# LEGEND HOLDINGS, LLC

## Subscription Documents

Manager:

Pareto Captive of Tennessee, LLC
FMC Tower at Cira Centre South
2929 Walnut Street, Suite 1500
Philadelphia, PA 19104

***Investor name (for reference only):*** _____

## INVESTMENT PROCEDURES

Prospective investors should read the Confidential Private Placement Memorandum, Proposal and supplemental correspondence related thereto, for Legend Holdings, LLC, a Tennessee limited liability company (the "Company"), including the risk factors contained therein, the Amended and Restated Operating Agreement of the Company, as the same may be amended from time to time (the "Operating Agreement") as well as this booklet prior to subscribing for membership interests (or additional membership interests) (an "Interest") in the Company.

If you are interested in purchasing an Interest, please complete the pages indicated below, as applicable:

- Investor Profile Form **(pages 13 - 14)**

- General Eligibility Representations **(pages 15 - 20)**

- Signature Pages **(pages 10, 16, 21, 23-24)**

Please return a completed version of this ENTIRE PACKET, including all SIGNATURE PAGES hereto, to Pareto Captive of Tennessee, LLC, the Manager of the Company (the "Manager"), by fax/email or overnight courier. If paying by check, please include a check made payable to "Legend Holdings, LLC" in the full amount of the commitment set forth on **Page 23** hereof (the "Commitment") in your overnight package. If you prefer to send your Commitment via electronic wire transfer, please use the wire instructions below and fill in the applicable information on **Pages 13** and **17** hereof. Please contact the Manager should you wish to make alternative payment arrangements. The completed subscription documents shall be returned to the Manager as follows:

Pareto Captive of Tennessee, LLC
FMC Tower at Cira Centre South
2929 Walnut Street, Suite 1500
Philadelphia, PA 19104

# SUBSCRIPTION AGREEMENT

THE MEMBERSHIP INTERESTS BEING SUBSCRIBED FOR PURSUANT TO THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. SUCH MEMBERSHIP INTERESTS MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE MEMBERSHIP INTERESTS UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND SUCH STATE LAWS AS MAY BE APPLICABLE, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

RESTRICTIONS (IF ANY), INCLUDING (WITHOUT LIMITATION) RESTRICTIONS ON THE TRANSFER OF THE MEMBERSHIP INTERESTS BEING SUBSCRIBED FOR PURSUANT TO THIS AGREEMENT, ARE SET FORTH IN THE OPERATING AGREEMENT OF THE COMPANY PURSUANT TO WHICH THE INTERESTS WILL BE ISSUED AND/OR APPLICABLE LAW.

Legend Holdings, LLC
Pareto Captive of Tennessee, LLC
FMC Tower at Cira Centre South
2929 Walnut Street, Suite 1500
Philadelphia, PA 19104

Re: Legend Holdings, LLC - Issuance of Membership Interests

The undersigned (the "Investor") wishes to become a member of Legend Holdings, LLC, a Tennessee limited liability company (the "Company"), and to purchase membership interests (or additional membership interests) (an "Interest" or "Interests") in the Company upon the terms and conditions set forth herein and in the Amended and Restated Operating Agreement of the Company, as the same may be amended from time to time (the "Operating Agreement"). Capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Operating Agreement.

Accordingly, the Investor agrees as follows:

## I. SUBSCRIPTION FOR AN INTEREST

**(A)** The Investor agrees (i) to become a membership interest holder (a "Member") of the Company, with a capital contribution equal to the Commitment set forth on the signature page hereto; or (ii) reaffirm its existing membership in the Company, with an additional capital contribution equal to the Commitment set forth on the signature page hereto; as the case may be

**(B)** The Investor understands and agrees that the Company reserves the right to reject this subscription for an Interest for any reason or no reason, in whole or in part, and at any time

prior to its acceptance. If this subscription is rejected, this Subscription Agreement shall have no force or effect.

**(C)** The Investor understands and agrees that the acceptance of this subscription is conditioned on: (i) the agreement of the Investor or an organization controlled by or affiliated with the Investor to procure the applicable underlying insurance coverage from an admitted carrier on terms and conditions acceptable to the Manager; and (ii) the agreement of the Investor to be bound by all of the terms of the Operating Agreement, as evidenced by the execution of the Operating Agreement by a duly authorized representative of the Investor. This subscription opportunity may be withdrawn at any time by the Company prior to the closing of the transactions contemplated by this Subscription Agreement.

**(D)** The Investor agrees that this Subscription Agreement and any agreement of the Investor made hereunder is irrevocable, and that this Agreement shall survive the death, mental or physical incapacity or merger, dissolution or other termination of the existence of the Investor.

## II. REPRESENTATIONS AND COVENANTS OF THE INVESTOR

**(A)** The Investor will not sell or otherwise transfer the Interest without registration under the Securities Act of 1933, as amended (the "Securities Act"), or an exemption therefrom. The Investor understands and agrees that it must bear the economic risk of its investment for an indefinite period of time (subject to limited rights of withdrawal provided in the Operating Agreement) because, among other reasons, the Interest has not been registered under the Securities Act or under the securities laws of certain States and, therefore, cannot be resold, pledged, assigned or otherwise disposed of unless it is so registered or an exemption from registration is available. The Investor understands that the Company is under no obligation to register the Interest on its behalf or to assist it in complying with any exemption from registration under the Securities Act. Furthermore, the Interest can only be transferred in compliance with the Operating Agreement.

**(B)** The Investor has received, carefully read and understands the Operating Agreement, the Proposal (hereinafter defined), the Confidential Private Placement Memorandum and supplemental correspondence related thereto (collectively, the "PPM") outlining, among other things, the organization and investment objectives and policies of, and the risks and expenses of an investment in, the Company. The Investor acknowledges that it has made an independent decision to invest in the Company and that, in making its decision to subscribe for an Interest, the Investor has relied solely upon the Operating Agreement, the PPM, the Proposal and independent investigations made by the Investor. The Investor is not relying on the Company or the Manager, or any other person or entity with respect to the legal, tax and other economic considerations involved in this investment, other than the Investor's own advisers. The Investor understands and acknowledges that there will be no requirement that the Manager also be a Member of or otherwise hold an interest in the Company, except as may be set forth in the Operating Agreement of the Company. The Investor's investment in the Interest is consistent with the investment purposes, objectives and cash flow requirements of the Investor and will not adversely affect the Investor's overall need for diversification and liquidity. As used herein, the "Proposal" means any "overview", "program indication" packet, "proposal" packet, and any and all other

brochures, presentations, pamphlets, summaries, correspondence and other materials related thereto, whether made available by the Manager or otherwise.

The Investor acknowledges that it is not subscribing pursuant hereto for an Interest as a result of or pursuant to: (i) any advertisement, article, notice or other communications published in any newspaper, magazine or similar media (including any internet site whose information about the Company is not password protected) or broadcast over television or radio; (ii) any seminar or meeting whose attendees, including the Investor, had been invited as a result of, or pursuant to, any of the foregoing; or (iii) any form of general solicitation or general advertising, as such terms are used and defined in 17 CFR 230.

The Investor has been provided an opportunity to obtain any additional information concerning the offering of the Interests, the Company and all other information to the extent the Company or the Manager possesses such information or can acquire it without unreasonable effort or expense, and has been given the opportunity to ask questions of, and receive answers from, the Manager concerning the terms and conditions of the offering and other matters pertaining to this investment.

**(C)** The Investor has not reproduced, duplicated or delivered the Proposal, the PPM, the Operating Agreement or this Subscription Agreement to any other person, except professional advisers to the Investor or as instructed by the Manager. Notwithstanding the foregoing or anything in the Operating Agreement to the contrary, the Investor (and each employee, representative or other agent of the Investor) may-disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of (i) the Company and (ii) any of its transactions, and all materials of any kind (including opinions or other tax analyses) that are provided to the Investor relating to such tax treatment and tax structure.

**(D)** THE INVESTOR HAS SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT THE INVESTOR IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF THE INVESTOR'S INVESTMENT IN THE COMPANY AND IS ABLE TO BEAR SUCH RISKS, AND HAS OBTAINED, IN THE INVESTOR'S JUDGMENT, SUFFICIENT INFORMATION FROM THE MANAGER TO EVALUATE THE MERITS AND RISKS OF SUCH INVESTMENT. THE INVESTOR HAS EVALUATED THE RISKS OF INVESTING IN THE COMPANY, UNDERSTANDS THERE ARE SUBSTANTIAL RISKS OF LOSS INCIDENTAL TO THE PURCHASE OF AN INTEREST AND HAS DETERMINED THAT THE INTEREST IS A SUITABLE INVESTMENT FOR THE INVESTOR. THE INVESTOR UNDERSTANDS THAT THERE IS NO ASSURANCE THAT ANY OF THE COMPANY'S INVESTMENT GOALS WILL BE REALIZED, AND THAT THE INVESTOR MAY LOSE ITS ENTIRE INVESTMENT IN THE COMPANY.

