the failure of which to obtain would reasonably be expected to have a Company Material Adverse Effect.

**Section 4.07. Financial Statements and Information.** The Company has timely filed all required annual and quarterly statements for the years ended December 31, 2013, 2014 and 2015, with the applicable regulatory authorities. Section 4.07 of the Disclosure Schedule sets forth the annual statutory statements of the Company as of and for the years ended December 31, 2013, 2014 and 2015, including the exhibits, schedules, amendments, supplements and notes thereto, and any actuarial opinions, affirmations or certifications filed in connection therewith, as filed with the Office (the "Statutory Statements"). The Statutory Statements (a) were prepared from and are consistent with the books and records of the Company, (b) were filed with the applicable insurance regulators on forms prescribed or permitted by such insurance regulators, (c) present fairly the financial condition and results of operations of the Company at the respective dates and for the periods covered by such statements and (d) were prepared in conformity with Applicable SAP consistently applied (except as otherwise specifically noted therein). Except as reflected in the Statutory Statements or as set forth in Section 4.07 of the Disclosure Schedule, there are no permitted practices utilized in the preparation of the Statutory Statements. No deficiencies or subsequently required adjustments with respect to such Statutory Statements have been asserted by any insurance regulatory authority that have not been cured or otherwise resolved to the satisfaction of such insurance regulatory authority.

**Section 4.08. Books and Records.** Seller has delivered to Purchaser a true, complete and correct electronic copy of the Governing Documents of the Company and all amendments thereof. The minute books of the Company, all of which have been provided electronically to Purchaser, are accurate and complete in all material respects and contain records of all meetings and corporate action taken by the board of directors of the Company. For purposes of clarification, Seller may keep an electronic copy of those books and records of the Company that are reasonably necessary in order to satisfy its regulatory requirements.

**Section 4.09. Tax Matters.**

(a) The Company has filed or caused to be filed on a timely basis all Tax Returns required by applicable Law to be filed by it. All Tax Returns filed by the Company are true, correct and complete in all material respects. The Company has paid all Taxes due (whether or not shown on such Tax Returns), except such Taxes as are being contested in good faith and as to which adequate reserves have been provided. The Company has made all withholding of Taxes required by applicable Law to be made by it, including withholding with respect to compensation paid to employees, and the amounts withheld have been properly paid over to the appropriate Governmental Entity. The Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

(b) No Tax Returns of the Company have been audited or are currently under audit. The Company has delivered to Purchaser copies of any examination reports, statements or deficiencies or similar items with respect to such audits. The Company has not been informed in writing by any Governmental Entity of (i) the commencement or anticipated commencement of any other audit, (ii) any request for information related to Tax matters, (iii) any notice or deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed against

the Company, and (iv) any claim that the Company is or may be subject to taxation in a jurisdiction where the Company currently does not file Tax Returns. Section 4.09(b) of the Disclosure Schedules contains a list of all Tax Returns for which the applicable statute of limitations has not run. The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency, which period (after giving effect to such waiver or extension) has not expired.

(c) The unpaid Taxes of the Company (i) do not, as of the most recent Statutory Statements, exceed the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the most recent Statutory Statements (rather than in any notes thereto) and (ii) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company in filing their Tax Returns. Since the date of the most recent Statutory Statements, the Company has not incurred any liability for Taxes arising from extraordinary gains or losses, as that term is used in GAAP, outside the ordinary course of business consistent with past custom and practice.

(d) There are no Encumbrances for Taxes other than Permitted Encumbrances.

(e) Except in connection with the Pre-Closing Policies and the Post-Closing Policies, the Company is not a party to any Tax allocation, sharing, or indemnity agreement or similar Contract relating to Taxes (including any advance pricing agreement or closing agreement relating to Taxes but excluding any agreements or Contracts entered into in the ordinary course of business, the principal purpose of which is unrelated to Taxes) that will require any payment by the Company after the Closing Date.

(f) The Company has not requested or received any Tax ruling, private letter ruling, technical advice memorandum, competent authority relief or similar agreement from the Internal Revenue Service (or other authority responsible for the administration or collection of Taxes). The Company has not received a Tax opinion with respect to any transaction directly relating to the Company other than transactions in the ordinary course of business.

(g) The Company has not been a party to any “reportable transaction” as defined under Code Section 6707A(c)(1) and Treasury Regulations Section 1.6011-4(g).

(h) The Company has not entered into a closing agreement or other similar agreement with a Governmental Entity relating to Taxes of the Company with respect to a taxable period for which the statute of limitations is still open.

(i) The Company is in compliance with the terms and conditions of all applicable Tax exemptions, Tax agreements and Tax orders of any Governmental Entity to which it may be subject or to which it may have claimed, and the transactions contemplated by this Agreement will not have any adverse effect on such compliance.

(j) Since September 5, 2003, the Company (i) has not been a member of an affiliated group within the meaning of Code Section 1504(a) other than the affiliated group of which Global Indemnity Group, Inc. is the Parent, as defined in the Code, (or any similar group defined under a similar provision of state, local or foreign Law) and (ii) has no Liability for

Taxes of any Person (other than the Company) under Treasury Regulations Section 1.1502-6 (or any corresponding or similar provision of state, local or foreign Law), as a transferee or successor by Contract or otherwise.

(k) The Company has never been either a “distributing corporation” or a “controlled corporation” (within the meaning of Code Section 355(a)(1)(A)) in a distribution of stock qualifying for tax-free treatment under Code Section 355 within the past two (2) years or which could constitute part of a “plan” or “series of related transactions” (within the meaning of Code Section 355(e)) in conjunction with the Acquisition.

(l) The Company is not a party to any agreement, contract, arrangement or plan that has resulted or could result, separately or in the aggregate, in the payment of (i) any “excess parachute payment” within the meaning of Code Section 280G (or any corresponding or similar provision of state, local or foreign Law) or (ii) any obligation to withhold Taxes pursuant to Code Section 4999 (or any corresponding or similar provision of state, local or foreign Law).

(m) The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of (i) any change in method of accounting for a taxable period ending on or prior to the Closing Date; (ii) “closing agreement” as described in Code Section 7121 (or any corresponding or similar provision of state, local or foreign Law) executed on or prior to the Closing Date; (iii) intercompany transaction or excess loss account described in the Treasury Regulations under Code Section 1502 or any corresponding or similar provision of state, local or foreign Law; (iv) installment sale or open transaction disposition made on or prior to the Closing Date; (v) prepaid amount received on or prior to the Closing Date; or (vi) election under Code Section 108(i).

**Section 4.10. Absence of Undisclosed Liabilities.** Except for those Liabilities (a) that are reflected or reserved against in the Statutory Statements; (b) incurred in the Ordinary Course of Business since December 31, 2015; (c) incurred by or on behalf of the Company in connection with this Agreement, any Ancillary Agreement or the transactions contemplated hereby or thereby; or (d) that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect, as of the date hereof, the Company has no Liabilities that would be required by Applicable SAP to be reflected on a balance sheet of the Company.

**Section 4.11. Real Property.** The Company does not own or lease any real property.

**Section 4.12. Employees and Employee Benefit Plans.** As of the Closing Date, the Company does not have any employees and will not have any Liabilities under any Employee Plans.

**Section 4.13. Intellectual Property.** All registered intellectual property owned by the Company is described in Section 4.13 of the Disclosure Schedules. The Company has not received written notice that it is infringing (or is alleged to be infringing) on any trademark, trade name, copyright or any application pending therefor.

**Section 4.14. Licenses and Permits.** Section 4.14 of the Disclosure Schedules sets forth a list, as of the date hereof, of each of the material Licenses and Permits held by the

Company. The Company has provided Purchaser with true and complete copies of all material Licenses and Permits. The Company is in compliance with all material terms, conditions and requirements of all Licenses and Permits and no Proceeding is pending or, to the Knowledge of the Company, threatened in writing relating to the revocation or limitation of any of the Licenses and Permits except as may be required in connection with consummation of the transactions contemplated hereby. The Company has not transacted the Business in any jurisdiction requiring an insurance license therefor in which it did not possess such an insurance license.

**Section 4.15. Insurance.** The Company or Seller (or their Affiliates) maintain the insurance policies covering the Company and its officers and directors as described on Section 4.15 of the Disclosure Schedules, or substantially equivalent policies are in full force and effect, with no overdue premiums thereon as of the Closing Date.

**Section 4.16. Contracts and Commitments.**

(a) Section 4.16(a) of the Disclosure Schedules sets forth a true, complete and correct list of each material Contract (collectively, the “Scheduled Contracts”) to which the Company is a party or by which it is bound that is currently in effect, including all Contracts relating to borrowing of money; purchase of materials; supplies, equipment, products or services; the use of trademarks, trade names or copyrights; or leases (capital or otherwise), but excluding Contracts relating to: agreements with Affiliates; tax allocation agreements; direct insurance policies written by the Company in the Ordinary Course of Business; Third Party Reinsurance Agreements; reinsurance agreements with Affiliates; agents and brokers; distribution of insurance products.

(b) As of the date hereof, each Scheduled Contract is valid and binding on the Company and enforceable in accordance with its terms against the Company and, to the Knowledge of the Company, each other party thereto (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, preference and other similar laws affecting creditors’ rights generally, and by general principles of equity (regardless of whether enforcement is sought in equity or at law)). As of the date hereof, the Company, and, to the Knowledge of the Company, each of the other parties thereto, have performed all obligations required to be performed by it on or before the date hereof under each Scheduled Contract, except where any such non-performance has not had or would not reasonably be expected to have a Company Material Adverse Effect.

(c) The Company has provided Purchaser with true and complete copies of all the Scheduled Contracts of the Company and each amendment, supplement, waiver or modification thereto. All of the Scheduled Contracts identified on, or required to be identified on, Section 4.16(a) of the Disclosure Schedules are in full force and effect.

**Section 4.17. Security Deposits.** Section 4.17 of the Disclosure Schedules sets forth a true, correct and complete list of all securities deposited by the Company with any Governmental Entity or any other Person as of the date hereof.

**Section 4.18. Regulatory Filings.** The Company has timely filed, or caused to be timely filed, all reports, statements, documents, registrations, filings, applications or submissions

required to be filed by or on behalf of the Company with any Governmental Entity in connection with the Business. No material deficiencies have been asserted by any Governmental Entity with respect to such reports, statements, documents, registrations, filings, applications or submissions that have not been satisfied.

**Section 4.19. Powers of Attorney; Guarantees; Required Insurance; Agents.** The Company does not have any outstanding powers of attorney or any Liability, either accrued, accruing or contingent, as guarantor, surety, cosigner or endorser other than in the Ordinary Course of Business of the Company. The Company is not obligated to maintain insurance for the benefit of any Person, including its customers, other than in the Ordinary Course of Business. As of the Closing Date, the Company will have withdrawn the authority of all agents previously appointed by it except with respect to the Pre-Closing Policies and Post-Closing Policies.

**Section 4.20. Bank Accounts.** Section 4.20 of the Disclosure Schedules sets forth a true, correct and complete list of bank accounts and investment accounts maintained by the Company, including the name of each bank or other institution, account numbers and a list of signatories to such account.

**Section 4.21. Reinsurance Contracts.** Section 4.21 of the Disclosure Schedules sets forth a true, complete and correct list of all current reinsurance and retrocession treaties, agreements, arrangements and placements with unaffiliated parties relating to insurance policies written by the Company as of the date hereof to which the Company is a ceding or assuming party (collectively, the “Third Party Reinsurance Agreements”). Except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect, (a) the Third Party Reinsurance Agreements are in full force and effect in accordance with their terms; (b) neither the Company nor any of the reinsurers, as applicable, has breached any provision of any Third Party Reinsurance Agreement in any material respect; and (c) to the Knowledge of Seller, no other party to any Third Party Reinsurance Agreement is in default thereunder, and no other party to any Third Party Reinsurance Agreement is the subject of a rehabilitation, liquidation, conservatorship, receivership, bankruptcy or similar Proceeding.

