

AGREEMENT BY AND AMONG
SECURITY AMERICA RISK RETENTION GROUP, INC.
AND
ITS CLASS A, CLASS B, AND CLASS C SHAREHOLDERS

THIS AGREEMENT made as of <<Effective Date>> by and among Security America Risk Retention Group, Inc., a Vermont corporation (“Security America”), and the Class A, Class B, and Class C Shareholders of Security America listed on Schedule A hereto, which Schedule may be supplemented from time to time (such entities, together with those listed on any supplemental Schedule, referred to herein individually as a "Shareholder" and collectively as the "Shareholders"):

WHEREAS, Security America was formed as a risk retention group under the Federal Liability Risk Retention Act and the captive laws of the State of Vermont at the direction and under the sponsorship of certain Shareholders, for such purpose; and

WHEREAS, Security America is regulated by the Vermont Department of Banking, Insurance, Securities and Health Care Administration ("BISHCA");

WHEREAS, Each undersigned Shareholder has the power and authority to participate in and obtain insurance from Security America; and

WHEREAS, Each undersigned Shareholder has duly authorized the execution, delivery and performance of this Agreement; and

WHEREAS, Security America and each of the Shareholders entering into this Agreement propose to undertake insurance operations in express reliance upon the execution, delivery and performance of this Agreement by each of the undersigned Shareholders; and

NOW, THEREFORE, In consideration of the mutual covenants contained herein, the sufficiency of which is hereby acknowledged, Security America and the undersigned Shareholders hereby agree as follows.

ARTICLE I

Representation and Warranty

Each undersigned Shareholder hereby represents to Security America and to all other Shareholders that it has the power and authority to enter into this Agreement, and that the execution, delivery and performance of this Agreement have been duly and validly authorized by all appropriate actions. The undersigned Shareholder further acknowledges that Security America and all other Shareholders are entering into this Agreement in express reliance upon this representation and warranty and in express reliance upon the execution, delivery and performance of this Agreement by all other Shareholders.

ARTICLE II

Shareholders' Obligations

In order to retain its status as a Shareholder, each undersigned Shareholder shall perform all of the following:

1. Remit to Security America the Shareholder's capital contributions.
2. Each Class B Shareholder agrees that as a condition of its ownership interest in Security America that it is and will remain a Chartered State Association in good standing with the Electronic Security Association, Inc.
3. Each Class C Shareholder agrees that as a condition of its ownership interest in Security America that it is and will remain a member in good standing with the Electronic Security Association, Inc.
4. Maintain insurance coverage with Security America and remit to Security America in the manner requested by Security America any premium payable to Security America that Security America's Board of Directors deems necessary and appropriate.

5. Comply with the terms of this Agreement, Security America's Articles of Incorporation, By-laws, the Subscription Agreement, provisions of any contract of insurance between the Shareholder and Security America, applicable underwriting standards and any applicable risk management/loss prevention program developed by Security America.

ARTICLE III

Dividends and Premium Refunds

Security America shall, subject to the prior written approval of BISHCA, have the authority, in its sole discretion, to declare and/or pay Shareholder dividends in any amount reasonably determined by Security America's Board of Directors. No payment of such dividends, or credit therefor against premiums and/or capital contributions or otherwise, shall be made except as determined and authorized by the Board of Directors. In addition, Security America shall have the authority, in its sole discretion, to pay refunds of premium, in amounts reasonably determined by the Board of Directors of Security America, to a Shareholder.

ARTICLE IV

Return of Capital

Any Shareholder whose liability insurance coverage with Security America is canceled, terminated or non-renewed shall immediately surrender its share(s) to Security America for repurchase, and such Shareholder's rights as a Shareholder in Security America shall immediately and automatically terminate upon such cancellation, termination, or non-renewal of insurance. Security America shall, upon the occurrence of such an event, repurchase the share(s) from the Shareholder at a price to be established pursuant to the terms and conditions set forth in this Article.

Notwithstanding any other provision in this Agreement or any other document relating to Shareholder and Security America, no Shareholder shall be eligible for a return of its capital contribution and accumulated dividends (if any) unless it has been an

insured in good standing of Security America for at least thirty-six (36) consecutive months.

1. Return of Class A Shareholder's Capital

The book value of the departing Class A Shareholder's capital and dividends (if any) shall be calculated as of January 1st of the year in which the Class A Shareholder departs Security America and shall be calculated in accordance with Generally Accepted Accounting Principles ("GAAP"). Any such return of capital and dividends shall be subject to prior written approval of BISHCA. The Class A Shareholder's capital and dividends shall be available, on an equivalent basis with other Shareholders, to meet obligations of Security America. After written permission has been obtained from BISHCA, such return of capital may be made as Directors in their sole discretion deem proper; provided, however, such capital and dividends will be returned no later than thirty-six (36) months after conclusion of the third (3rd) calendar year following a Class A Shareholder's termination and subsequent repurchase of its share(s) by Security America. No interest will be paid on the annual payments paid to the Class A Shareholder pursuant to this paragraph. Subject to the restrictions set forth above, the specific terms of, and timing of payments with respect to, the repurchase of the share(s) shall be at the discretion of the Board of Directors.