**(E)** The Investor is acquiring the Interest for its own account, for investment purposes only and not with a view toward distributing or reselling the Interest in whole or in part.

**(F)** The Investor understands that:

(i) No federal or state agency has passed upon the Interests or made any findings or determination as to the fairness of this investment; and

(ii) The representations, warranties, agreements, undertakings and acknowledgments made by the Investor in this Subscription Agreement will be relied upon by the Company and the Manager in determining the Investor's suitability as a purchaser of an Interest and the Company's compliance with federal and state securities laws, and shall survive the Investor's admission as a Member.

**(G)** The Investor has all requisite power, authority and capacity to acquire and hold the Interest and execute, deliver and comply with the terms of each of the instruments required to be executed and delivered by the Investor in connection with the Investor's subscription for the Interest, including this Subscription Agreement, and such execution, delivery and compliance does not conflict with, or constitute a default under, any instruments governing the Investor, or violate any law, regulation or order, or any agreement to which the Investor is a party or by which the Investor may be bound. If the Investor is an entity, the person executing and delivering each of such instruments on behalf of the Investor has all requisite power, authority and capacity to execute and deliver such instruments, and, upon request by the Company or the Manager, will furnish to the Company true and correct copies of any instruments governing the Investor, including all amendments thereto.

**(H)** All information which the Investor has provided to the Company or the Manager concerning the Investor, the Investor's status, financial position and knowledge and experience of financial, tax and business matters, or, in the case of an Investor that is an entity, the knowledge and experience of financial, tax and business matters of the person making the investment decision on behalf of such entity, is correct and complete as of the date set forth herein.

**(I)** The Investor understands that the Company will not register as an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"), nor will it make a public offering of its securities within the United States. The Investor understands that the Company may (but is not required to) rely, as necessary or appropriate in the judgment of the Manager in its sole discretion, on various exceptions and/or exemptions from registration under the Investment Company Act, which permit private investment companies (such as the Company) to sell their interests, on a private placement basis, to certain eligible investors without registration as an investment company. Such exceptions and/or exemptions may included, but shall not be limited to, Section 3(a)(1) of the Investment Company Act and certain related regulations (including, without limitation, certain regulations set forth in 17 CFR 270.3a-1), and/or Sections 3(c)(1) and/or 3(c)(7) of the Investment Company Act.

**(J)** If the Investor is an entity, the Investor represents that (i) it was not formed for the purpose of investing in the Company, (ii) it does not invest more than forty (40%) percent of its total assets in the Company, (iii) each of its beneficial owners participates in investments made by the Investor pro rata in accordance with its interest in the Investor and, accordingly, its beneficial owners cannot opt in or out of investments made by the Investor, and (iv) its beneficial owners did not and will not contribute additional capital (other than previously committed capital) for the purpose of purchasing the Interests.

***If the representations made in this Clause (J) are accurate, please initial here:*** _____.

**(K)** The Investor represents that it is not a "plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") that is subject to the provisions of Title I of ERISA, and/or a "plan" that is subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), or an entity whose assets are treated as "plan assets" under Section 3(42) of ERISA and any regulations promulgated thereunder. The Investor further represents that it is not a Benefit Plan Investor (as defined below). For these purposes, a "Benefit Plan Investor," as defined under Section 3(42) of ERISA and any regulations promulgated thereunder, includes (a) an "employee benefit plan" that is subject to the provisions of Title I of ERISA; (b) a "plan" that is not subject to the provisions of Title I of ERISA, but that is subject to the prohibited transaction provisions of Section 4975 of the Code, such as individual retirement accounts and certain retirement plans for self-employed individuals; and (c) a pooled investment fund whose assets are treated as "plan assets" under Section 3(42) of ERISA and any regulations promulgated thereunder because "employee benefit plans" or "plans" hold twenty five (25%) percent or more of any class of equity interest in such pooled investment fund. If the Investor has identified to the Company that it is not currently a Benefit Plan Investor, but becomes a Benefit Plan Investor, the Investor shall disclose to the Manager promptly in writing such fact and also the percentage of such Investor's equity interests held by Benefit Plan Investors. If the Investor is an insurance company, it is not investing the assets of its general account (or the assets of a wholly owned subsidiary of its general account) in the Company. The Investor agrees to promptly notify the Manager in writing if there is a change such that it will be investing the assets of its general account (or the assets of a wholly owned subsidiary of its general account) in the Company.

***If the representations made in this Clause (K) are accurate, please initial here:*** _____.

**(L)** The Investor understands that Kurtz & Revness, P.C. acts as counsel to the Company, the Manager, and their affiliates. The Investor also understands that, in connection with this offering of Interests and subsequent advice to the Company, the Manager and their affiliates, Kurtz & Revness, P.C. will not be representing investors in the Company, including the Investor, and no independent counsel has been retained to represent investors in the Company.

Kurtz & Revness, P.C.'s representation of the Company, the Manager and their affiliates is limited to specific matters as to which it has been consulted by the Company, the Manager and/or their affiliates. There may exist other matters which could have a bearing on the Company, the Manager or its affiliates as to which it has not been consulted. In addition, Kurtz & Revness, P.C. does not undertake to monitor the compliance of the Manager and its affiliates with the investment program, valuation procedures and other guidelines set forth in the Proposal or the PPM, nor does it monitor compliance with applicable laws. In preparing the PPM, the subscription documents, the Operating Agreement and the other documents in connection with the purchase and sale of the Interests (as applicable), Kurtz & Revness, P.C. relies upon information furnished to it by the Company, the Manager and/or its affiliates, and does not investigate or verify the accuracy and completeness of information set forth therein concerning the Company, the Manager and their affiliates and personnel.

**(M)** If the Investor is a "charitable remainder trust" within the meaning of Section 664 of the Code, the Investor has advised the Manager in writing of such fact and the Investor acknowledges that it understands the risks, including specifically the tax risks, if any, associated with its investment in the Company.

**(N)** The Investor understands and agrees that, although the Company will use its reasonable efforts to keep the information provided in the answers to this Subscription Agreement strictly confidential, the Company may present this Subscription Agreement and the information provided in answers to it to such parties *(e.g.,* affiliates, attorneys, auditors, administrators, brokers and regulators) as it deems necessary or advisable to facilitate the acceptance and management of the Investor's Commitment including, but not limited to, in connection with anti-money laundering and similar laws, if called upon to establish the availability under any applicable law of an exemption from registration of the Interests, the compliance with applicable law and any relevant exemptions thereto by the Company, the Manager or its affiliates, or if the contents thereof are relevant to any issue in any action, suit or proceeding to which the Company, the Manager or its affiliates are a party or by which they are or may be bound. The Company may also release information about the Investor if directed to do so by the Investor, if compelled to do so by law or in connection with any government or self-regulatory organization request or investigation.

## III. AGENT, REPRESENTATIVE OR NOMINEE

If the Investor is acting as agent, representative or nominee for a subscriber (a "Beneficial Owner"), the Investor understands and acknowledges that the representations, warranties and agreements made herein are made by the Investor: (i) with respect to the Investor; *and* (ii) with respect to the Beneficial Owner. The Investor represents and warrants that it has all requisite power and authority from such Beneficial Owner to execute and perform the obligations under this Subscription Agreement.

## IV. ADDITIONAL INFORMATION AND SUBSEQUENT CHANGES IN THE FOREGOING REPRESENTATIONS

**(A)** The Company may request from the Investor such additional information as it may deem necessary to evaluate the eligibility of the Investor to acquire an Interest, and may request from time to time such information as it may deem necessary to determine the eligibility of the Investor to hold an Interest or to enable the Manager to determine the Company's or the Manager's compliance with applicable regulatory requirements or the Company's tax status, and the Investor agrees to provide such information as may reasonably be requested.

**(B)** All representations, warranties and covenants of the Investor set forth herein shall survive the date of acquisition of the Interest by the Investor. The Investor agrees to notify the Manager promptly in writing if there is any change with respect to any of the information or representations made herein and to provide the Manager with such further information as the Manager may reasonably require.

*(this document continues on the following page)*

## V. POWER OF ATTORNEY

**(A)** By executing this Subscription Agreement, the Investor adopts the terms hereof and of the Operating Agreement and irrevocably makes, constitutes and appoints the Manager and each of its directors and officers, and each of them acting singly (collectively, the "Attorneys-in-Fact"), with full power of substitution, as the Investor's true and lawful attorneys and agents, with full power and authority in the Investor's name, place and stead to execute, swear to, acknowledge, deliver, file and record in the appropriate public offices the Operating Agreement, the PPM, the Proposal, the subscription documents or any amendment thereto and any other agreements, certificates, consents or other instrument said Attorneys-in-Fact, or any of them, deem necessary or appropriate for the purpose of admitting the Investor as a Member of the Company, the execution and delivery by any of said Attorneys-in-Fact of any such agreement, certificate, consent or other instrument being conclusive evidence that said execution and delivery was authorized hereby.