**Section 4.22. Insurance Policies Issued by the Company.** The Company has no Pre-Closing Policies other than those set forth on Section 4.22 of the Disclosure Schedules.

**Section 4.23. Certain Transactions.** Except as set forth on Section 4.23 of the Disclosure Schedules, there are no agreements between the Company and any Affiliate of the Company that will continue after the Closing Date.

**Section 4.24. Litigation.** (a) To the Knowledge of the Company, as of the date hereof there are no investigations, audits or Proceedings pending or threatened in writing against or affecting the Company, the Business or any of its assets that would, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect, and (b) as of the date hereof, the Company is not subject to any judgment, order, decree, rule or regulation of any court or Governmental Entity that would, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

**Section 4.25. Compliance with Law.**

(a) Except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect, the Company (i) is not in violation of any applicable Law and (ii) has not received, at any time since January 1, 2013, any written notice from any Governmental Entity regarding any actual or alleged violation of, or failure to comply with, any applicable Law that has not been remedied.

(b) Except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect, the Company (i) holds and maintains in full force and effect all Governmental Authorizations required to conduct the Business in the manner and in all such jurisdictions as it is currently conducted, (ii) is in compliance with all such Governmental Authorizations, and (iii) has not received, at any time since January 1, 2013, any written notice from any Governmental Entity regarding any actual or alleged violation of, or failure to comply with, any term or requirement of any such Governmental Authorization that has not been remedied.

**Section 4.26. Broker's and Finder's Fees.** No broker, finder or other Person is entitled to any commission or finder's fee in connection with this Agreement or the transactions contemplated by this Agreement as a result of any actions or commitments of the Seller or its Affiliates (including the Company). The Company is not obligated to pay any commission or finder's fee in connection with this Agreement or the transactions contemplated by this Agreement.

**Section 4.27. Investment Assets.** Seller has provided to Purchaser a list of the Investment Assets as of December 31, 2015. Except for Investment Assets sold or otherwise disposed of since December 31, 2015, to the Knowledge of Seller, the Company holds valid title to all Investment Assets free and clear of all Encumbrances other than Permitted Encumbrances, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

**ARTICLE V**

**REPRESENTATIONS AND WARRANTIES OF PURCHASER**

Purchaser hereby represents and warrants to Seller as follows:

**Section 5.01. Organization; Power.** Purchaser is a stock insurance company duly organized, validly existing and in good standing under the Laws of Texas. Purchaser has full power and authority to own, lease and operate its assets and to conduct its business as it is now being conducted.

**Section 5.02. Authorization.** Purchaser has all requisite corporate power and corporate authority to enter into this Agreement and such other agreements, documents and instruments contemplated by this Agreement to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and such other agreements, documents and instruments contemplated by this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated hereby and thereby have been duly authorized by

all necessary corporate action by the board of directors of Purchaser, and no other corporate proceedings on the part of Purchaser are necessary to authorize the execution, delivery or performance of this Agreement and such other agreements, documents and instruments contemplated by this Agreement to which it is a party. Assuming the due authorization, execution and delivery by Seller, this Agreement constitutes the valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms and conditions.

**Section 5.03. No Conflict or Violation.** Subject to the making of the filings and registrations and receipt of the consents, approvals and waivers referred to in Section 5.04 and the expiration of related waiting periods, except as may result from any facts or circumstances relating to the identity or regulatory status of Seller or its Affiliates, the execution, delivery, consummation and performance of this Agreement by Purchaser and the consummation of the transactions contemplated hereby do not and shall not: (a) violate or conflict with any material provision of the articles of incorporation, bylaws, other Governing Documents of Purchaser or resolutions adopted by the board of directors of Purchaser; (b) violate any provision of Law applicable to Purchaser in any material respect; or (c) violate or result in a material breach of or constitute (with or without due notice or lapse of time or both) a default under any material Contract, consent, order or other instrument or obligation to which Purchaser is a party, or by which Purchaser's assets or properties may be bound.

**Section 5.04. Approvals and Consents.** Schedule 5.04 hereof sets forth a list of each consent, waiver, authorization or approval of any Governmental Entity, or of any other Person, and each declaration to or filing or registration with any Governmental Entity required in connection with the execution and delivery of this Agreement by Purchaser, or any agreement, document or instrument contemplated thereby by Purchaser, or the performance by Purchaser of its obligations hereunder or thereunder, the failure of which to obtain would reasonably be expected to have a Purchaser Material Adverse Effect.

**Section 5.05. Broker's and Finder's Fees.** No broker, finder or other Person is entitled to any commission or finder's fee in connection with this Agreement or the transactions contemplated by this Agreement as a result of any actions or commitments of Purchaser or its Affiliates.

**Section 5.06. Investment Intent.**

(a) Purchaser is, and will be at the time of the execution of this Agreement, an "accredited investor," as such term is defined in Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, is experienced in investments and business matters, has made investments of a speculative nature and has purchased securities of United States publicly owned companies in the past and, with its representatives, has such knowledge and experience in financial, tax and other business matters as to enable such Purchaser to utilize the information made available by the Company to evaluate the merits and risks of and to make an informed investment decision with respect to the proposed purchase, which represents a speculative investment. Purchaser is able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof.

(b) On the Closing Date, such Purchaser will purchase the Shares pursuant to the terms of this Agreement for its own account for investment only and not with a view toward, or for resale in connection with, the public sale or any distribution thereof.

**Section 5.07. Financial Capability.** Purchaser has, and will have at all times through and at the Closing, sufficient available and unencumbered funds to fulfill its obligations on the terms and subject to the conditions set forth in this Agreement and to consummate the other transactions contemplated by this Agreement.

## ARTICLE VI

### PRE-CLOSING COVENANTS

Except as otherwise required or permitted hereunder, Purchaser and Seller each covenant and agree to comply with the covenants and agreements set forth in this Article VI, as applicable to it, between the date hereof and the Closing Date, unless the applicable party obtains the prior written waiver of the other party:

**Section 6.01. Access; Seller Cooperation.** Seller shall provide Purchaser and its Personnel, accountants, legal counsel and representatives (collectively, the "Purchaser Group") the right, upon reasonable notice and during normal business hours, to inspect the Company's Files and Records, provided that such rights of access are to be exercised in a manner that does not unreasonably interfere with the operations of the Company, and to consult with the management executives of the Company and the Company's legal and accounting advisors. The Company shall furnish the Purchaser Group with copies of all Licenses and Permits, Files and Records and other existing documents and data as Purchaser may reasonably request. The Company and Seller shall cooperate with the Purchaser Group and do such other acts and things in good faith as may be reasonable to timely effectuate the purposes of this Agreement and the consummation of the transactions contemplated herein in accordance with the provisions of this Agreement.

**Section 6.02. Conduct of Business.** During the period from the date of this Agreement until the Closing or earlier termination of this Agreement, except as otherwise contemplated or permitted by, or necessary to effectuate the transactions contemplated by, this Agreement or the Ancillary Agreements, as set forth on Section 6.02 of the Disclosure Schedules, as required by applicable Law, order by any Governmental Entity, fiduciary obligations or existing contractual obligations or with the prior written consent of Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned), Seller shall cause the Company to conduct the Business in the Ordinary Course of Business in all material respects and cause the Company to not:

(a) make any material change in its underwriting, reserving or accounting practices or policies, except as required by GAAP or Applicable SAP or changes in the interpretation or enforcement thereof;

(b) other than in the Ordinary Course of Business, modify or amend in any material respect or terminate any of the Scheduled Contracts or waive, release or assign any material rights or claims thereunder;

(c) other than in the Ordinary Course of Business, modify or amend in any material respect or terminate any of the Third Party Reinsurance Agreements or waive, release or assign any material rights or claims thereunder;

(d) take any affirmative action, or fail to take any action, the result of which would be reasonably likely to have a Company Material Adverse Effect;

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

(f) split, combine, subdivide or reclassify any shares of its capital stock or any of its other equity interests;

(g) enter into or consummate any transaction or series of transactions involving any merger, amalgamation, consolidation, exchange, scheme of arrangement, recapitalization or similar business combination transaction, in each case, to which the Company is a party, or sale, pledge, transfer or other disposition of all or substantially all of the assets of the Company;

(h) amend, waive or make any modification to any of its Governing Documents;

(i) issue new quotations for insurance policies or voluntarily renew any existing insurance policies, except (i) in the Ordinary Course of Business or (ii) in connection with the Pre-Closing Policies or Post-Closing Policies;

(j) enter into any new line of business, introduce any new products or services that would have a material impact on the Company or materially change the Business' lines, products, services, methods, policies or practices, in each case, in effect on the date hereof, except to the extent required after the date hereof by any change in Law, SAP or GAAP, as applicable;

(k) except as contemplated by this Agreement, declare, set aside or pay any dividends on or make any other distributions (whether in cash, stock or property) in respect of any capital stock of the Company or split, combine or reclassify any capital stock of the Company or authorized the issuance of any other securities in respect of, in lieu of or in substitution for shares of capital stock of the Company, or directly or indirectly repurchase, redeem or otherwise acquire any shares of capital stock of the Company (or options, warrants or other rights convertible into, exercisable or exchangeable for capital stock of the Company);

(l) other than in the Ordinary Course of Business, change or revoke any Tax election, settle or compromise any material Tax claim or assessment, fail to file any Tax Return when due in a manner consistent with past practice or surrender any right to claim a material Tax refund, offset or other reduction in Tax liability, amend any Tax Return, or consent to any extension or waiver of the limitation period applicable to any material Tax claim or assessment; or

- (m) directly enter into any Contract with respect to any of the foregoing.

Nothing contained in this Agreement shall give Purchaser, directly or indirectly, the right to control or direct the operations of the Company prior to the Effective Time, and nothing contained in this Agreement shall give Seller, directly or indirectly, the right to control or direct Purchaser's or its Subsidiaries' operations prior to the Effective Time. Prior to the Effective Time, each of Seller and Purchaser shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its Subsidiaries' respective operations.

**Section 6.03. Notification of Certain Matters.** Seller shall give prompt written notice to Purchaser of: (i) any breach of a representation or warranty of Seller or (ii) any failure by Seller or the Company to comply with or satisfy in any respect any covenant, condition or agreement to be complied with or satisfied by Seller or the Company hereunder, that, in either case, would result in one or more closing conditions becoming incapable of being satisfied.

**Section 6.04. Resignations.** Seller shall cause the officers and directors of the Company, to the extent specified in writing by Purchaser at least three (3) Business Days prior to the Closing Date, to resign such position or positions, effective as of the Effective Time.

**Section 6.05. Reasonable Best Efforts; Regulatory Matters.**

(a) Purchaser and Seller agree to use reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective, as soon as practicable after the date of this Agreement, the transactions contemplated by this Agreement and the Ancillary Agreements, including using reasonable best efforts to (i) lift or rescind any injunction or restraining order or other order, writ, judgment, injunction or decree by any Governmental Entity adversely affecting the ability of the parties hereto to consummate the transactions contemplated hereby and thereby and (ii) defend any litigation or other Proceeding seeking to enjoin, prevent or delay the consummation of the transactions contemplated hereby and thereby or seeking material damages.