1. Return of Class B Shareholders' Capital

The book value of the departing Class B Shareholder's capital and dividends (if any) shall be calculated as of January 1st of the year in which the Class B Shareholder departs Security America and shall be calculated in accordance with GAAP. Any such return of capital and dividends shall be subject to prior written approval of BISHCA. The Class B Shareholder's capital and dividends shall be available, on an equivalent basis with other Shareholders, to meet obligations of Security America. After written permission has been obtained from BISHCA, such return of capital may be made as Directors in their sole discretion deem proper; provided, however, such capital and dividends will be returned no later than thirty-six (36) months after conclusion of the third (3rd) calendar year following a Class B Shareholder's termination and subsequent

repurchase of its share(s) by Security America. No interest will be paid on the annual payments paid to the Class B Shareholder pursuant to this paragraph. Subject to the restrictions set forth above, the specific terms of, and timing of payments with respect to, the repurchase of the share(s) shall be at the discretion of the Board of Directors.

2. Return of Class C Shareholders' Capital

The book value of the departing Class C Shareholder's capital and dividends (if any) shall be calculated as of January 1st of the year in which the Class C Shareholder departs Security America and shall be calculated in accordance with GAAP. Shareholder shall receive a return of its contributed capital or the book value of such departing Shareholder's capital and dividend calculated as of January 1st whichever is less. Any such return of capital and dividends shall be subject to prior written approval of BISHCA. The Class C Shareholder's capital and dividends shall be available, on an equivalent basis with other Shareholders, to meet obligations of Security America. After written permission has been obtained from BISHCA, such return of capital may be made as Directors in their sole discretion deem proper; provided, however, such capital and dividends will be returned no later than thirty-six (36) months after conclusion of the third (3rd) calendar year following a Class C Shareholder's termination and subsequent repurchase of its share(s) by Security America. No interest will be paid on the annual payments paid to the Class C Shareholder pursuant to this paragraph. Subject to the restrictions set forth above, the specific terms of, and timing of payments with respect to, the repurchase of the share(s) shall be at the discretion of the Board of Directors.

ARTICLE V

Waiver of Claims Against Shareholders; Rights of Third Parties

1. Each Shareholder hereby agrees to waive any claim it may have against any other Shareholder based on the insolvency of Security America or any subsidiary thereof; provided, however, that any such waiver shall not include the waiver of any claim which the Shareholder or Security America may have with respect to any non-payment of a capital contribution or any premium payable to Security America.

2. No person, except Security America or any undersigned Shareholder, shall be deemed to have any right conferred upon it by any provision of this Agreement. No term of this Agreement shall be enforceable against Security America or any Shareholder except by Security America, its assignee, or one or more undersigned Shareholders.

ARTICLE VI

Agreement not Assignable

No Shareholder may assign any right, claim or interest it may have under this Agreement or under any policy issued by Security America or a subsidiary thereof, and no creditor, assignee or third-party beneficiary of any Shareholder shall have any right, claim or title to any part, share, interest, funds or assets of Security America, except as may be specifically agreed to by the Board of Directors of Security America, in its sole discretion. Notwithstanding the foregoing, Security America's Board of Directors may assign this Agreement in its entirety to an entity in which the Shareholders participate. Any successor to the assets, liabilities or operations of a Shareholder shall be liable to Security America or its assignee for any amounts due Security America from such Shareholder.

ARTICLE VII

Choice of Law

Notwithstanding any principles of choice of law, this Agreement shall be construed pursuant to and governed by the laws of Vermont.

ARTICLE VIII

Severability

Should any portion, term, condition or provision of this Agreement be determined by a Court of competent jurisdiction to be invalid under any applicable law or otherwise rendered unenforceable, the validity of the remaining conditions and provisions shall not be affected thereby.

ARTICLE IX

Term

This Agreement shall continue in effect until it is rescinded by the mutual consent of the parties hereto or otherwise terminated as provided by this Agreement or applicable law.

ARTICLE X

Amendment

This Agreement may be amended upon the mutual consent of all parties hereto or by the approval of the holders of two-thirds of all the then current issued and outstanding shares of stock and by a two-thirds vote of Security America's Board of Directors. A copy of any amendment shall be delivered to each of the undersigned.

ARTICLE XI

Complete Agreement

This Agreement, including all counterparts hereof, the Articles of Incorporation, By-laws, Subscription Agreement, or policy terms constitute the full and complete terms of this Agreement. There are no oral understandings or agreements not set forth in writing herein or in the Articles of Incorporation, Bylaws, Subscription Agreement, or policy terms.

ARTICLE XII

Withdrawal and Addition of Parties

The withdrawal of a Shareholder from this Agreement, regardless of cause, shall not invalidate or affect in any manner this Agreement with respect to the other parties hereto. The parties further agree that any Subscriber to the Class A, Class B, and Class C stock of Security America shall become a party to this Agreement and bound by all of its terms and conditions by signing an appropriate counterpart to this Agreement to that effect, without the signatures of the other parties to this Agreement being required, provided that such counterpart to this Agreement shall be signed by an authorized representative or officer of Security America.

ARTICLE XIII

Acknowledgment of Terms, Conditions, and Disclosures

The Shareholder hereby acknowledges that it has carefully read and understands the terms, conditions, and disclosures contained in this Agreement, the Articles of Incorporation, By-laws, Business Plan, and the Subscription Agreement.

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

SECURITY AMERICA RISK RETENTION GROUP, INC.

By: _____
Its Duly Authorized Representative
<<Company Name>>
<<Policy Number>>

By: _____
Its Duly Authorized Representative
Security America RRG, Inc.