**(B)** The foregoing grant of authority is a Power of Attorney that hereby shall be irrevocable, coupled with an interest, and shall survive the death or mental or physical incapacity of the Investor (or, in the case of an Investor that is not a natural person, shall survive the merger, dissolution or other termination of the existence of the Investor), shall survive any permitted transfer by the Investor of the whole or any portion of its Interest, shall remain in full force and effect unless otherwise agreed to in writing by the Manager, and shall be binding upon the Investor and its successors and assigns. The Investor represents and warrants that he/she/it is fully aware of the terms of the Power of Attorney granted hereunder and has granted such Power of Attorney to the Manager voluntarily and without coercion or duress of any kind. The Investor acknowledges that the Manager has provided contemporaneous and fair consideration for this Power of Attorney. The Investor, to the fullest extent that he/she/it may lawfully do so, hereby waives the effect and application of, and agrees that the Manager shall not be bound by, the duties and obligations imposed by applicable State law with regard to any right, power or remedy granted to the Manager pursuant to this Power of Attorney, and the Investor acknowledges that any action taken by the Manager in connection with the foregoing or as otherwise contemplated hereby are consistent with the Investor's reasonable expectations. Such waiver is given knowingly and voluntarily by the Investor after being advised by counsel of the Investor's choosing (or the waiver thereof), and is intended to encompass and apply to, individually, each instance arising in connection with this Power of Attorney or any related document where the obligations set forth in said State law could be deemed to apply to the Manager.

**I HAVE CAREFULLY READ AND UNDERSTAND THE FOREGOING POWER OF ATTORNEY PROVISION AND AGREE TO ITS TERMS.** ***(initial here)*** _____

## VI. GENERAL

**(A)** The Investor agrees to indemnify and hold harmless the Company, its Manager and each of their affiliates, and each other person, if any, who controls, is controlled by, or is under common control with, any of the foregoing, within the meaning of Section 15 of the Securities Act, against any and all loss, liability, claim, damage and expense whatsoever (including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) arising out of or based upon (i) any false representation or warranty made by the Investor, or breach or failure by the Investor to comply with any covenant or agreement made by the Investor, in this Subscription Agreement or in any other document furnished by the Investor to any of the foregoing in connection with this transaction, or (ii) any action for securities law violations instituted by the Investor which is finally resolved by judgment against the Investor. The Investor also agrees to indemnify the Company, the Manager and their affiliates and agents for any and all costs, fees and expenses (including legal fees and disbursements) in connection with any damages resulting from the Investor's assertion of lack of proper authorization from the Beneficial Owner or any other required authority to enter into this Subscription Agreement or perform the obligations hereof.

**(B)** If any provision of this Subscription Agreement is invalid or unenforceable under any applicable law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform to such applicable law. Any provision hereof which may be held invalid or unenforceable under any applicable law shall not affect the validity or enforceability of any other provisions hereof, and to this extent the provisions hereof shall be severable.

**(C)** If any answers provided or background documentation required under this Subscription Agreement are found to be false or misleading, the Investor understands that the Manager may require such Investor to fully withdraw from the Company as permitted under the Operating Agreement.

**(D)** No provision of this Subscription Agreement may be amended, waived or otherwise modified except by an instrument in writing executed by the parties hereto. This Subscription Agreement shall not be assignable by the Investor or the Company.

**(E)** The headings contained in this Subscription Agreement are for convenience only and shall not affect the meaning or interpretation of this Subscription Agreement.

**(F)** (i) This Subscription Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same agreement. This Subscription Agreement may be executed by facsimile or other electronic transmission with the same force and effect as an original signature. (ii) The Investor may request to have this Subscription Agreement provided or made available on paper or in nonelectronic form by sending a notice to the Manager as set forth herein. To the extent of any right of the Investor to withdraw its consent to electronic transmission hereunder, which shall be effectuated by sending a notice to the Manager as set forth herein, the Investor acknowledges that any such withdrawal shall only be valid to the extent expressly permitted under the Operating Agreement and this Subscription Agreement, must not have been substantially relied upon by the Company or the Manager in accepting the Investor’s subscription for an Interest, and may result in the termination of the parties’ relationship, to be determined by the Manager in its sole discretion. This consent to electronic transmission shall apply to this Subscription

Agreement and all other documents and instruments execution in connection with such initial subscription, in each case subject to the terms of the Operating Agreement and this Subscription Agreement. The Investor may request an electronic copy of this Subscription Agreement by sending a notice to the Manager as set forth herein.

**(G)** This Subscription Agreement shall be governed by and construed in accordance with the internal laws of the State of Tennessee (or as otherwise provided in the Operating Agreement and the other documents related to this offering) without regard to its conflict of laws provisions.

# INVESTOR PROFILE FORM

**ALL INVESTORS MUST COMPLETE THIS INFORMATION.**

_____ _____

_____ _____
Name of Investor (Please print or type) Tax I.D. Number

Type of Investor – ***Please check one:***

___ Limited Liability Company ___ Corporation ___ Limited Partnership

___ Other (please describe): _____

Full Mailing Address ***(Exactly as it should appear on labels):***
_____
_____
_____
_____

_____ _____
Telephone Number

E-Mail Address: _____
(which may be used for service of certain notices under the Operating Agreement)

Address of Principal Place of Business ***(No P.O. Boxes Please):***
*(Unless the Investor advises the Manager in writing simultaneously with the submission of these subscription documents, or as otherwise determined by the Manager in its discretion, the Company will assume that the Address of Principal Place of Business listed below is also the address of the office engaging in this offering and will be used in considering where the securities hereunder shall have been deemed offered and/or sold.)*
_____
_____

_____ _____
Telephone Number

Address of Insurance Agent, Broker, or other Authorized Representative ***(No P.O. Boxes Please)***, if any, to whom copies of all correspondence are to be sent:
_____
_____

_____ _____
Telephone Number

E-Mail Address: _____

Commitment Funded by Wire/ACH Transfer: ___ Yes ___ No

# INVESTOR PROFILE FORM (cont.)

**COMMUNICATIONS TO INVESTOR**

Please send all communications to ***(Check any/all as desired-one selection required):***

_____ Mailing Address

_____ E-Mail Address

_____ Principal Place of Business Address

# GENERAL ELIGIBILITY REPRESENTATIONS

**PLEASE COMPLETE ALL APPROPRIATE ITEMS.**

## I. INVESTOR INFORMATION

**(A)** The Investor hereby warrants and represents that it was not referred to the Company by a placement agent.

**(B)** The Investor hereby warrants and represents that Investor is:
***(please check, as applicable)***:

___ limited liability company ___ corporation

___ limited partnership

___ other legal entity (please explain):_____

It was organized/formed under the laws of the State of: _____
and has its principal place of business in the State of: _____[+]
Formation date of entity: _____

[+] *Unless the Investor advises the Manager in writing simultaneously with the submission of these subscription documents, or as otherwise determined by the Manager in its discretion, the Company will assume that the State of the Investor's Principal Place of Business listed above is also the State of the location of the office engaging in this offering and will be used in considering where the securities hereunder shall have been deemed offered and/or sold.*

**(C)** The Investor IS NOT a (i) bank holding company, as defined in Section 2(a) of the Bank Holding Company Act of 1956, as amended from time to time (the "BHC Act"), (ii) a foreign banking organization subject to the non-banking restrictions of the BHC Act, or (iii) a non-bank subsidiary of either of the foregoing.

**(D)** If the Investor is exempt from U.S. Federal income tax, please indicate the basis for the exemption: _____
_____.

**(E)** Is the Investor a registered investment company, or a company that is excluded from the definition of investment company solely by reason of the provisions of either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended?

___ Yes ___ No

If the answer to the question above is yes, please state the number of the Investor's beneficial owners: _____[++]

[++] *Unless otherwise identified above or in writing to the Manager simultaneously with the submission of these subscription documents, or as otherwise determined by the Manager in its discretion, the Company will assume that the number of the Investor's beneficial owners is one (1).*

## II. CERTIFICATION OF NON-FOREIGN STATUS & SUBSTITUTE FORM W-9

**FOR ALL INVESTORS** - Please certify by initialing/signing below:

The Investor certifies that it **IS** a U.S. entity and that it **IS NOT** (1) a non-resident alien or (2) a foreign corporation, foreign company, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code of 1986, as amended, including income tax regulations) for purposes of U.S. Federal income taxation. The Investor agrees to notify the Company within sixty (60) days of the date it becomes a foreign entity.