(b) Purchaser and Seller shall, and shall cause their respective Affiliates to, use their reasonable best efforts to (i) take, or cause to be taken, all actions necessary, proper or advisable to comply promptly with all legal and regulatory requirements that may be imposed on such party or its Affiliates with respect to the transactions contemplated by this Agreement and the Ancillary Agreements and, subject to the conditions set forth in Article III, to consummate the transactions contemplated by this Agreement and the Ancillary Agreements and (ii) obtain (and to cooperate with the other party hereto to obtain) (A) any consent, authorization, order or approval of, any exemption by, or any waiver from, any Governmental Entity, (B) the Required Approvals and (C) any consent or approval of, or waiver from, any third party under any Contract that is required to be obtained by Purchaser, Seller or any of their respective Affiliates in connection with the transactions contemplated by this Agreement and the Ancillary Agreements; provided that the failure to obtain any consent, approval or waiver described in clause (ii)(C) above shall not constitute a failure to satisfy any condition set forth in Article III or otherwise relieve any Person from its obligation to consummate the transactions contemplated by this Agreement and the Ancillary Agreements. Purchaser shall be solely responsible for the

costs of making or obtaining any such consents, authorizations, orders, approvals, exemptions or waivers, and none of Seller, its Affiliates or the Company shall be required to make any payment to, or accept any offset from, any Governmental Entity in connection therewith unless such payment is advanced by Purchaser, provided, however, that Seller shall be required to make any payment to, or accept any offset from, any third party in connection with any consent, approval or waiver described in clause (ii)(C) above (which, for the avoidance of doubt, shall not include any consent, approval or waiver described in clause (ii)(A) or (ii)(B) above). Neither Purchaser nor Seller shall take or cause to be taken an action that it is aware or reasonably should be aware would have the effect of delaying, impairing or impeding the receipt of any consent, authorization, order or approval of, any exemption by, or any waiver from, any Governmental Entity, including any Required Approval.

(c) Without limiting the generality of the foregoing, (i) Purchaser will make a “Form A” filing and any similar filing required by the Office as promptly as practicable, but in no event later than twenty (20) Business Days from the date hereof with the Office, (ii) Purchaser will make pre-acquisition notice “Form E” filings and related applications and filings with respect to approval or expiration of waiting periods in connection with the acquisition of control of the Company as may be required under the Insurance Holding Company Act or similar Laws in any jurisdiction in which the Company is licensed to transact business, as well as any applicable exemption filings therefrom, as promptly as practicable, but in no event later than twenty (20) Business Days from the date hereof, (iii) Seller will make a “Form D” filing and any similar filing required by the Office as promptly as practicable, but in no event later than twenty (20) Business Days from the date hereof with the Office, and (iv) the parties hereto shall promptly, but in no event later than twenty (20) Business Days from the date hereof, make all other filings or submissions required with respect to other Required Approvals.

(d) Purchaser and Seller shall have the right to review in advance and shall be provided with a reasonable opportunity to comment on, and to the extent practicable each will consult the other on, in each case subject to applicable Law, any material filing made with, or written materials submitted to, any Governmental Entity in connection with the transactions contemplated by this Agreement or any Ancillary Agreement, and each party agrees to in good faith consider and reasonably accept comments of the party thereon. The parties hereto agree that they will consult with each other with respect to the obtaining of all applications, filings, registrations, notifications, permits, consents, approvals, waivers and authorizations of all Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement or any Ancillary Agreement, and each party hereto will keep the other apprised of the status of such matters. The party hereto responsible for any such action shall promptly deliver to the other party hereto evidence of the filing or making of all applications, filings, registrations, notifications, permits, consents, approvals, waivers and authorizations relating thereto, and any supplement, amendment or item of additional information in connection therewith. Prior to the Closing, each party hereto agrees not to participate in any substantive meeting, discussion or conversation with any Governmental Entity in connection with the transactions contemplated by this Agreement or the Ancillary Agreements, unless it consults with the other party in advance to the extent it is reasonably practicable to do so, and, to the extent permitted by such Governmental Entity, gives the other party the opportunity to attend and participate therein.

(e) Purchaser and Seller shall (i) furnish each other and, upon request, any Governmental Entity, any information or documentation concerning themselves, their Affiliates, directors, officers, securityholders and financing sources and the transactions contemplated hereunder or under the Ancillary Agreements and such other matters as may be requested, and (ii) make available their respective personnel and advisers to each other and, upon request, any Governmental Entity, in connection with (A) the preparation of any statement, filing, notice or application made by or on their behalf to or (B) any review or approval process by, any Governmental Entity in connection with the transactions contemplated by this Agreement and the Ancillary Agreements.

(f) Purchaser and Seller shall promptly advise each other upon receiving any communication from any Governmental Entity whose consent or approval is required for consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, including promptly furnishing each other copies thereof, and shall promptly advise each other when any such communication causes such party hereto to believe that there is a reasonable likelihood that any Required Approval will not be obtained or that the receipt of any such approval will be materially delayed or conditioned.

**Section 6.06. Insurance.** Purchaser and Seller acknowledge and agree that:

(a) Seller shall maintain at its sole cost, professional liability/errors and omissions insurance in connection with the Pre-Closing Policies and Post-Closing Policies, for the benefit of Seller.

(b) Except as permitted under Section 6.06(a), no continuing coverage will be available for the Company under policies of Seller and its Affiliates as of or after the Closing, and following the Closing, no claims may be brought or maintained by Purchaser or its Affiliates against any policy of Seller or its Affiliates in respect of the Company regardless of whether the events underlying such claim arose or were first discovered prior to or following the Closing.

## ARTICLE VII

### INDEMNIFICATION; SURVIVAL

**Section 7.01. Indemnification by Seller.** Other than with respect to matters addressed in Article IX, subject to Section 7.08, Seller shall indemnify Purchaser, its Affiliates (including the Company following the Closing) and, if applicable, their respective directors, officers and employees (collectively, the "Purchaser Indemnified Parties") from and against any and all damages, losses, obligations, judgments, Liabilities, settlements, deficiencies and reasonable out of pocket costs and expenses related thereto (including reasonable attorneys' fees) (collectively, "Indemnity Losses"), incurred by or asserted against any of the Purchaser Indemnified Parties, to the extent resulting from or in connection with, or based on (without duplication):

(a) any pre-Closing activity of Seller or its Affiliates (including the Company), whether such Indemnity Losses were known or unknown as of the Closing;

(b) any breach of any representation or warranty made by Seller contained in Article IV (other than a Seller Special Representation or pursuant to Section 4.09) for the period such representation or warranty survives;

(c) any breach of any Seller Special Representation for the period such Seller Special Representation survives;

(d) any breach by Seller of any covenant or agreement of Seller contained in this Agreement;

(e) the issuance, maintenance or administration of the Pre-Closing Policies by Seller or its Affiliates on or after the Closing Date; and

(f) the issuance, maintenance or administration of the Post-Closing Policies by Seller or its Affiliates on or after the Closing Date.

**Section 7.02. Indemnification by Purchaser.** Subject to Section 7.08, Purchaser shall indemnify and hold harmless Seller, its Affiliates and, if applicable, their respective directors, officers and employees (collectively, the “Seller Indemnified Parties”) from and against any and all Indemnity Losses incurred by or asserted against any of the Seller Indemnified Parties, to the extent resulting from or based on (without duplication):

(a) any breach of any representation or warranty made by Purchaser contained in Article V (other than a Purchaser Special Representation) for the period such representation or warranty survives;

(b) any breach of any Purchaser Special Representation for the period such Purchaser Special Representation survives;

(c) any breach by Purchaser of any covenant or agreement of Purchaser contained in this Agreement; and

(d) for any consent fee, license or similar fee as a result of the transactions contemplated hereby, except for any fee required in relation to a consent, approval or waiver described in Section 6.05(b)(ii)(C) (which, for the avoidance of doubt, shall not include any consent, approval or waiver described in Section 6.05(b)(ii)(A) or (B)).

**Section 7.03. Indemnification Notice; Litigation Notice.** If a party entitled to indemnity pursuant to Sections 7.01 or 7.02 (the “Claimant”) believes that it has suffered or incurred any Indemnity Loss, it shall so notify the party which the Claimant believes has an obligation to indemnify (the “Indemnifying Party”) promptly, in writing, describing such loss or expense, the amount thereof, if known, and the method of computation of such loss or expense, all with reasonable particularity (the “Indemnification Notice”). If any action at Law, suit in equity, arbitration or administrative action is instituted by or against a third party with respect to which the Claimant intends to claim any Liability or expense as an Indemnity Loss under this Article VII, it shall promptly notify the Indemnifying Party in writing of such action, matter or suit describing such loss or expense, the amount thereof, if known, and the method of

computation of such loss or expense, all with reasonable particularity (the "Litigation Notice") in lieu of an Indemnification Notice.

**Section 7.04. Defense of Claims.** The Indemnifying Party shall have twenty (20) calendar days after receipt of the Litigation Notice to notify the Claimant that it acknowledges its obligation to indemnify and hold harmless the Claimant with respect to the Indemnity Loss set forth in the Litigation Notice and that it elects to conduct and control any legal or administrative action or suit with respect to an identifiable claim (the "Election Notice"). If the Indemnifying Party gives a Disagreement Notice or does not give the foregoing Election Notice, the Claimant shall have the right to defend, contest, settle or compromise such action or suit in the exercise of its sole discretion. If the Indemnifying Party gives the foregoing Election Notice and provides information satisfactory to the Claimant in its sole discretion confirming the Indemnifying Party's financial capacity to defend such Indemnity Loss and provide indemnification with respect to such Indemnity Loss, the Indemnifying Party shall have the right to undertake, conduct and control, through counsel selected by the Indemnifying Party but approved by the Claimant (such approval not to be unreasonably withheld or delayed) and at the Indemnifying Party's sole expense, the conduct and settlement of such action or suit, and the Claimant shall cooperate with the Indemnifying Party in connection therewith; provided, however, that (a) the Indemnifying Party shall not thereby consent to the terms of any settlement or to the imposition of any injunction against the Claimant without the prior written consent of the Claimant (such approval not be unreasonably withheld or delayed), (b) the Indemnifying Party shall permit the Claimant to participate in such conduct or settlement through legal counsel chosen by the Claimant, but the fees and expenses of such legal counsel shall be borne by the Claimant, except as provided in clause (c) below, and (c) upon a final determination of such action or suit, the Indemnifying Party shall promptly reimburse the Claimant, to the extent required under this Article VII, for the full amount of any Indemnity Loss incurred by the Claimant, except fees and expenses of legal counsel that the Claimant incurred after the assumption of the conduct and control of such action or suit by the Indemnifying Party in good faith. Should the Indemnifying Party not promptly pay the fees and expenses of counsel selected by the Indemnifying Party and approved by the Claimant, the Claimant shall have the right to advance payment, and the amount of any such payment shall be reimbursed by the Indemnifying Party no later than five (5) Business Days of the date evidence of such payment is provided to the Indemnifying Party plus interest at the rate specified in Section 7.06.

**Section 7.05. Disagreement Notice.** If the Indemnifying Party does not agree that the Claimant is entitled to full reimbursement for the amount specified in the Indemnification Notice or the Litigation Notice, as the case may be, the Indemnifying Party shall notify the Claimant (the "Disagreement Notice") within twenty (20) calendar days of its receipt of the Indemnification Notice or the Litigation Notice, as the case may be. Failure to deliver a Disagreement Notice in a timely manner shall be considered an express acknowledgment by the Indemnifying Party of its obligation to indemnify and hold harmless the Claimant with respect to the Indemnity Loss set forth in the Indemnification Notice or the Litigation Notice, as the case may be.