The Investor further certifies that its name, U.S. taxpayer identification number, business address (in the case of an entity), and email address, as they appear on the Investor Profile Form in this Subscription Agreement, are true and correct. The Investor further certifies that it is **NOT** subject to backup withholding because either (1) it is exempt from backup withholding, (2) it has not been notified by the Internal Revenue Service ("IRS") that it is subject to backup withholding as a result of a failure to report all interest or dividends, or (3) the IRS has notified it that it is no longer subject to backup withholding.* The Investor makes these certifications under penalty of perjury and understands that they may be disclosed to the IRS by the Company and that any false statement contained in this paragraph could be punished by fine and/or imprisonment.

_____ _____

Signature Date

* The Investor must cross out the preceding sentence if it has been notified by the IRS that it is currently subject to backup withholding because it has failed to report all interest and dividends on its tax return.

## III. ACCREDITED INVESTOR STATUS

The Investor certifies that the Investor is an "accredited investor" as defined in Regulation D promulgated under the Securities Act because:
***(Please check as appropriate)***

***All entities must select (one) of the options listed below.***

_____ 1. The Investor has total assets in excess of $5,000,000 and was not formed for the specific purpose of acquiring the Interests offered; or

_____ 2. Each of the Investor's equity owners is an accredited investor. *The Manager, in its sole discretion, may request information regarding the basis on which such equity owners are accredited.*

## IV. ANTI-MONEY LAUNDERING REPRESENTATIONS

(i) The name of the wiring bank from which the Investor's payment to the Company is being wired ("Investor's wiring bank") is: _____
*(insert bank name)*

Check here if the Investor's wiring bank is **NOT** located in the United States of America or another FATF Country.* _____

Check here if the Investor is **NOT** a customer of the Investor's wiring bank (as defined above). _____

If the Investor answered either that the Investor's wiring bank is **NOT** located in the United States of America or another FATF Country, or that it is **NOT** a client of the Investor's wiring bank, it will be required to provide additional information to the Manager.

(ii) The Investor represents that to its knowledge the amounts contributed by it to the Company were not directly or indirectly derived from activities that may contravene federal, state or international laws and regulations, including anti-money laundering laws and regulations.

(iii) The Investor acknowledges that Federal regulations and executive orders administered by OFAC prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals.** The lists of OFAC prohibited countries,

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* As of the date hereof, countries that are members of the Financial Action Task Force on Money Laundering (each, a "FATF Country") are: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and the ***United States of America***; and the Gulf Co-Operation Council and the European Commission are regional members.

** These individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs.

territories, persons and entities can be found on the OFAC website at <http://www.treas.gov/ofac>. In addition, the programs administered by OFAC *("OFAC* Programs") prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the OFAC lists.

(iv) The Investor represents and warrants that, to the best of its knowledge, none of the following parties is a country, territory, individual or entity named on an OFAC list, nor is a person or entity prohibited under the OFAC Programs:

(a) the Investor;

(b) any person controlling or controlled by the Investor;

(c) if the Investor is a privately held entity, any person having a beneficial interest in the Investor; or

(d) any person for whom the Investor is acting as agent or nominee in connection with this investment.

(v) The Investor acknowledges that the Company may not accept any amounts from a prospective investor if it cannot make the representation set forth in this Section IV. If an existing Investor cannot make these representations, the Company may require the transfer of the Interest by the Investor.

(vi) The Investor understands and agrees that any distributions made to it by the Company will be paid to an account in the Investor's name, unless the Manager, in its sole discretion, agrees otherwise.

(vii) The Investor agrees that, upon the request of the Company or the Manager, it will respond reasonably to requests by the Manager for such information as the Company or the Manager require to satisfy applicable anti-money laundering laws and regulations, including, without limitation, the Investor's anti-money laundering policies and procedures, background documentation relating to its directors, trustees, settlors and beneficial owners, and audited financial statements, if any.

Notwithstanding the foregoing provisions of this clause (vii), if an Investor informs the Manager, after consultation with counsel, that disclosure requested by the Manager above would require the Investor to violate applicable law, the Manager and the Investor shall consult with one another regarding the implications of such disclosure. The Investor will not be required to provide information to the Manager and/or the Company that would cause the Investor to be in violation of any applicable law; provided, that the Investor shall endeavor to provide the Manager with alternative information that assists the Manager with its inquiry.

**The Investor should check the website of OFAC at <http://www.treas.gov/ofac> before making the representations in this Section IV.**

## V. DISQUALIFYING EVENTS FOR COVERED PERSONS.

The Investor certifies that neither the Investor; nor any director, executive officer, other officer, general partner, managing member of the Investor; nor any beneficial owner of 20% or more of the Investor's outstanding voting equity securities, calculated on the basis of voting power; nor any investment manager of Investor; nor any person that has been or will be paid (directly or indirectly) remuneration for solicitation of Investor with respect to this investment; nor any general partner or managing member of any such investment manager or solicitor:

(i) Has been convicted, within the past ten (10) years before the date hereof, of any felony or misdemeanor: (A) In connection with the purchase or sale of any security; (B) Involving the making of any false filing with the Securities and Exchange Commission (the "Commission"); or (C) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(ii) Is subject to any order, judgment or decree of any court of competent jurisdiction, entered within five (5) years before the date hereof, that, as of the date hereof, restrains or enjoins such person from engaging or continuing to engage in any conduct or practice: (A) In connection with the purchase or sale of any security; (B) Involving the making of any false filing with the Commission; or (C) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(iii) Is subject to a final order of a state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations, or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); an appropriate federal banking agency; the U.S. Commodity Futures Trading Commission; or the National Credit Union Administration that:

(A) As of the date hereof, bars the person from: (1) Association with an entity regulated by such commission, authority, agency, or officer; (2) Engaging in the business of securities, insurance or banking; or (3) Engaging in savings association or credit union activities; or

(B) Constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct entered within ten (10) years before the date hereof;

(iv) Is subject to an order of the Commission entered pursuant to section 15(b) or 15B(c) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(b) or 78o-4(c)) or section 203(e) or (f) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3(e) or (f)) that, as of the date hereof: (A) Suspends or revokes such person's registration as a broker, dealer, municipal securities dealer or investment adviser; (B) Places limitations on the activities, functions or operations of such person; or (C) Bars such person from being associated with any entity or from participating in the offering of any penny stock;

(v) Is subject to any order of the Commission entered within five (5) years before the date hereof that, as of the date hereof, orders the person to cease and desist from committing or causing a violation or future violation of: (A) Any scienter-based anti-fraud provision of the federal securities laws, including without limitation section 17(a)(1) of the Securities Act of 1933 (15 U.S.C. 77q(a)(1)), section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)) and 17 CFR 240.10b-5, section 15(c)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(c)(1)) and

section 206(1) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-6(1)), or any other rule or regulation thereunder; or (B) Section 5 of the Securities Act of 1933 (15 U.S.C. 77e).

(vi) Is suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(vii) Has filed (as a registrant or issuer), or was or was named as an underwriter in, any registration statement or Regulation A or Regulation D offering statement filed with the Commission that, within five (5) years before the date hereof, was the subject of a refusal order, stop order, or order suspending the Regulation A or Regulation D exemption, or is, as of the date hereof, the subject of an investigation or proceeding to determine whether a stop order or suspension order should be issued; or

(viii) Is subject to a United States Postal Service false representation order entered within five (5) years before the date hereof, or is, as of the date hereof, subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

(ix) Is otherwise disqualified, or otherwise would place the Manager or the Company to be disqualified, as a "Bad Actor" pursuant to 17 CFR §230.506(d).

***If the representations made in this Section V are accurate, please initial here:*** _____

I certify to the completeness and accuracy of the preceding Investor Profile Form and General Eligibility Representations, and further certify that I am authorized signatory of the investor identified therein.

Date: _____

INVESTOR:

_____
Print name of entity

By:_____
Authorized Signature

_____
Print name and title

# SIGNATURE PAGES

The Investor understands and acknowledges that this subscription, upon acceptance by the Company, is binding upon its heirs, executors, administrators, successors and assigns.

By signing below, the Investor (i) confirms that the representations and warranties contained herein are accurate and complete in all respects, (ii) agrees to the terms of the Subscription Agreement and the Operating Agreement, (iii) requests that the records of the Company reflect Investor's admission as a Member, (iv) understands that the Company is not obligated to accept this Subscription Agreement, and (v) understands that this Subscription Agreement is not binding on the Company until it is accepted in writing by the Manager.

**(the remainder of this page has intentionally been left blank)**

The undersigned has executed this Subscription Agreement this ___ day of _____, 202__.