**Section 7.06. Payment of Losses.** The Indemnifying Party shall pay to the Claimant the amount to which the Claimant may become entitled by reason of the provisions of this Article VII by wire transfer of immediately available funds to an account designated in writing by the

Claimant within fifteen (15) Business Days after such amount is finally determined either by mutual agreement of the parties or by a final judgment of the trial court or administrative body having jurisdiction. Should an Indemnifying Party not make full payment of any such obligations within such fifteen (15) Business Day period, any amount payable shall accrue interest from and including the date of agreement of the Indemnifying Party or final, non-appealable adjudication to and including the date such payment has been made at a rate per annum equal to the prime rate of interest as published in the Wall Street Journal on the date of payment plus five percent (5%). Such interest shall be calculated daily on the basis of a three hundred sixty five (365)-day year and the actual number of days elapsed without compounding.

**Section 7.07. Survival.** Notwithstanding the foregoing, the Indemnifying Party shall have no Liability with respect to any Indemnification Notice which is not received by the Indemnifying Party pursuant to Section 7.03 on or before the second anniversary of the Closing Date (other than an Indemnification Notice with respect to Taxes, which shall be governed by Article IX); provided, however, that the Indemnifying Party shall remain liable for any Indemnity Loss, without any limitation as to time, (a) under Sections 7.01(a), 7.01(e) and 7.02(d), as the case may be, (b) arising from fraud, willful misconduct, intentional misrepresentation or criminal activity on the part of the Indemnifying Party, or (c) arising from or related to a breach of any Seller Special Representation or Purchaser Special Representation, as the case may be.

**Section 7.08. Limitations on Indemnity.**

(a) **Cap on Seller's or Purchaser's Obligations.** Subject to the terms and conditions of this Article VII, Seller's obligations for Indemnity Losses solely under Sections 7.01(b), 7.01(c) and 7.01(d), in the aggregate, will not exceed the Purchase Price, and Purchaser's obligations for Indemnity Losses under Section 7.02, in the aggregate, will not exceed the Purchase Price. For purposes of clarification, (i) any Indemnity Loss arising under Sections 7.01(a), 7.01(e) or 7.01(f) shall not be subject to any cap under this subsection, and (ii) there will not be a cap on any obligations for Indemnity Losses except as specifically set forth in this subsection.

(b) **Net of Certain Insurance Proceeds.** An Indemnifying Party's liability for Indemnity Losses pursuant to this Article VII or Article IX shall be reduced by any amounts paid by any insurance policy or run off endorsement pursuant to Section 6.06 with respect to such Indemnity Losses.

(c) **Net of Tax Benefits.** An Indemnifying Party's liability for Indemnity Losses pursuant to this Article VII or Article IX shall be reduced by any net Tax benefit with respect to such Indemnity Loss actually realized by an Indemnified Party in the taxable year in which such Indemnity Loss is incurred (or the first succeeding taxable year or any preceding taxable year).

(d) **Sole and Exclusive Remedies.** The right to indemnification under this Article VII, subject to all of the terms, conditions and limitations hereof, shall be, in the absence of willful misconduct, willful and material breach or fraud, the sole and exclusive remedies of the parties hereto for any breach, inaccuracy, violation or non-fulfillment of any representation, warranty, covenant or agreement contained in this Agreement, except, in each case, for the

remedies of injunction and specific performance under Section 12.16. For the avoidance of doubt, the provisions of this Article VII shall not be applicable to Section 1.03 or to any Ancillary Agreement.

(e) **No Special Losses**. Except as permitted by the following sentence, notwithstanding any other term herein, no party will be obligated to any other Person for any consequential, incidental, indirect, special, exemplary or punitive damages or Indemnity Losses based thereon, including regarding loss of future revenue, income or profits, diminution of value or loss of business reputation or opportunity, and no party will be obligated to any other Person for any Indemnity Loss determined as a multiple of income, revenue or the like, relating to the breach of any representation, warranty, covenant, or agreement herein. The preceding sentence does not apply to any such identified damages or Indemnity Losses which are awarded in a final, non-appealable judgment or judicial order arising as in connection with a third-party claim described in a Litigation Notice.

(f) **Mitigation**. Any Purchaser Indemnified Party or Seller Indemnified Party shall use commercially reasonable efforts to mitigate the amount of its Indemnity Losses upon and after becoming aware of any facts or circumstances that would reasonably be expected to result in any Indemnity Losses that are subject to indemnification hereunder. Notwithstanding anything to the contrary in this Agreement, in the event a Purchaser Indemnified Party or Seller Indemnified Party fails to take such commercially reasonable efforts, then the Indemnifying Party shall not be required to indemnify the Purchaser Indemnified Party or Seller Indemnified Party for such portion of Indemnity Losses that would reasonably have been avoided if the Indemnified Party had taken such commercially reasonable efforts.

**Section 7.09. Tax Treatment of Indemnification Payments**. Except as otherwise required by applicable Law, the parties shall treat any indemnification payment made pursuant to this Agreement as an adjustment to the Purchase Price.

## ARTICLE VIII

### **TERMINATION**

**Section 8.01. Events of Termination**. This Agreement may, by notice given in the manner hereinafter provided, be terminated and abandoned at any time prior to the Effective Time, as follows:

(a) by Seller, if there has been a material misrepresentation or a material default or breach by Purchaser with respect to Purchaser's representations and warranties in Article V of this Agreement or the due and timely performance of any of the covenants or agreements of Purchaser contained in this Agreement, and in the case of a covenant or agreement default or breach, such default or breach shall not have been cured within ten (10) calendar days after receipt by Purchaser of written notice specifying particularly such default or breach and, individually or in the aggregate, such misrepresentation, default or breach would have a Purchaser Material Adverse Effect;

(b) by Purchaser, if there has been a misrepresentation or a default or breach by Seller with respect to its respective representations and warranties in Article IV of this Agreement or the due and timely performance of any of the covenants or agreements of the Company or Seller contained in this Agreement, and in the case of a covenant or agreement default or breach, such default or breach shall not have been cured within ten (10) calendar days after receipt by Seller of written notice specifying particularly such default or breach and, individually or in the aggregate, such misrepresentation, default or breach would have a Company Material Adverse Effect;

(c) by Seller or Purchaser at any time after September 30, 2016 if the Closing has not occurred and the party seeking to terminate this Agreement is not in material breach or default of any provision of this Agreement;

(d) by Purchaser if any event or circumstance occurs that has had or would reasonably be expected to have a Company Material Adverse Effect;

(e) by Purchaser if any of the Licenses or Permits set forth on Section 4.14 of the Disclosure Schedules has been revoked, suspended or otherwise materially limited, or if such revocation, suspension or material limitation is pending, except as may be required in connection with consummation of the transactions contemplated hereby and such revocation, suspension or material limitation remains in effect or threatened when all the conditions set forth in Section 3.02 have been satisfied (and continue to be satisfied) or irrevocably waived (other than those conditions that by their terms are to be satisfied at the Closing, each of which shall be capable of being satisfied if the Closing Date were the date that notice of termination is delivered by Purchaser to Seller);

(f) by Seller or Purchaser if there shall be in effect a final, nonappealable order, writ, judgment, injunction or decree of a Governmental Entity having competent jurisdiction over the Company prohibiting the consummation of the Closing, it being agreed that Seller and Purchaser shall use their reasonable best efforts to promptly appeal any adverse determination that is appealable and diligently pursue such appeal subject to the terms and conditions herein; provided that the right to terminate this Agreement pursuant to this Section 8.01(f) shall not be available to any party seeking to terminate whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or prior to the date of such termination;

(g) by Seller if (i) all the conditions set forth in Section 3.02 have been satisfied (and continue to be satisfied) or irrevocably waived (other than those conditions that by their terms are to be satisfied at the Closing, each of which shall be capable of being satisfied if the Closing Date were the date that notice of termination is delivered by Seller to Purchaser) and (ii) Purchaser does not effect the Closing within three (3) Business Days of the day the Closing is required to occur pursuant to Section 2.01;

(h) by Purchaser if (i) all the conditions set forth in Section 3.01 have been satisfied (and continue to be satisfied) or irrevocably waived (other than those conditions that by their terms are to be satisfied at the Closing, each of which shall be capable of being satisfied if the Closing Date were the date that notice of termination is delivered by Purchaser to Seller) and

(ii) Seller does not effect the Closing within three (3) Business Days of the day the Closing is required to occur pursuant to Section 2.01; or

(i) by the unanimous written agreement of Seller and Purchaser.

**Section 8.02. Procedure Upon Termination.** In the event of termination and abandonment by Seller or Purchaser, or both, pursuant to Section 8.01, written notice thereof shall forthwith be given to the other party hereto, and this Agreement shall terminate, without further action by Seller or Purchaser.

**Section 8.03. Effect of Termination.** In the event this Agreement is terminated pursuant to Section 8.01, all rights and obligations of the parties shall terminate without any Liability of a party to the other parties; provided, however, that (a) the rights and obligations of the parties set forth in this Section 8.03, Section 9.03 (Confidentiality), Section 12.01 (Public Announcement) and Section 12.02 (Costs and Expenses) of this Agreement shall survive the termination of this Agreement indefinitely and (b) termination will not relieve either party hereto from liability for any willful and material breach of this Agreement or fraud prior to such termination. If the Agreement is terminated by Seller under Section 8.01(a) or 8.01(g), or by Purchaser or Seller under Section 8.01(c), Seller shall be entitled to receive the entire Escrow Amount, and Purchaser shall take any and all actions necessary to release the Escrow Amount from the Escrow Account to Seller; if the Agreement is terminated for any other reason, Purchaser shall be entitled to the return of the entire Escrow Amount, and Seller shall take any and all actions necessary to release the Escrow Amount from the Escrow Account to Purchaser. The Escrow Amount shall be deemed liquidated damages to the receiving Party under the previous sentence in consideration of the costs incurred by such Party in connection with this Agreement, which amount shall be such Party's sole and exclusive remedy against the other Party for termination of this Agreement.

## ARTICLE IX

### TAX MATTERS

#### **Section 9.01. Tax Indemnification.**

(a) Subject to the limitations set forth herein and in Section 7.08, from and after the Closing, Seller will indemnify and hold harmless Purchaser Indemnified Parties from and against any Indemnity Loss actually incurred by any such Purchaser Indemnified Party, without duplication, as a result of:

(i) any breach of any representation or warranty of the Company or Seller set forth in Section 4.09;

(ii) any Taxes of the Company with respect to (A) any Tax period ending on or before the Closing Date (a "Pre-Closing Tax Period") or (B) any Tax period beginning before and ending after the Closing Date (a "Straddle Period") to the extent such Taxes are allocable in accordance with Section 9.01(c) to the portion of the Straddle Period beginning before and ending on the Closing Date (the "Seller's Portion");

(iii) any Taxes imposed on the Company under Treasury Regulations Section 1.1502-6 (and all corresponding provisions of state, local or foreign Law) as a result of being a member of any federal, state, local or foreign consolidated, unitary, combined or similar group of which Global Indemnity Group, Inc. is the common parent;

(iv) any Taxes of any Person imposed on the Company as a transferee or successor, by Contract or otherwise, in each case, which Taxes relate to any event or transaction occurring before the Closing Date; or

(v) any Liability of the Company or Seller for income Taxes of the Company or Seller resulting directly from the gain recognized on the deemed sale of assets or deemed liquidation pursuant to the Section 338(h)(10) Election;

provided, however, that Seller shall not be liable for or pay, and shall not indemnify the Purchaser Indemnified Parties to the extent such Taxes are specifically reflected or reserved for in the Final Statutory Capital.