***(Please fill in and sign.)***

_____
Print Name of Entity

By:_____
Authorized Signature

_____
Print Name and Title

# ACCEPTANCE OF SUBSCRIPTION BY MANAGER

ACCEPTED BY:

LEGEND HOLDINGS, LLC,
a Tennessee limited liability company

By: Pareto Captive of Tennessee, LLC,
a Tennessee limited liability company,
the Manager

By:_____
Name:
Title:

Date: _____

LEGEND HOLDINGS, LLC

**CLIENT PRIVACY NOTICE**

Your privacy is very important to us. This Privacy Notice sets forth the policies of LEGEND HOLDINGS, LLC (the "Company") with respect to non-public personal information of its Investors, prospective investors and former investors. These policies apply to individuals and Individual Retirement Accounts only and may be changed at any time, provided a notice of such change is given to you.

You provide us with personal information, such as your address, social security number, assets and/or income information: (i) in the Subscription Agreement and related documents; (ii) in correspondence and conversations with the Company's representatives; and (iii) through transactions in the Company.

We do not disclose any of this personal information about our Investors, prospective investors or former investors to anyone, other than to our affiliates, and except as permitted by law, such as to our attorneys, auditors, brokers, regulators and certain service providers, in such case, only as necessary to facilitate the acceptance and management of your investment. It may be necessary, under anti-money laundering and similar laws, to disclose information about the Company's Investors in order to accept subscriptions from them. We will also release information about you if you direct us to do so, if compelled to do so by law, in connection with any government or self-regulatory organization request or investigation, if required by any prospective lender of the Company or its affiliates, to any applicable governmental agencies in connection with applications for liquor licenses or similar permits, or for other similar business purposes.

The Investor acknowledges that under applicable law, other Investors in the Company may be entitled to review the books and records of the Company and are entitled to see a list of Investors and their Commitments and capital contributions. The Investor explicitly consents to disclosure of the fact of its investment in the Company, its mailing address and its Commitment/capital contribution to other Investors in the Company.

We may also disclose information you provide to us to companies that perform services on our behalf. If such a disclosure is made, the Company will require such third parties to treat your private information with confidentiality.

We seek to carefully safeguard your private information and, to that end, restrict access to non-public personal information about you to those employees and other persons who need to know the information to enable the Company to provide services to you. We maintain physical, electronic and procedural safeguards to protect your non-public personal information.

**LEGEND HOLDINGS, LLC**
**CONFIDENTIAL MEMORANDUM**

Legend Holdings, LLC ("**Holdings**") is a Tennessee limited liability company formed for the purpose of holding a 100% membership interest in Legend Re, LLC, a Tennessee captive insurance company (the "**Captive**"). This Confidential Memorandum sets forth the terms and conditions of an offering of limited liability company membership interests in Holdings to prospective participants ("**Holdings Members**") in the captive insurance program offered by the Captive. Prospective Holdings Members should carefully read and retain this Confidential Memorandum.

**NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR THE STATE SECURITIES AUTHORITY OF ANY STATE HAS PASSED UPON THE MERITS OF, OR GIVEN ITS APPROVAL TO, ANY MEMBERSHIP INTERESTS OR THE TERMS OF THIS OFFERING OR ANY SUBSCRIPTION THEREFOR, NOR HAS ANY SUCH COMMISSION OR AUTHORITY PASSED UPON THE ACCURACY OR COMPLETENESS OF THIS SUBSCRIPTION PACKET OR ANY RELATED LITERATURE. THE MEMBERSHIP INTERESTS IN LEGEND HOLDINGS, LLC HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS AND ARE SUBJECT TO SIGNIFICANT RESTRICTIONS ON TRANSFERABILITY AS SPECIFIED IN THE OPERATING AGREEMENT.**

**THIS CONFIDENTIAL MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE USE OF PROSPECTIVE MEMBERS OF LEGEND HOLDINGS, LLC. IT IS NOT TO BE REPRODUCED OR USED FOR ANY OTHER PURPOSE WITHOUT THE EXPRESS PRIOR WRITTEN PERMISSION OF LEGEND HOLDINGS, LLC.**

**THIS CONFIDENTIAL MEMORANDUM CONTAINS FORWARD-LOOKING STATEMENTS WHICH ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF HOLDINGS OR OF THE CAPTIVE, SUCH AS STATEMENTS OF PLANS, OBJECTIVES, INTENTIONS, EXPECTATIONS AND SIMILAR FORWARD-LOOKING STATEMENTS. ALL SUCH FORWARD-LOOKING STATEMENTS ARE MADE ONLY AS OF THE DATE HEREOF. HOLDINGS AND THE CAPTIVE CLAIM ALL LEGAL PROTECTIONS AVAILABLE TO FORWARD-LOOKING STATEMENTS AND ARE UNDER NO OBLIGATION, AND EXPRESSLY DISCLAIM ANY SUCH OBLIGATION, TO UPDATE OR ALTER FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. YOU SHOULD NOT PLACE UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS.**

**LEGEND HOLDINGS, LLC**
c/o Pareto Captive Services, LLC,
The FMC Tower at Cira Centre South, 2929 Walnut Street, Suite 1500
Philadelphia, PA 19104

## DESCRIPTION OF OFFERING

Legend Holdings, LLC ("**Holdings**") has been organized as a Tennessee limited liability company effective as of October 31, 2017 by the Manager (as defined below), as its sole Member. Holdings' purpose is to, among other things, own Legend Re, LLC (the "**Captive**"), a Tennessee pure captive insurance company.

Holdings shall issue membership interests (the "**Interests**") to its members (the "**Holdings Members**"), representing such Holdings Members' share of profits, losses and distributions, which share shall be subject to adjustment from time to time. As a condition to admission in Holdings as members, the Holdings Members will purchase stop loss medical insurance policies from an admitted insurance company, which policies will then be reinsured by the Captive.

The Interests are not deposits in, obligations of or guaranteed by Holdings or any of its affiliates or by any bank, are not government guaranteed or insured and are subject to investment risks, including the possible loss of the principal amount invested. (*See* "Certain Risk Factors").

Except for the powers and authority delegated to the Member Board (as defined below) under the Operating Agreement of Holdings (the "**Holdings Operating Agreement**"), the business of Holdings shall be managed under the direction of its manager, Pareto Captive of Tennessee, LLC, a Tennessee limited liability company (the "**Manager**").

HOLDINGS INTERESTS ARE SUITABLE ONLY FOR ACCREDITED INVESTORS FOR WHOM/WHICH AN INVESTMENT IN HOLDINGS DOES NOT CONSTITUTE A COMPLETE INVESTMENT PROGRAM AND WHO FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE RISKS INVOLVED IN THE CAPTIVE'S INSURANCE PROGRAM. THE CAPTIVE'S INSURANCE PROGRAM, BY ITS NATURE, MAY BE CONSIDERED TO INVOLVE A SUBSTANTIAL DEGREE OF RISK (*See* "Certain Risk Factors").

This Confidential Memorandum sets forth certain terms and conditions related to an offering of the Interests. The minimum initial capital contribution (collectively, "**Capital Contributions**") from each Holdings Member shall be determined by the Manager or such other party to be designated by the Manager in an amount to be invoiced by the Manager. In addition, each Holdings Member must have an in-force insurance policy that is being reinsured to the Captive as condition to admission. Failure to maintain an in-force insurance policy may result in an automatic withdrawal from Holdings. Capital Contributions received from prospective Holdings Members will be held by Holdings pending such prospect's admission. After the first Program Year (as defined in the Holdings Operating Agreement), each Holdings Member

continuing to participate in the Captive Program may be required to make an additional capital contribution to Holdings as determined by the Manager.

At the end of any underwriting year, a Holdings Member is free to discontinue participation in the Captive Program. Except as permitted by the Manager, no discontinuance will entitle the Holdings Member to a return of any unused portion of its Capital Contributions. However, any Holdings Member who has continuously maintained an in-force stop loss policy and has been current on all required Capital Contributions (being in "**Good Standing**") for all applicable underwriting years will be entitled to distributions related to the Program Years during which the Holdings Member was in Good Standing as determined by the Manager. Holdings Members not in Good Standing shall not be entitled to any distributions. The Manager may permit such Holdings Member to withdraw from Holdings upon the satisfaction of certain requirements set forth more particularly in the Holdings Operating Agreement, including: (1) the commutation or termination of all of the Captive's obligations under its reinsurance agreement for the policy periods during which the Holdings Member was a member of Holdings unless (i) such liabilities can be estimated with a reasonable degree of certainty or (ii) such liabilities are deemed *de minimis* (all as determined by the Manager in its sole discretion); and (2) the execution and delivery of a waiver and release in favor of the Manager; the officers, employees and agents of Holdings and the Captive and such other third parties designated by the Manager containing terms acceptable to the Manager. Upon the satisfaction of the conditions set forth in the Holdings Operating Agreement, and upon the withdrawal of the Holdings Member, any such withdrawing Holdings Member in Good Standing will be entitled to receive either (a) any declared but undistributed distributions with respect to the then current Program Year and to receive a distribution of any amount such Holdings Member would have been entitled to receive as a result of the activities of Holdings and the Captive through the date of withdrawal or (b) such other amount(s) as the withdrawing Holdings Member and the Manager may mutually agree, subject to Holdings' right to offset against all such amounts until such withdrawing Holdings Member's unsatisfied liabilities are reduced to zero (0).