(b) **Survival.** The indemnification rights of an Indemnified Party pursuant to Section 9.01(a) shall survive until the date that is thirty (30) days after the expiration of the applicable statute of limitations for the underlying claim (the “Tax Indemnity Termination Date”). Any claim for indemnity under Section 9.01(a) shall be deemed time-barred, and no such claim shall be made after the period specified in the immediately preceding sentence; provided, however, that in the event an Indemnified Party has incurred an Indemnity Loss or received written notice from a third party of a third-party claim for which such Indemnified Party is entitled to indemnification under Section 9.01(a) and such Indemnified Party provides written notice of a claim for indemnification under Section 9.01(a) to the indemnifying party in good faith and in accordance with the requirements of Section 7.03 before the expiration of the applicable survival period and includes copies of all material written evidence upon which such claim is based, then the indemnification rights pursuant to Section 9.01(a) that would otherwise terminate as set forth above shall survive as to such claim until such time as such claim is fully and finally resolved.

(c) **Straddle Period Allocation.** In order to apportion appropriately any Taxes relating to a Straddle Period, the parties hereto shall, to the extent permitted or required under applicable Law, treat the Closing Date as the last day of the taxable year or period of the Company for all Tax purposes. In any case where applicable Law does not permit the Company to treat the Closing Date as the last day of the taxable year or period:

(i) the amount of any income Taxes, premium Taxes, gross receipts Taxes, sales or use Taxes or withholding or employment Taxes allocable to Seller’s Portion of the Straddle Period shall be determined based on an interim closing of the books as of the close of business on the Closing Date (and for such purpose, the taxable period of any partnership or other pass-through entity in which the Company holds a beneficial interest shall be deemed to terminate at such time) and

(ii) the amount of other Taxes of the Company allocable to Seller’s Portion of the Straddle Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction, the numerator of which is the number of days in the

taxable period ending on the Closing Date, and the denominator of which is the number of days in such Straddle Period.

(d) **Tax Claim Notice.** The notice provisions of Section 7.03 shall apply to any claim for indemnification pursuant to this Article IX (a "Tax Claim"), provided, however, that failure to give such notice shall not affect the Indemnifying Party's indemnification obligations unless the Indemnifying Party is materially prejudiced by such failure.

(e) **Manner of Payment.** Any indemnification of Purchaser Indemnified Parties or Seller Indemnified Parties pursuant to this Section 9.01 shall be effected by wire transfer of immediately available funds from Seller or Purchaser, as the case may be, to an account designated in writing by the applicable Purchaser Indemnified Party or Seller Indemnified Party, as the case may be, within fifteen (15) Business Days after the determination thereof. Any payment not made with such period shall be payable with interest as provided in Section 7.06

**Section 9.02. Preparation and Filing of Tax Returns and Payment of Taxes.**

(a) Seller shall prepare or cause to be prepared and shall timely file or cause to be timely filed all required Tax Returns relating to the Company with respect to any Pre-Closing Tax Period, provided, that such Tax Returns solely related to Taxes of the Company shall be prepared and all elections with respect to such Tax Returns shall be made, to the extent permitted by Law, in a manner consistent with past practice. Seller shall timely pay or cause to be paid any Taxes shown to be due thereon. If any Tax Returns required to be filed by Seller under this Section 9.02 are due after the Closing Date, and Seller is not authorized by Law to file such Tax Returns, Seller shall submit such Tax Returns to Purchaser at least three (3) days prior to the due date for such Tax Return, and Purchaser or the Company shall file such Tax Returns with the appropriate Governmental Entity.

(b) Purchaser shall prepare or cause to be prepared and shall timely file or cause to be timely filed all other required Tax Returns of the Company that are due after the Closing Date (including Tax Returns with respect to any Straddle Period) provided, that for Tax Returns of the Company with respect to any Straddle Period, such Tax Returns shall be prepared and all elections with respect to such Tax Returns shall be made, to the extent permitted by Law, in a manner consistent with past practice. Purchaser shall timely pay or cause to be paid any Taxes shown to be due thereon subject to Purchaser's right to indemnification pursuant to Section 9.01 hereof.

(c) At least twenty (20) days before the due date of (i) any Tax Returns prepared by Seller but required to be filed by Purchaser pursuant to Section 9.02(a) or (ii) any Tax Returns relating to a Straddle Period filed by the Purchaser pursuant to Section 9.02(b), the Seller or Purchaser (as the case may be, the "Preparing Party") shall deliver or cause to be delivered to the other Party (the "Reviewing Party") such Tax Return (including supporting materials) prior to filing. Within ten (10) days after receiving a copy of each such Tax Return, the Reviewing Party shall notify the Preparing Party whether or not it has any objections to such Tax Return or the contents thereof. If the Reviewing Party objects to a proposed Tax Return and/or the contents thereof, the Reviewing Party shall provide a notice of such objection together with a statement describing in reasonable detail the basis for such objection within ten (10) days after receiving

such Tax Return. The Preparing Party will make such changes to such Tax Return as the Preparing Party and Reviewing Party mutually and reasonably determine necessary or appropriate. Any disputes the Preparing Party and Reviewing Party are unable to resolve shall be resolved in accordance with Section 9.07.

**Section 9.03. Cooperation, Exchange of Information and Record Retention.** From and after the Closing Date until the Tax Indemnity Termination Date, Purchaser, the Company and Seller shall, and shall cause their respective representatives to, (a) mutually cooperate with respect to the Tax matters covered by this Article IX, which shall include making employees available at reasonable times during regular business hours to provide additional information or explanation of materials or documents, (b) retain and maintain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Closing Date, and abide by all record retention agreements entered into with any taxing authority, (c) furnish such books and records upon reasonable request by the other party and (d) mutually cooperate in filing all necessary Tax Returns (including amended Tax Returns and claims for refund) under applicable Law and with respect to any audit, litigation or other Proceeding with respect to Taxes, including executing and delivering appropriate and customary forms and authorizations, as appropriate, when the requesting party reasonably requires such forms in connection with any Tax dispute or claim for refund. Any request for information or documents pursuant to this Section 9.03 shall be made by the requesting party in writing. Any information obtained under this Section 9.03 shall be kept confidential, except (i) as otherwise reasonably may be necessary in connection with the filing of Tax Returns or claims for refund or in conducting an audit or contesting any proposed Tax assessment or as may be otherwise reasonably required by applicable Law or to enforce rights under this Agreement or (ii) for any external disclosure in audited financial statements or regulatory filings which a party reasonably believes is required by applicable Law or stock exchange or similar applicable rules. Notwithstanding the foregoing, and in addition to all other obligations imposed by this Section 9.03 (A) each of Seller and Purchaser agree to give the other party reasonable written notice prior to transferring, destroying or discarding any files and records with respect to Tax matters of the Company and, if the other party so requests, to allow the other party to take possession of such files and records and (B) neither Seller nor any of its Affiliates shall be required to disclose to Purchaser any consolidated, combined, affiliated or unitary Tax Return which includes Seller or any of its Affiliates or any Tax-related work papers, except, in each case, for materials or portions thereof that relate solely to the Company.

**Section 9.04. Tax Refunds.** If, after the Closing Date, Purchaser, the Company or any of their respective Affiliates receive any refund or utilize the benefit of any overpayment or prepayment of Taxes which, in each case, relates to a Tax paid by Seller or the Company with respect to any Pre-Closing Tax Period or Seller's Portion of the Straddle Period, Purchaser shall promptly transfer, or cause to be transferred, to Seller the entire amount of such refund (including any interest included therein) or benefit net of any Tax cost or detriment (including out-of-pocket costs) suffered by Purchaser, the Company or any of their respective Affiliates (by way of increased Taxes, decreased deductions or otherwise) in respect of such receipt.

**Section 9.05. Tax Contests.**

(a) Seller shall have the sole right to represent the interests of the Company and the right to employ counsel of its choice at its expense and to make decisions with respect to negotiation, contest or settlements in any Tax Claim relating to Pre-Closing Tax Period Tax Returns; provided that (i) Seller acknowledges and agrees in writing that the indemnification provisions of this Article IX apply to the Pre-Closing Tax Period Taxes in dispute, (ii) Purchaser may associate with the Seller in such settlement or defense of the Tax Claim at its own expense to the extent such Tax Claim relates solely to Taxes of the Company; provided however, that the Purchaser shall not take any action without the written approval of the Seller; and (iii) Seller shall not, without the prior written consent of Purchaser (which shall not be unreasonably withheld, conditioned, or delayed), settle or compromise any such Tax Claim if any such settlement or compromise would be expected to materially adversely affect Purchaser or the Company after the Closing Date; and

(b) Purchaser shall have the right to represent the interests of the Company and the right to employ counsel of its choice (with expenses divided in proportion to Seller's Portion and Purchaser's Portion of the relevant Straddle Period Tax) and shall make decisions with respect to negotiation, contest, or settlements in any Tax Claim relating to a Straddle Period Tax Return of the Company; provided that (i) Seller may participate in any such Tax Claim at its own expense; and (ii) Purchaser shall not, without the prior written consent of Seller (which shall not be unreasonably withheld, conditioned, or delayed), settle or compromise any such Tax Claim.

**Section 9.06. Post-Closing Actions.** Purchaser shall not, and shall not permit any of its Affiliates (including, after the Closing for the avoidance of doubt, the Company) to (a) voluntarily approach any Governmental Entity regarding any Taxes or Tax Returns of the Company that were originally due on or before the Closing Date, (b) take any action relating to Taxes, or that could create a Tax Liability, on the Closing Date after the Closing that is outside the Ordinary Course of Business of the Company (other than as expressly contemplated by this Agreement), (c) carryback any net operating losses, credits or other Tax attribute to a Tax period (or portion thereof) ending on or before the Closing Date, (d) except at the written request of Seller (which consent shall not be unreasonably withheld, conditioned or delayed), amend, refile or otherwise modify (or grant an extension of any statute of limitation with respect to) any Tax Return relating in whole or in part to the Company with respect to any taxable year or period (or portion thereof) ending on or before the Closing Date or (f) make any Tax election for the Company with an effect on or before the Closing Date.

**Section 9.07. Tax Dispute Resolution.** Except as otherwise provided, with respect to any dispute or a disagreement relating to Taxes between the parties, the parties shall cooperate in good faith to resolve such dispute between them; but if the parties are unable to resolve such dispute, the parties shall submit the dispute to a certified public accountant or attorney specializing in Taxes of the kind in dispute; provided that such individual is "independent" with respect to Seller, Purchaser, and their respective Affiliates, as mutually agreed upon by Purchaser and Seller (in either case, the "Tax Specialist") for resolution, which resolution shall be final, conclusive and binding on the parties. The parties agree that the Tax Specialist shall resolve any dispute in a manner consistent with the past practices with respect to such items unless otherwise required by Law. The fees and expenses of the Tax Specialist shall be borne by the non-

prevailing party. If a retainer is required by the Tax Specialist, the retainer shall be split equally between Purchaser and Seller; provided, however, that the retainer shall be considered part of the fees and expenses of such Tax Specialist and if either party has paid a portion of such retainer, such party shall be entitled to be reimbursed by the other party to the extent required by this Section 9.07. Purchaser and Seller agree to execute, if requested by the Tax Specialist, a reasonable engagement letter, including customary indemnification provisions in favor of the Tax Specialist.

**Section 9.08. Tax Sharing Agreements.** All tax-sharing agreements or similar agreements with respect to or involving the Company shall be terminated as of the Closing Date, and after the Closing Date, the Company shall not be bound thereby or have any liability thereunder (whether related to any period before or after the Closing Date).

**Section 9.09. Transfer Taxes.** Seller shall prepare and file when due all necessary documentation and Tax Returns with respect to transfer Taxes and shall promptly provide Purchaser with any such documentation. Such transfer Taxes shall be paid one half by Seller and one half by Purchaser.

**Section 9.10. 338(h)(10) Election; Allocation of Purchase Price.**

(a) Seller and Purchaser shall join in making an election under Code Section 338(h)(10) (and any corresponding elections under state, local, or foreign Law) (collectively, a “Section 338(h)(10) Election”) with respect to the acquisition of the Company by the Purchaser hereunder. Seller shall pay any Tax attributable to the making of the Section 338(h)(10) Election and will indemnify Purchaser and the Company against any liabilities arising out of any failure to pay such Tax.

(b) Within ninety (90) days of the Closing Date, Purchaser shall deliver to Seller a statement (the “Purchase Price Allocation”) containing the Purchaser’s proposed allocation, for tax purposes, of the Purchase Price and liabilities assumed (plus other relevant items) among the assets of the Company in accordance with Code Section 338 and Section 1060 and the Treasury Regulations promulgated thereunder. The Purchase Price Allocation shall be deemed final unless, within thirty (30) days after delivery thereof, the Seller notifies the Purchaser in writing that the Seller objects to the Purchase Price Allocation. The Purchaser and Seller shall negotiate in good faith to resolve any dispute with respect to the Purchase Price Allocation. Any disputes Seller and Purchaser are unable to resolve shall be resolved in accordance with Section 9.07.

**Section 9.11. Exclusivity.** In the event of any conflict between the provisions of this Article IX and any other provision of this Agreement, this Article IX shall control.

## ARTICLE X

### OTHER AGREEMENTS

**Section 10.01. Confidentiality.** Purchaser and Seller shall continue to be bound by the terms of the Non-Disclosure Agreement in accordance with its terms, and acknowledges that information provided to Purchaser and the Purchaser Group in connection with this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby is subject to

the terms of the Non-Disclosure Agreement, the terms of which are incorporated herein by reference.

**Section 10.02. Reinsurance.** On or before the Closing, in addition to any Third Party Reinsurance Agreements set forth in Section 4.21, Seller and the Company will enter into a quota share reinsurance arrangement (the “Quota Share Reinsurance Arrangement”) substantially in the form set forth in Exhibit C, whereby Seller will 100% reinsure, at its cost, all of the liabilities from Pre-Closing Policies and Post-Closing Policies of the Company related to the Business.

**Section 10.03. Dividend.** On or before the Closing, and subject to approval by the Office or any other applicable Governmental Entity, Seller will cause the Company to transfer assets, by dividend or distribution, to Seller in amounts sufficient to reduce the remaining Statutory Capital to the amount set forth in Schedule 10.03(a); provided, that if the Office or any other applicable Governmental Entity does not approve a reduction of the remaining Statutory Capital to the amount set forth in Schedule 10.03(a), such reduction shall be to the maximum amount as has been approved by the Office or any other applicable Governmental Entity. Following the payment of such transfer, the Company’s assets will consist solely of the types of assets set forth on Schedule 10.03(b).

**Section 10.04. Litigation Support.** In the event and for so long as any party hereto actively is contesting or defending against any Proceeding, charge, complaint, claim, or demand in connection with (a) any transaction contemplated under this Agreement or (b) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Company, the other party will cooperate with him or it and his or its counsel in the contest or defense, make available their personnel, and provide such testimony and access to their books and records as will be necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending party (unless the contesting or defending party is entitled to indemnification therefor under Article VII above).

**Section 10.05. Seller Marks.** Purchaser acknowledges and agrees that it is not acquiring any rights in and to any Trademarks owned by Seller or its Affiliates, including those Trademarks set forth in Section 10.05 of the Disclosure Schedules, or any Trademarks derivative thereof or confusingly similar thereto (collectively, the “Seller Marks”). Except as expressly set forth in this Section 10.05, (i) no later than ninety (90) days following the Closing, Purchaser shall cause the Company to cease all use (including replacing or removing from external and internal signage and all advertising and other materials) of the Seller Marks, and (ii) no later than ninety (90) days following the Closing, Purchaser shall cause the Company to make the necessary filings with the appropriate Governmental Entities to remove the Seller Marks from the legal, operating and other names used by the Company, provided, however, that the parties agree that any such filings by, or required from, Seller relating solely to changes to the Company’s policy forms for the Pre-Closing Policies or the Post-Closing Policies with any Governmental Entities shall be subject to the terms of the Quota Share Reinsurance Arrangement. Notwithstanding the foregoing, the Company shall, for a period of ninety (90) days after the Closing, be entitled to use the Company’s existing stationery, business forms, packaging, containers and other materials on which the Seller Marks appear as of the Closing

(collectively, the “Seller Branded Materials”) for the sole purpose of depleting such inventory existing at Closing. The Company’s use of the Seller Marks as described in this Section 10.05 is subject to the following limitations: (A) neither Purchaser nor the Company shall develop or produce new materials bearing the Seller Marks; and (B) all use of the Seller Branded Materials shall be consistent with past practice and of at least the same quality as the use of such Seller Branded Materials by Seller prior to the Closing. Notwithstanding anything to the contrary in the foregoing, Purchaser and the Company shall also be entitled to refer to the name of Seller indefinitely as required by applicable Law as reasonably necessary in regulatory filings, or otherwise in a non-trademark manner solely for purposes of historical reference. Notwithstanding anything to the contrary in this Agreement, Seller and its Affiliates shall be entitled to refer to the name of the Company indefinitely as required by applicable Law as reasonably necessary in regulatory filings, or otherwise in a non-trademark manner solely for purposes of historical reference.

**Section 10.06. Post-Closing Policies.** Except as may be required by any Law or any Governmental Entity: (a) Seller acknowledges and agrees that the Company will only issue Post-Closing Policies for a period of sixty (60) days after the Closing Date and (b) as of such date, the Company shall have no further obligations to issue, sell or renew any Post-Closing Policy.

## **ARTICLE XI**

### **DEFINITIONS**

As used in this Agreement, the following terms have the meanings indicated below:

“Affiliate” shall mean any Person that directly or indirectly controls, is controlled by or is under common control with Purchaser or Seller, as the case may be. As used in this definition, “control” (including, its correlative meanings “controlled by” and “under common control with”) means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of ten percent (10%) or more of outstanding voting securities or partnership or other ownership interests, by Contract or otherwise).

“Ancillary Agreements” means, collectively, the Escrow Agreement and the Quota Share Reinsurance Agreement.

“Applicable SAP” means the statutory accounting practices prescribed or permitted by applicable insurance Law or the Office.

“Business Day” shall mean any day other than Saturday, Sunday and any day on which commercial banks in Wisconsin are authorized by Law to be closed.

“Closing Purchase Price” means (a)(i) the Estimated Statutory Capital plus (ii) seven million three hundred fifty thousand dollars (\$7,350,000) minus (b) the Escrow Amount.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Company Material Adverse Effect” means a material adverse effect on the financial condition or results of operations of the Company (taken as a whole); provided, however, that none of the following shall constitute or be deemed to contribute to a Company Material Adverse Effect, or shall otherwise be taken into account in determining whether a Company Material Adverse Effect has occurred or would reasonably be likely to occur: any adverse effect arising out of, resulting from or relating to (a) changes or proposed changes in applicable Laws, GAAP or SAP or other applicable accounting rules, or in the interpretation or enforcement thereof; (b) changes in general economic, business or regulatory conditions, including those generally affecting the property and casualty insurance or reinsurance industries or the industries in which the Company operates; (c) changes in United States or global financial or securities markets or conditions, including changes in prevailing interest rates, currency exchange rates or price levels or trading volumes in the United States or foreign securities markets; (d) changes in global or national political conditions (including the outbreak or escalation of war, military action, sabotage or acts of terrorism) or changes due to natural disasters or other acts of nature; (e) the effects of the actions or omissions required of Seller under this Agreement and the Ancillary Agreements or that are taken with the consent or at the request of Purchaser, or not taken because Purchaser did not give its consent, in connection with the transactions contemplated hereby and thereby; (f) the effects of any breach, violation or non-performance of any provision of this Agreement by Purchaser or any of its Affiliates; (g) the negotiation, announcement, pendency or consummation of this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby, including the identity of, or the effect of any fact or circumstance relating to, Purchaser or any of its Affiliates or any communication by Purchaser or any of its Affiliates regarding plans, proposals or projections with respect to the Company (including the impact thereof on, including the termination of, relationships, contractual or otherwise, with reinsurers, policyholders, or strategic partners); (h) any pending, initiated or threatened Proceeding against Seller, any of its Affiliates or any of their respective officers or directors by any third party arising out of or relating to the execution of this Agreement or the transactions contemplated by this Agreement or the Ancillary Agreements; (i) changes in the value of the investment portfolio of the Company following the date of this Agreement as a result of a decrease in the credit quality of any of the investments in such portfolios or changes in interest rates; (j) any change or development (in and of itself) in the credit, financial strength or other rating of the Company or any of its Affiliates or (k) any failure (in and of itself) by the Company to meet any revenue, earnings, premium written or other financial projections or forecasts; provided, further, however, that the foregoing exclusion of any adverse effect to the extent arising out of, resulting from or attributable to any change described in item (a), (b), (c), or (d) above, shall not apply if (but only to the extent that) such changes affect the Company in a substantially disproportionate manner as compared to a similarly situated property and casualty insurance company in the United States.

“Contracts” shall mean, with respect to any Person, any written agreement, contract, lease, instrument or other legally binding obligation to which such Person is a party or is otherwise subject or bound.

“Employee Plans” shall mean each voluntary employees’ beneficiary association under Section 501(c)(9) of the Code whose members include employees of the Company and all employee benefit plans, as defined in Section 3(3) of ERISA, and all retirement, stock, stock option, welfare benefit, savings, deferred compensation, incentive compensation, paid time off,

severance pay, salary continuation, disability, fringe benefit and other employee benefit arrangements, policies, or practices for which the Company is a plan sponsor, as defined in Section 3(16)(B) of ERISA, or which the Company otherwise maintains or to which the Company otherwise, contributes or has contributed, or in which the Company otherwise participates or has participated or under which the Company may have any Liability.

“Encumbrance” shall mean all liens (statutory or other), leases, mortgages, pledges, security interests, deeds of trusts, hypothecations, conditional sales agreements or charges.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974.

“Escrow Account” means the escrow account established pursuant to the Escrow Agreement.

“Fair Market Value” means (a) in the case of securities (other than Short Term Treasuries) listed on an exchange or in an over-the-counter market, the closing price on such exchange or market (or the average of the closing bid and asked prices if there is no closing price) plus all accrued but unpaid interest on such securities through the last Business Day preceding the date of determination (which date of determination, for purposes of Section 1.03, shall be the Closing Date) if such amount is not already reflected in such closing price (or such bid and asked prices) and (b) in the case of cash, cash equivalents and Short Term Treasuries, the face amount thereof.

“Files and Records” shall mean files, records and other information of the Company relating to the financial and accounting records or the Shares, whether in hard copy or magnetic or other format.

“GAAP” shall mean the prevailing generally accepted accounting principles in the United States, in effect from time to time, consistently applied.

“Governing Documents” shall mean, with respect to any particular entity, (a) if a corporation, the articles or certificate of incorporation and the bylaws of such entity; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles of organization and the operating agreement; (e) if another type of Person, any other charter or similar document adopted or filed in connection with the creation, formation or organization of the Person; (f) all equity holders’ agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any Person or relating to the rights, duties and obligations of the equity holders of any Person; and (g) any amendment or supplement to any of the foregoing.

“Governmental Authorizations” means all licenses, permits, waivers, orders, registrations, consents and other authorizations and approvals of or by a Governmental Entity required (a) with respect to Seller or Purchaser, to perform their respective obligations hereunder and (b) with respect to the Company, to carry on their business and operations substantially as currently conducted under applicable Law.

“Governmental Entity” shall mean any court, government agency, department, commission, board, bureau or instrumentality of the United States, any local, county, state, federal or political subdivision thereof, or any foreign governmental entity of any kind.

“Investment Assets” means the investment assets beneficially owned by the Company that are of the type required to be disclosed in Schedule B through DB of the Statutory Statements.