Prospective Holdings Members should read this Confidential Memorandum carefully with its own legal and tax advisors. The contents of this Confidential Memorandum and any other information provided to prospective Holdings Members by the Manager or any other person or entity acting or purporting to act as an agent of Holdings or the Captive should not be considered legal or tax advice, and each prospective Holdings Member should consult with and shall rely solely on his or her own counsel and advisers as to all matters concerning an investment in Holdings and participation in the Captive Program.

There will be no public offering of the Interests. No offer to sell (or solicitation of an offer to buy) is being made in any jurisdiction in which such offer or solicitation would be unlawful or would result in any undue or unintended financial or other burden upon Holdings or the Captive.

This Confidential Memorandum has been prepared solely for the information of the person to whom it has been delivered on behalf of Holdings and may not be reproduced or used for any other purpose. Each person accepting this Confidential Memorandum, by such person's

acceptance, agrees to all the restrictions contained herein and to return it to Holdings promptly upon request.

Holdings is not registered as an investment company under the Investment Advisers Act of 1940 (as amended, the "**1940 Act**"). Holdings is not registered as an investment adviser under the 1940 Act.

EACH PROSPECTIVE MEMBER IS INVITED TO MEET WITH AUTHORIZED REPRESENTATIVES OF HOLDINGS TO DISCUSS WITH, ASK QUESTIONS OF AND RECEIVE ANSWERS FROM, SUCH PERSONS CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING OF THE INTERESTS, AND TO OBTAIN ANY ADDITIONAL INFORMATION NECESSARY TO VERIFY THE INFORMATION CONTAINED HEREIN, TO THE EXTENT HOLDINGS POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE. NOTWITHSTANDING THE FOREGOING, NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE INTERESTS, EXCEPT THE INFORMATION EXPRESSLY SET FORTH HEREIN.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE HOLDINGS MEMBERS MUST RELY ON THEIR OWN EXAMINATION OF HOLDINGS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE INTERESTS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT OR THE MERITS OF AN INVESTMENT IN THE INTERESTS OFFERED HEREBY, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE INTERESTS ARE SUBJECT TO SIGNIFICANT RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, PURSUANT TO REGISTRATION OF EXEMPTION THEREFROM AND/OR AFTER THE SATISFACTION OF THE CONDITIONS SET FORTH IN THE OPERATING AGREEMENT FOR HOLDINGS. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

**STATE-SPECIFIC PROVISIONS AND RESTRICTIVE LEGENDS**.

ANY DEFINED TERMS IN THIS SECTION SHALL APPLY ONLY TO THIS SECTION OF THIS DOCUMENT.

THE INCLUSION OF RESTRICTIVE LEGENDS FOR EACH STATE IN THE PRIVATE PLACEMENT MEMORANDUM IS NOT INTENDED TO IMPLY THAT THE SECURITIES COVERED BY THE PRIVATE PLACEMENT MEMORANDUM ARE TO BE OFFERED

FOR SALE IN EVERY STATE, BUT IS MERELY A PRECAUTION IN THE EVENT THE PRIVATE PLACEMENT MEMORANDUM MAY BE TRANSMITTED INTO ANY STATE OTHER THAN AS MAY BE DELIVERED BY THE COMPANY. NOTICE TO RESIDENTS OF ALL STATES: THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD SOLELY IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THERE IS NO PUBLIC MARKET FOR THE SECURITIES OF THE COMPANY. EVEN IF SUCH MARKET EXISTED, PURCHASERS OF SECURITIES WILL BE REQUIRED TO REPRESENT THAT THE SECURITIES ARE BEING ACQUIRED FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO SALE OR DISTRIBUTION, AND PURCHASERS WILL NOT BE ABLE TO RESELL THE SECURITIES UNLESS THE SECURITIES ARE REGISTERED UNDER THE SECURITIES ACT AND QUALIFIED UNDER THE APPLICABLE STATE STATUTES (OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION IS AVAILABLE). PURCHASERS OF THE SECURITIES SHOULD BE PREPARED TO BEAR THE ECONOMIC RISK OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES COMMISSION OR ANY OTHER STATE OR FEDERAL REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING, NOR THE ACCURACY OR ADEQUACY OF THE PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. SEE “INVESTOR SUITABILITY STANDARDS,” “RISK AND OTHER IMPORTANT FACTORS”. THE PRESENCE OF A LEGEND FOR ANY GIVEN STATE REFLECTS ONLY THAT A LEGEND MAY BE REQUIRED BY THAT STATE AND SHOULD NOT BE CONSTRUED TO MEAN AN OFFER OR SALE MAY BE MADE IN ANY PARTICULAR STATE. THE PRIVATE PLACEMENT MEMORANDUM MAY BE SUPPLEMENTED BY ADDITIONAL STATE LEGENDS. THE SECURITIES REPRESENTED HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES COMMISSION PURSUANT TO SECTION 5 OF THE SECURITIES ACT IN RELIANCE ON EXEMPTIONS FROM REGISTRATION INCLUDING SECTION 3(B), SECTION 4(2), REGULATION D, RULE 504, 505 OR 506 AND SECTION 4(6) THE “ACCREDITED INVESTOR EXEMPTION” THEREUNDER FOR LIMITED OFFERINGS, FOR PRIVATE OFFERINGS AND RELEASE 33-4708 ISSUED BY THE SECURITIES COMMISSION ON JULY 9, 1964, FOR OFFERINGS TO FOREIGNERS.

NOTICE TO ALABAMA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THE PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE TO ALASKA RESIDENTS

THE SECURITIES OFFERED HAVE NOT BEEN REGISTERED WITH THE ADMINISTRATOR OF SECURITIES OF THE STATE OF ALASKA PROVISIONS OF 3 AAC 08.500—3 THROUGH AAC 08.506. THE INVESTOR IS ADVISED THAT THE ADMINISTRATOR HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THE PRIVATE PLACEMENT MEMORANDUM SINCE THE DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR. THE FACT OF THE REGISTRATION DOES NOT MEAN THAT THE ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MERITS, RECOMMENDED, OR APPROVED THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A VIOLATION OF A.S. 45.55.170. THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED IN MAKING AN INVESTMENT DECISION ON THESE SECURITIES.

NOTICE TO ARIZONA RESIDENTS

THE UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF THE STATE OF ARIZONA (THE "**ARIZONA ACT**"), AND THEY THEREFORE HAVE THE STATUS OF SECURITIES ACQUIRED IN AN EXEMPT TRANSACTION UNDER ARS SECTION 44- 1844 OF THE ARIZONA ACT. THE UNITS CANNOT BE RESOLD WITHOUT REGISTRATION UNDER THE ARIZONA ACT OR UNLESS AN EXEMPTION THEREFROM IS AVAILABLE.

NOTICE TO ARKANSAS RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 14(B) (14) OF THE ARKANSAS SECURITIES ACT AND SECTION 4(2) OF THE SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURITIES COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSION HAVE PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO CALIFORNIA RESIDENTS

IT IS UNLAWFUL TO CONSUMMATE A SALE, TRANSFER OF THESE SECURITIES OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFROM WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES. THE SALE OF THE SECURITIES DESCRIBED IN THE PRIVATE PLACEMENT MEMORANDUM HAVE NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH SECURITIES OR THE PAYMENT OR THE RECEIPT OF CONSIDERATION THEREFORE PRIOR TO SUCH QUALIFICATION IS UNLAWFUL, UNLESS THE SALE THEREOF IS EXEMPT UNDER APPLICABLE LAW. THE

COMPANY IS RELYING ON THE EXEMPTION FROM SUCH QUALIFICATION PROVIDED BY SECTION 10102(f) OF THE CALIFORNIA CORPORATIONS CODE.

NOTICE TO COLORADO RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE COLORADO SECURITIES ACT OF 1981 BY REASON OF SPECIFIC EXEMPTION THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1981, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO CONNECTICUT RESIDENTS

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT GENERAL STATUTES, THE UNIFORM SECURITIES ACT, AS AMENDED (THE "**CONNECTICUT ACT**"), AND THEREFORE CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT ACT OR UNLESS AN EXEMPTION FROM REGISTRATION PURSUANT TO SECTION 36-490(B) (9) OF THE CONNECTICUT ACT OR ANY OTHER SECTION OF THE CONNECTICUT ACT IS AVAILABLE. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BANKING COMMISSIONER OF THE STATE OF CONNECTICUT, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO DELAWARE RESIDENTS

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE DELAWARE SECURITIES ACT (THE "**DELAWARE ACT**"), AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED BY THE INVESTOR EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE DELAWARE ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE DELAWARE ACT.