The phrase “to the Knowledge of” any Person, or words of similar import, shall mean the actual knowledge of any Person as well as the knowledge such Person could be reasonably presumed to possess by virtue of such Person’s relationship with or position with any entity. The phrase “to the Knowledge of”, when used in reference to Seller or the Company, shall mean the Knowledge of Thomas M. McGeehan and Stephen W. Ries.

“Law” shall mean any local, county, state, federal, foreign or other law, statute, regulation, ordinance, rule, order, decree, judgment, consent decree, settlement agreement or governmental requirement enacted, promulgated, entered into, agreed or imposed by any Governmental Entity.

“Liability,” with respect to any Person, shall mean any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

“Licenses and Permits” shall mean all governmental licenses, permits, franchises, certificates, surplus lines eligibilities, approvals and authorizations that relate directly or indirectly to, or are necessary for, the conduct of the Business, including those set forth on Section 4.14 of the Disclosure Schedules, and all pending applications therefor or renewals thereof.

“Non-Disclosure Agreement” means the non-disclosure agreement between the parties dated January 12, 2016.

“Office” shall mean the Wisconsin Office of the Commissioner of Insurance.

“Ordinary Course of Business” shall mean any action taken by a Person if: (a) such action is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person; (b) such action does not require authorization by the board of directors or shareholders of such Person (or by any Person or group of Persons exercising similar authority) and does not require any other separate or special authorization of any nature; and (c) such action is similar in nature, scope and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

“Permitted Encumbrances” means (a) any Encumbrances disclosed in the Statutory Statements (including in the notes thereto), as applicable, (b) Encumbrances for Taxes not yet due or payable or that are being contested in good faith by appropriate proceedings for which adequate reserves have been established and maintained, (c) mechanics’, workmen’s, repairmen’s, warehousemen’s, carriers’ or other like liens arising or incurred in the Ordinary Course of Business or pursuant to original purchase price conditional sales contracts and equipment leases with third parties entered into in the Ordinary Course of Business, (d) pledges or deposits to secure obligations under workers’ compensation laws or similar legislation or to secure public or statutory obligations, (e) Encumbrances related to deposits to secure policyholders’ obligations as required by the insurance departments of the various states, (f) Encumbrances or other restrictions on transfer imposed by applicable insurance Law and (g) Encumbrances incurred or deposits made to a Governmental Entity in connection with a Governmental Authorization.

“Person” shall mean any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust or unincorporated organization, or any governmental agency, officer, department, commission, board, bureau or instrumentality thereof.

“Post-Closing Policies” shall mean insurance policies issued by the Company after the Closing Date, and any amendment or endorsements related thereto, that are (a) renewals of Pre-Closing Policies issued due to quotes outstanding as of the Closing Date or required by any Law or (b) new policies issued due to quotes outstanding as of the Closing Date.

“Pre-Closing Policies” shall mean all insurance policies issued by the Company on or prior to the Closing Date and any amendments or endorsements related thereto.

“Proceeding” shall mean any action, arbitration, audit, hearing, investigation, litigation or suit.

“Purchaser Material Adverse Effect” means a failure of, or an impairment or delay in, the ability of Purchaser to perform its material obligations under this Agreement.

“Purchaser Required Approvals” means the consents, approvals, waivers, authorizations, notices and filings relating to any Governmental Entity referred to in Section 5.04.

“Purchaser Special Representations” means the representations contained in Section 5.01 (Organization; Power), Section 5.02 (Authorization) and Section 5.05 (Broker’s and Finder’s Fees).

“Required Approvals” means the Seller Required Approvals and the Purchaser Required Approvals.

“Seller Required Approvals” means the consents, approvals, waivers, authorizations, notices and filings relating to any Governmental Entity referred to in Section 4.06.

“Seller Special Representations” means the representations contained in Section 4.01 (Organization; Power), Section 4.02 (Authorization), Section 4.03 (Capital Structure; Subsidiaries), Section 4.05 (Title to the Shares) and Section 4.26 (Broker’s and Finder’s Fees).

“Skadden” means Skadden, Arps, Slate, Meagher & Flom LLP and its affiliates.

“Statutory Capital” means, as of any date, (a) the aggregate amount of the book value of statutory capital and surplus of the Company, determined in accordance with Applicable SAP and (b) with respect to the Investment Assets, the Fair Market Value of the aggregate amount of such Investment Assets.

“Tax” or “Taxes” shall mean all federal, state, local and foreign taxes (including premium taxes, gross receipts taxes, excise taxes, alternative minimum taxes, value added taxes, occupancy taxes, employment taxes, unemployment taxes, social security taxes, disability taxes, ad valorem taxes, custom duties, commercial activity taxes, transfer taxes and fees) levies, imposts, impositions, assessments and other governmental charges of any nature imposed upon a Person, including all taxes and governmental charges imposed upon any of the personal properties, real properties, tangible or intangible assets, income, receipts, payrolls, transactions, stock transfers, capital stock, windfall or other profits, net worth or franchises of a Person (including all sales, use, withholding or other taxes which a Person is required to collect or pay over to any government), and all related additions to tax, penalties or interest thereon.

“Tax Return” shall mean and include all returns, statements, declarations, estimates, forms, reports, information returns and any other documents (including all consolidated, affiliated, combined or unitary versions of the same), including all related and supporting information, filed or required to be filed with any Governmental Entity in connection with the determination, assessment, reporting, payment, collection or administration of any Taxes.

“Trademarks” means all trademarks, trade names, trade dress, service marks, assumed names, brand names, business names, corporate names, logos, slogans, Internet domain names and any other indicia of source or origin, and all registrations and applications for any of the foregoing, together with all goodwill of the businesses symbolized by any of the foregoing.

“U.S.” or “United States” shall mean the United States of America.

In addition to terms defined above, the following terms shall have the respective meanings given to them in the sections set forth below:

<b><u>Defined term</u></b>	<b><u>Section</u></b>
Agreement	Preamble
Arbitrator	Section 1.03(e)
Business	Recitals
Claimant	Section 7.03
Closing	Section 2.01
Closing Date	Section 2.01
Closing Statutory Capital	Section 1.03(b)
Company	Recitals
Disagreement Notice	Section 7.05
Disclosure Schedules	Article IV
Effective Time	Section 2.01
Election Notice	Section 7.04

Escrow Amount	Section 1.05
Estimated Statutory Capital	Section 1.03(a)
Final Statutory Capital	Section 1.02
Indemnification Notice	Section 7.03
Indemnifying Party	Section 7.03
Indemnity Losses	Section 7.01
Litigation Notice	Section 7.03
Notice of Disagreement	Section 1.03(c)
Pre-Closing Tax Period	Section 9.01(a)(ii)
Preparing Party	Section 9.02(c)
Purchase Price	Section 1.02
Purchase Price Allocation	Section 9.10(b)
Purchaser	Preamble
Purchaser Group	Section 6.01
Purchaser Indemnified Parties	Section 7.01
Quota Share Reinsurance Arrangement	Section 10.02
Reviewing Party	Section 9.02(c)
Scheduled Contracts	Section 4.16(a)
Section 338(h)(10) Election	Section 9.10(a)
Seller	Preamble
Seller Branded Materials	Section 10.05
Seller Group	Section 12.17
Seller Indemnified Parties	Section 7.02
Seller Marks	Section 10.05
Seller's Portion	Section 9.01(a)(ii)
Shares	Recitals
Statement	Section 1.03(b)
Statutory Statements	Section 4.07
Straddle Period	Section 9.01(a)(ii)
Tax Claim	Section 9.01(d)
Tax Indemnity Termination Date	Section 9.01(b)
Tax Specialist	Section 9.07
Third Party Reinsurance Agreements	Section 4.21

**ARTICLE XII**  
**MISCELLANEOUS**

**Section 12.01. Public Announcements.** Any public announcement, press release or similar publicity with respect to the transactions provided for in or contemplated by this Agreement will be issued, if at all, at such time and in such manner as determined jointly by Purchaser and Seller, provided that the parties hereto may, without the prior written consent of the other party hereto, issue such communication or make such public statement (a) as may be required by applicable Law or stock exchange rules and, if practicable under the circumstances, after reasonable prior consultation with the other party hereto, or (b) to enforce its rights or remedies under this Agreement or any Ancillary Agreement.

**Section 12.02. Costs and Expenses.** Whether or not the transactions contemplated by this Agreement are consummated, except as otherwise expressly provided herein, each of the parties shall bear all expenses and costs incurred by it in connection with this Agreement and the transactions contemplated by any of them, including the fees and disbursements of any legal counsel, independent accountants or any other Person or representative whose services have been used by such party.

**Section 12.03. Further Assurances.** From and after the date of this Agreement, the parties shall cooperate reasonably with each other in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall: (a) furnish upon request to each other such further information; (b) execute and deliver to each other such other documents; and (c) do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of the transactions contemplated by this Agreement.

**Section 12.04. Addresses for Notices, Etc.** All notices, requests, demands and other communications that are required or may be given pursuant to the terms of this Agreement shall be in writing, and delivery shall be deemed sufficient in all respects and to have been duly given as follows: (a) on the actual date of service if delivered personally; (b) at the time of receipt of confirmation by the transmitting party if by facsimile transmission; (c) at the time of receipt if given by electronic mail to the e-mail addresses set forth in this Section 12.04; (d) on the third day after mailing if mailed by first-class mail return receipt requested, postage prepaid and properly addressed as set forth in this Section 12.04; or (e) on the day after delivery to a nationally recognized overnight courier service during its business hours or the Express Mail service maintained by the United States Postal Service during its business hours for overnight delivery against receipt, and properly addressed as set forth in this Section 12.04:

*If to Seller:* Diamond State Insurance Company  
Three Bala Plaza, Suite 300  
Bala Cynwyd, PA 19004  
Attention: Thomas M. McGeehan, Chief Financial Officer  
Facsimile: (610) 668-3385  
E-mail: tcmcgeehan@global-indemnity.com

*With a copy to:* Skadden, Arps, Slate, Meagher & Flom LLP  
525 University Avenue, Suite 1400  
Palo Alto, CA 94301  
Attention: Thomas Ivey  
Facsimile: (650) 470-4570  
E-mail: Thomas.Ivey@skadden.com

*If to Purchaser:* State National Insurance Company, Inc.  
1900 L. Don Dodson Drive  
Bedford, TX 76021  
Attention: David M. Cleff  
Facsimile: (877) 295-5247  
E-mail: dcleff@statenational.com

*With a copy to:* Foley & Lardner LLP  
777 East Wisconsin Avenue  
Milwaukee, WI 53202  
Attention: Kevin G. Fitzgerald  
Facsimile: (414) 297-4900  
E-mail: kfitzgerald@foley.com

Any party may change its address or other contact information for notice by giving notice to each other party in accordance with the terms of this Section 12.04. In no event will delivery to a copied Person alone constitute delivery to the party represented by such copied Person.

**Section 12.05. Headings.** The article, section and paragraph headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

**Section 12.06. Construction.**

(a) The parties have participated jointly in the negotiation and drafting of this Agreement, and, in the event of an ambiguity or a question of intent or a need for interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

(b) The term “Agreement” means this agreement together with all Schedules, Annexes and Exhibits hereto, as the same may from time to time be amended, modified, supplemented or restated in accordance with the terms hereof. Unless the context otherwise requires, words importing the singular shall include the plural and vice versa. The use in this Agreement of the term “including” means “including, without limitation.” The words “herein,” “hereof,” “hereunder,” “hereby,” “hereto,” “hereinafter” and other words of similar import refer to this Agreement as a whole, including the Schedules, Annexes and Exhibits, as the same may from time to time be amended, modified, supplemented or restated, and not to any particular article, section, subsection, paragraph, subparagraph or clause contained in this Agreement. All references to articles, sections, subsections, clauses, paragraphs, schedules and exhibits mean such provisions of this Agreement and the Schedules, Annexes and Exhibits attached to this Agreement, except where otherwise stated. The use herein of the masculine, feminine or neuter forms shall also denote the other forms, as in each case the context may require. The use in this Agreement of the terms “furnished,” “provided,” “delivered,” “made available” and similar terms refers, with respect to the provision of information and documents to Purchaser, in addition to the physical delivery of such information or documents to Purchaser, to such information and/or documents as are made available by Seller or any of its consultants, advisors or attorneys. The use of the term “Contract” (including this Agreement) or “organizational document” are to the Contract or organizational document as amended, modified, supplemented or replaced from time to time. The words “the date of this Agreement,” “the date hereof” and words of similar import refer to May 12, 2016. All pronouns and variations of pronouns will be deemed to refer to the feminine, masculine or neuter, singular or plural, as the identity of the Person referred to may require. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(c) Whenever the last day for the exercise of any right or the discharge of any duty under this Agreement falls on other than a Business Day, the party hereto having such right or duty shall have until the next Business Day to exercise such right or discharge such duty. Unless otherwise indicated, the word “day” shall be interpreted as a calendar day.

(d) References to a “party” hereto means Seller or Purchaser and references to “parties” hereto means Seller and Purchaser.

(e) References to “dollars” or “\$” mean United States dollars, unless otherwise clearly indicated to the contrary.

(f) No summary of this Agreement or any Ancillary Agreement prepared by or on behalf of any party hereto shall affect the meaning or interpretation of this Agreement or such Ancillary Agreement, as applicable.

(g) All capitalized terms used without definition in the Exhibits and Schedules (including the Disclosure Schedules) to this Agreement shall have the meanings ascribed to such terms in this Agreement.

(h) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied.

**Section 12.07. Severability.** The invalidity or unenforceability of any provision of this Agreement shall in no way affect the validity or enforceability of any other provision of this Agreement.

**Section 12.08. Entire Agreement and Amendment.** This Agreement, including the Exhibits and Schedules referred to and incorporated by reference herein that form a part of this Agreement, contains the entire understanding of the parties with respect to the subject matter of this Agreement. There are no representations, promises, warranties, covenants or undertakings other than those expressly set forth in or provided for in this Agreement. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the transactions contemplated by this Agreement, but excluding the Non-Disclosure Agreement, and including the letter of intent by and between the parties hereto, dated as of February 23, 2016. This Agreement may not be amended, supplemented or otherwise modified except by a written agreement executed by each of the parties hereto.

**Section 12.09. No Waiver; Cumulative Remedies.** Except as specifically set forth herein, the rights and remedies of the parties to this Agreement are cumulative and not alternative. No failure or delay on the part of any party in exercising any right, power or remedy under this Agreement will operate as a waiver of such right, power or remedy, and no single or partial exercise of any such right, power or remedy will preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of that party or of the right of the

party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

**Section 12.10. Parties in Interest.** Nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any Person other than Purchaser and Seller, and their respective successors and permitted assigns.

**Section 12.11. Successors and Assigns; Assignment.** Neither this Agreement nor any of the rights, interests or obligations under it may be directly or indirectly assigned, delegated, sublicensed or transferred by either of the parties hereto, in whole or in part, to any other Person (including any bankruptcy trustee) by operation of law or otherwise, whether voluntarily or involuntarily, without the prior written consent of the other party, and any attempted or purported assignment in violation of this Section 12.11 will be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns. Except as expressly set forth herein, nothing in this Agreement shall confer any claim, right, interest or remedy on any Person (other than the parties hereto) or inure to the benefit of any Person (other than the parties hereto).

**Section 12.12. Governing Law; Jurisdiction and Venue.**

(a) **Applicable Law.** The Laws of the State of New York shall govern the creation, interpretation, construction and enforcement of and the performance under this Agreement and all transactions and agreements contemplated by any of them, as well as any and all claims arising out of or relating in any way to this Agreement, notwithstanding the choice of law rules of any other state or jurisdiction.

(b) **Court Proceedings.** Any Proceeding permitted by the terms of this Agreement to be filed in a court, which Proceeding is brought to enforce, challenge or construe the terms or making of this Agreement, and any claims arising out of or related to this Agreement, shall be exclusively brought and litigated in a state or federal court having subject matter jurisdiction and located in New York. For the purpose of any Proceeding instituted with respect to any claim arising out of or related to this Agreement, each party hereby irrevocably submits to the exclusive jurisdiction of the state or federal courts having subject matter jurisdiction and located in New York, New York. Each party hereby irrevocably waives any objection or defense which it may now or hereafter have of improper venue, forum non conveniens or lack of personal jurisdiction. Each party further irrevocably consents to the service of process out of such courts by the mailing of a copy thereof, by registered mail, postage prepaid, to the party and agrees that such service, to the fullest extent permitted by applicable laws, (i) shall be deemed in every respect effective service of process upon it in any Proceeding arising out of or related to this Agreement and (ii) shall be taken and held to be valid personal service upon and personal delivery to it. Nothing herein contained shall affect the right of each party to serve process in any other manner permitted by applicable laws.

**Section 12.13. Waiver of Jury Trial.** EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY BE BASED UPON, ARISE OUT OF OR RELATED TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED

AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY FOR ANY DISPUTE BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION OR VALIDITY THEREOF OR ANY TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NEITHER THE OTHER PARTY HERETO NOR ITS REPRESENTATIVES, AGENTS OR ATTORNEYS HAVE REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY HERETO UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY HERETO MAKES THIS WAIVER VOLUNTARILY AND (D) EACH PARTY HERETO HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS OF THIS SECTION 12.13. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

**Section 12.14. Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement. Facsimile or electronic transmission of a counterpart hereto shall constitute an original hereof.

**Section 12.15. Schedules, Exhibits and Certificates; Knowledge of Purchaser.**

(a) All Schedules and Exhibits referred to herein form an integral part of this Agreement and shall be deemed to be part of this Agreement to the same extent as if set forth in the text of this Agreement. All statements contained in certificates required to be delivered pursuant to Sections 3.01 or 3.02 shall be deemed representations and warranties of that party pursuant to this Agreement. Other than such representations and warranties contained herein or therein, no other representations or warranties as to the Shares, the Business, the Company, Purchaser or Seller have been made or may be relied upon. No knowledge on the part of Purchaser or Seller of any matter that might constitute or form the basis of a breach of any representation or warranty of such other party shall be deemed to modify, qualify or otherwise alter in any respect any such representation or warranty, and Purchaser or Seller as the case may be, shall be entitled to pursue all remedies available to it under this Agreement in connection with any such matter.

(b) Purchaser has conducted its own independent review and analysis of the business, operations, technology, assets, liabilities, results of operations, financial condition and prospects of the Company and acknowledges and agrees that Seller has provided Purchaser with access to the personnel, properties, premises and Files and Records related thereto for this purpose. In entering into this Agreement, Purchaser has relied solely upon its own investigation and analysis, and Purchaser acknowledges and agrees that Seller and its Affiliates and their respective directors, officers, employees, agents or representatives shall not have any liability or responsibility whatsoever to Purchaser or its Affiliates (including from and after the Closing the Company) or any of their respective directors, officers, employees, agents or representatives

(including in Contract or tort, under federal or state securities laws or otherwise) based upon any information provided or made available, or statements made (or any omissions therefrom), to Purchaser or its Affiliates (including from and after the Closing the Company) or any of their respective directors, officers, employees, agents or representatives.

(c) Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement or any other agreement, document or instrument delivered or to be delivered in connection herewith or therewith, Purchaser acknowledges and agrees that (i) it has had an opportunity to ask questions to Seller relating to the Company and their respective businesses and receive responses to such questions from Seller and (ii) Seller makes no representations or warranties with respect to, and nothing contained in this Agreement, the Ancillary Agreements or in any other agreement, document or instrument to be delivered in connection herewith or therewith is intended or shall be construed to be, a representation or warranty, express or implied, of Seller, for any purposes of this Agreement, the Ancillary Agreements or any other agreement, document or instrument to be delivered in connection herewith or therewith, in respect of (A) the adequacy or sufficiency of reserves of the Company, (B) the effect of the adequacy or sufficiency of reserves of the Company on any line item, asset, liability or equity amount on any financial or other document, (C) whether or not reserves of the Company were determined in accordance with any actuarial, statutory, regulatory or other standard or (D) the collectability of any amounts under any reinsurance Contract. Furthermore, Purchaser acknowledges and agrees that no fact, condition, development or issue relating to the adequacy or sufficiency of reserves of the Company may be used, directly or indirectly, to demonstrate or support the breach or violation of any representation, warranty, covenant or agreement of or by Seller contained in this Agreement or any Ancillary Agreement or any other agreement, document or instrument delivered or to be delivered in connection herewith or therewith.

**Section 12.16. Specific Performance.** The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of the parties agrees that, without the necessity of posting bonds or other undertaking, the other party shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, in addition to any other remedy to which such party is entitled at law or in equity. In the event that any Proceeding is brought in equity to enforce the provisions of this Agreement, no party hereto shall allege, and each party hereto hereby waives the defense or counterclaim, that there is an adequate remedy at law. The parties further agree that (a) by seeking any remedy provided for in this Section 12.16, a party shall not in any respect waive its right to seek any other form of relief that may be available to a party under this Agreement and (b) nothing contained in this Section 12.16 shall require any party to institute any action for (or limit any party's right to institute any action for) specific performance under this Section 12.16 before exercising any other right under this Agreement.

**Section 12.17. Legal Representation.** Each of the parties hereby agrees that Skadden may serve and has served as counsel to Seller and its Affiliates (individually and collectively, the "Seller Group"), on the one hand, and the Company, on the other hand, in connection with the negotiation, preparation, execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, and that, following the Effective Time, Skadden may serve as counsel to any member of the Seller Group or any

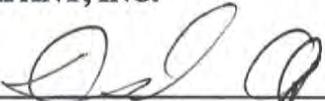
director, partner, officer, employee or Affiliate of any member of the Seller Group in connection with any Proceeding arising out of or relating to this Agreement or the Ancillary Agreements or the transactions contemplated hereby or thereby notwithstanding such representation, and each of the parties hereby consents thereto and waives any conflict of interest arising therefrom, and each of the parties shall procure any Affiliate thereof to consent to waive any conflict of interest arising from such representation. Purchaser agrees that, as to all communications among Skadden, the Company, the Seller and their respective Affiliates that relate to the transactions contemplated by this Agreement or the Ancillary Agreements, the attorney-client privilege, or that relate to any dispute arising out of this Agreement or the Ancillary Agreements, the expectation of client confidence and any other applicable legal privilege belongs to the Seller and its Affiliates, as applicable, and may be controlled by the Seller and its Affiliates and shall not pass to or be claimed by any of Purchaser or the Company. Notwithstanding the foregoing, in the event that a dispute arises between Purchaser or the Company, on the one hand, and a third party (other than any member of the Seller Group), on the other hand, after the Effective Time, the Company may assert the attorney-client privilege to prevent disclosure of confidential communications by Skadden to such third party; provided, however, that the Company may not waive such privilege without the prior written consent of Seller. This Section 12.17 is for the benefit of the Seller Group and Skadden and such persons are intended third-party beneficiaries of this Section 12.17.

**[Signature Page Follows]**

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

**“PURCHASER”**

**STATE NATIONAL INSURANCE  
COMPANY, INC.**

By: 

Printed: David Clark

Title: EVP

**“SELLER”**

**DIAMOND STATE INSURANCE  
COMPANY**

By: 

Printed: Thomas M. McGehee

Title: Chief Financial Officer