NOTICE TO FLORIDA RESIDENTS

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT AND ARE BEING SOLD IN RELIANCE UPON AN EXEMPTION PROVISION CONTAINED THEREIN. PURSUANT TO SECTION 517.061(11) (a) (5) OF THE FLORIDA STATUTES, IF SECURITIES ARE SOLD TO FIVE OR MORE FLORIDA RESIDENTS, FLORIDA INVESTORS WILL HAVE A THREE (3) DAY RIGHT OF RESCISSION. INVESTORS WHO HAVE EXECUTED A SUBSCRIPTION AGREEMENT MAY ELECT, WITHIN THREE (3) BUSINESS DAYS AFTER THE FIRST TENDER OF CONSIDERATION THEREFORE TO WITHDRAW THEIR SUBSCRIPTION AND RECEIVE A FULL REFUND OF ANY MONEY PAID BY THEM. SUCH WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH SUCH WITHDRAWAL, AN INVESTOR NEED ONLY SEND A LETTER OR TELEGRAM TO THE COMPANY AT THE ADDRESS SHOWN HEREIN INDICATING HIS INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM MUST BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED THIRD BUSINESS

DAY. IF SENDING A LETTER, AN INVESTOR SHOULD SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND TO EVIDENCE THE TIME WHEN IT IS MAILED. ANY ORAL REQUESTS FOR RESCISSION SHOULD BE ACCOMPANIED BY A REQUEST FOR WRITTEN CONFIRMATION THAT THE ORAL REQUEST WAS RECEIVED ON A TIMELY BASIS. THE COMPANY'S ADDRESS IS SET FORTH UNDER "THE COMPANY."

NOTICE TO GEORGIA RESIDENTS

THESE SECURITIES ARE BEING OFFERED AND SOLD IN RELIANCE ON PARAGRAPH (13) OF CODE SECTION 10-5-9 OF THE GEORGIA SECURITIES ACT OF 1973, AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACT.

NOTICE TO HAWAII RESIDENTS

NEITHER THE PRIVATE PLACEMENT MEMORANDUM NOR THE SECURITIES DESCRIBED HEREIN HAVE BEEN APPROVED OR DISAPPROVED BY THE COMMISSIONER OF SECURITIES OF THE STATE OF HAWAII, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THE PRIVATE PLACEMENT MEMORANDUM.

NOTICE TO IDAHO RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE IDAHO SECURITIES ACT AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED, UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

NOTICE TO ILLINOIS RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER SECTION 5 OF THE ILLINOIS SECURITIES ACT OF 1953 (THE "**ILLINOIS ACT**"). THE SECURITIES MAY NOT BE RESOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY, UNLESS SUBSEQUENTLY REGISTERED UNDER THE ILLINOIS ACT OR UNLESS AN EXEMPTION FROM REGISTRATION THEREFROM IS AVAILABLE.

NOTICE TO INDIANA RESIDENTS

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATION OF, NOR RECOMMENDED, NOR GIVEN APPROVAL TO THE SECURITIES HEREBY OFFERED, NOR PASSED UPON THE ACCURACY OR ADEQUACY OF THE PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. PENDING PERFECTION OF THE EXEMPTION UNDER SECTION 23-1-2(B) (10) OF THE INDIANA BLUE SKY LAW, THE OFFERING IS PRELIMINARY AND SUBJECT TO MATERIAL CHANGE. THESE SECURITIES ARE SPECULATIVE, HAVE NOT BEEN REGISTERED UNDER SECTION 3 OF THE INDIANA SECURITIES ACT AND THEREFORE, CANNOT BE RESOLD OR TRANSFERRED, UNLESS THEY ARE SO REGISTERED, NOR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

NOTICE TO KANSAS RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES ACT OF ANY JURISDICTION BY REASON OF SPECIFIC EXEMPTION THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT, OR APPLICABLE STATE SECURITIES LAW, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO KENTUCKY RESIDENTS

FOR KENTUCKY RESIDENTS, THE OPERATOR IN ALL SALES TO NON-ACCREDITED INVESTORS MUST HAVE REASONABLE GROUNDS TO BELIEVE, AFTER MAKING INQUIRY THAT: (1) THE INVESTMENT IS SUITABLE FOR THE PURCHASER ON THE BASIS OF THE FACTS DISCLOSED BY THE PURCHASER AS TO HIS OR HER OTHER SECURITY HOLDINGS AND TO HIS OR HER FINANCIAL SITUATION AND NEEDS. (THERE IS A PRESUMPTION FOR THE LIMITED PURPOSE OF THIS CONDITION THAT IF THE INVESTMENT DOES NOT EXCEED 10% OF THE INVESTOR'S NET WORTH THAT IT IS SUITABLE). (2) THE INVESTOR, EITHER ALONE OR WITH REPRESENTATIVES, HAS SUFFICIENT KNOWLEDGE AND EXPERIENCE TO EVALUATE THE MERITS AND RISKS OF THE INVESTMENT. THE SECURITIES REPRESENTED IN THE PRIVATE PLACEMENT MEMORANDUM AND SUBSCRIPTION DOCUMENTS ARE BEING SOLD PURSUANT TO A CLAIM OF EXEMPTION FROM THE REGISTRATION OR QUALIFICATION PROVISIONS OF THE FEDERAL AND STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

NOTICE TO LOUISIANA RESIDENTS

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR THE LOUISIANA SECURITIES LAW AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAW. THE SECURITIES ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED NOR RESOLD, EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAW PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE SECURITIES HAVE NOT BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES EXCHANGE COMMISSION, OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING, NOR THE ACCURACY OR ADEQUACY OF THE PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO MARYLAND RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE MARYLAND SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE RESOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY, UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OR THE MARYLAND SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO MASSACHUSETTS RESIDENTS

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE MASSACHUSETTS SECURITIES ACT BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT, OR THE MASSACHUSETTS IS SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO MICHIGAN RESIDENTS

THE SECURITIES REFERRED TO IN THE PRIVATE PLACEMENT MEMORANDUM WILL BE SOLD TO AND ACQUIRED BY THE HOLDER IN A TRANSACTION EXEMPT UNDER SECTION 4(2) (b) (9) OF THE MICHIGAN BLUE SKY LAW. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER SAID LAW AND MAY NOT BE RESOLD EXCEPT IN ACCORDANCE WITH SAID LAW WITHIN SIX MONTHS OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES, OR THE TERMINATION OF THE SUBSCRIPTION PERIOD AS SET FORTH IN THE PRIVATE PLACEMENT MEMORANDUM, WHICHEVER FIRST OCCURS, THE COMPANY SHALL, IF SALES OF THE SECURITIES ARE MADE TO MICHIGAN RESIDENTS, PREPARE AND FURNISH TO INVESTORS A DETAILED WRITTEN STATEMENT OF THE APPLICATION OF PROCEEDS OF THE OFFERING, AS WELL AS ANY OTHER APPLICABLE STATEMENTS AND REPORTS REQUIRED TO BE FURNISHED UNDER APPLICABLE LAW.

NOTICE TO MINNESOTA RESIDENTS

THESE SECURITIES REPRESENTED BY THE PRIVATE PLACEMENT MEMORANDUM HAVE NOT BEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO REGISTRATION, OR AN EXEMPTION THEREFROM.

NOTICE TO MISSISSIPPI RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE MISSISSIPPI SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE MISSISSIPPI SECRETARY OF STATE. THE SECRETARY OF STATE HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED OF THE OFFERING. THE SECRETARY OF STATE DOES NOT RECOMMEND THE PURCHASE OF THESE OR

ANY OTHER SECURITIES. THERE IS NO ESTABLISHED MARKET FOR THESE SECURITIES AND THERE MAY NOT BE ANY MARKET FOR THESE SECURITIES IN THE FUTURE. THE SUBSCRIPTION PRICE OF THESE SECURITIES HAS BEEN ARBITRARILY DETERMINED BY THE ISSUER AND IS NOT AN INDICATION OF THE ACTUAL VALUE OF THESE SECURITIES. THE PURCHASER OF THESE SECURITIES MUST MEET CERTAIN SUITABILITY STANDARDS AND MUST BE ABLE TO BEAR AN ENTIRE LOSS OF HIS INVESTMENT. THESE SECURITIES MAY NOT BE TRANSFERRED FOR A PERIOD OF ONE YEAR EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE MISSISSIPPI SECURITIES ACT OR ANY TRANSACTION IN COMPLIANCE WITH THE MISSISSIPPI SECURITIES ACT.

NOTICE TO MISSOURI RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES ACT OF ANY JURISDICTION BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT, OR APPLICABLE STATE SECURITIES LAW, IF SUCH REGISTRATION IS REQUIRED.

NOTICE TO NEBRASKA RESIDENTS

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH DIRECTOR OF THE DEPARTMENT OF BANKING AND FINANCE OF THE STATE OF NEBRASKA, BUT HAS NOT YET BECOME EFFECTIVE, INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BE SOLD BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PRELIMINARY DOCUMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN NEBRASKA SINCE SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL PRIOR TO QUALIFICATION UNDER SECTION 8-1107 OF THE NEBRASKA SECURITIES ACT.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE UNDER THIS CHAPTER HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY

PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO NEW JERSEY RESIDENTS

THESE SECURITIES ARE OFFERED IN RELIANCE ON AN EXEMPTION FROM REGISTRATION UNDER THE NEW JERSEY UNIFORM SECURITIES LAW. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER SAID LAW AND MAY NOT BE RE-OFFERED FOR SALE, TRANSFER OR RESOLD WITHOUT COMPLIANCE WITH THE REGISTRATION PROVISIONS OF SAID LAW OR AN EXEMPTION THEREFROM. THE BUREAU OF SECURITIES OF NEW JERSEY HAS NOT PASSED UPON THE ACCURACY OR COMPLETENESS OF THE PRIVATE PLACEMENT MEMORANDUM AND DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THE SECURITIES.

NOTICE TO NEW MEXICO RESIDENTS

THE SECURITIES DESCRIBED HEREIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEXICO (THE "**NEW MEXICO ACT**"). ACCORDINGLY, THE NEW MEXICO SECURITIES BUREAU HAS NOT REVIEWED THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFERING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES OR UPON THE ACCURACY OF THE INFORMATION CONTAINED WITHIN THE PRIVATE PLACEMENT MEMORANDUM. THESE SECURITIES MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE NEW MEXICO ACT OR AN EXEMPTION THEREFROM.

NOTICE TO NEW YORK RESIDENTS

THE PRIVATE PLACEMENT MEMORANDUM DOES NOT KNOWINGLY CONTAIN AN UNTRUE STATEMENT OF MATERIAL FACT OR KNOWINGLY OMIT TO STATE A MATERIAL FACT NECESSARY TO MAKE THE STATEMENTS MADE, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING. IT CONTAINS A FAIR SUMMARY OF THE MATERIAL TERMS OF THE DOCUMENTS PURPORTED TO BE SUMMARIZED HEREIN. ALL PROCEEDS OF THIS OFFERING WILL BE USED ONLY FOR THE PURPOSES SET FORTH UNDER THE CAPTION "USE OF PROCEEDS." THE OFFERING OF THE SECURITIES HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK BECAUSE OF THE OFFEROR'S REPRESENTATIONS THAT THIS IS INTENDED TO BE A NON-PUBLIC OFFERING PURSUANT TO REGULATION D AND THAT IF ALL OF THE CONDITIONS AND LIMITATIONS OF REGULATION D ARE NOT COMPLIED WITH, THE OFFERING WILL BE RESUBMITTED TO THE ATTORNEY GENERAL FOR AMENDED EXEMPTION. ANY OFFERING LITERATURE USED IN CONNECTION WITH THE OFFERING HAS NOT BEEN RE-FILED WITH THE ATTORNEY GENERAL AND HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL. THE SECURITIES ARE BEING PURCHASED FOR THE INVESTOR'S OWN ACCOUNT FOR INVESTMENT AND NOT FOR DISTRIBUTION OR RESALE TO OTHERS. EACH NEW YORK INVESTOR WILL BE REQUIRED TO AGREE THAT HE OR SHE WILL NOT SELL OR OTHERWISE TRANSFER THESE UNITS UNLESS THEY ARE REGISTERED UNDER THE

SECURITIES ACT OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. EACH NEW YORK INVESTOR WILL BE REQUIRED TO REPRESENT THAT HE OR SHE HAS ADEQUATE MEANS OF PROVIDING FOR HIS OR HER CURRENT NEEDS AND POSSIBLE PERSONAL CONTINGENCIES, AND THAT HE OR SHE HAS NO NEED FOR LIQUIDITY OF THIS INVESTMENT. ALL NEW YORK INVESTORS WILL BE REQUIRED TO REPRESENT THAT THEY UNDERSTAND THAT THE OFFERING MAY BE MADE ONLY TO THOSE NON-ACCREDITED RESIDENTS OF NEW YORK WHO: HAVE A NET WORTH (ALONE OR JOINTLY WITH A SPOUSE, BUT EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES) OF THREE TIMES THE AMOUNT OF THE INVESTMENT AND AN ADJUSTED GROSS INCOME (ALONE OR JOINTLY WITH A SPOUSE, BUT EXCLUSIVE OF HOME, HOME FURNISHINGS AND AUTOMOBILES) OF FIVE TIMES THE AMOUNT OF THE INVESTMENT. ALL DOCUMENTS, RECORDS AND BOOKS PERTAINING TO THIS INVESTMENT WILL BE MADE AVAILABLE FOR INSPECTION BY EACH NEW YORK INVESTOR AND HIS OR HER ATTORNEY, ACCOUNTANT OR PURCHASER REPRESENTATIVE. THE BOOKS AND RECORDS OF THE ISSUER WILL BE AVAILABLE AT ITS PRINCIPAL PLACE OF BUSINESS UPON REASONABLE NOTICE FOR INSPECTION BY INVESTORS AT REASONABLE HOURS.

NOTICE TO OHIO RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE OHIO SECURITIES ACT (THE "**OHIO ACT**"), AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED BY THE INVESTOR EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE OHIO ACT, OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE OHIO ACT.

NOTICE TO OKLAHOMA RESIDENTS

THE SECURITIES OFFERED HEREIN HAVE NOT BEEN REGISTERED UNDER THE OKLAHOMA SECURITIES ACT (THE "**OKLAHOMA ACT**"), AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED BY THE INVESTOR IN A TRANSACTION WHICH IS EXEMPT UNDER THE OKLAHOMA ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE OKLAHOMA ACT.

NOTICE TO OREGON RESIDENTS

THE SECURITIES OFFERED HEREIN HAVE NOT BEEN REGISTERED WITH THE DIRECTOR OF THE DEPARTMENT OF INSURANCE AND FINANCE FOR THE STATE OF OREGON. THE INVESTOR MUST RELY ON THE INVESTOR'S EXAMINATION OF THE COMPANY CREATING THE SECURITIES, AND THE TERMS OF THE OFFERING, INCLUDING THE MAKING OF AN INVESTMENT DECISION ON THESE SECURITIES.

NOTICE TO PENNSYLVANIA RESIDENTS

EACH SUBSCRIBER WHO IS A PENNSYLVANIA RESIDENT HAS THE RIGHT TO CANCEL AND WITHDRAW HIS OR HER SUBSCRIPTION AND HIS OR HER PURCHASE OF SECURITIES THEREUNDER, UPON WRITTEN NOTICE TO THE COMPANY GIVEN WITHIN TWO (2) BUSINESS DAYS FOLLOWING THE RECEIPT BY THE COMPANY OF HIS OR HER EXECUTED SUBSCRIPTION AGREEMENT. ANY

NOTICE OF CANCELLATION OR WITHDRAWAL SHOULD BE MADE BY TELEGRAM, CERTIFIED OR REGISTERED MAIL AND WILL BE EFFECTIVE UPON DELIVERY TO WESTERN UNION OR DEPOSIT IN THE UNITED STATES MAIL, POSTAGE OR OTHER TRANSMITTAL FEES PREPAID. UPON SUCH CANCELLATION OR WITHDRAWAL, THE SUBSCRIBER WILL HAVE NO OBLIGATION OR DUTY UNDER THE SUBSCRIPTION AGREEMENT TO THE COMPANY OR ANY OTHER PERSON AND WILL BE ENTITLED TO THE FULL RETURN OF ANY AMOUNT PAID BY HIM OR HER, WITHOUT INTEREST. NEITHER THE PENNSYLVANIA SECURITIES COMMISSION NOR ANY OTHER AGENCY PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING, AND ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. PENNSYLVANIA SUBSCRIBERS MAY NOT SELL THEIR SECURITIES FOR ONE YEAR FROM THE DATE OF PURCHASE IF SUCH A SALE WOULD VIOLATE SECTION 203(D) OF THE PENNSYLVANIA SECURITIES ACT. PENNSYLVANIA RESIDENTS WHO ARE NOT ACCREDITED INVESTORS MUST MEET THE SUITABILITY REQUIREMENTS SET FORTH IN THE PRIVATE PLACEMENT MEMORANDUM AND MUST HAVE A NET WORTH (EXCLUSIVE OF HOME, HOME FURNISHINGS AND PERSONAL AUTOMOBILES) OF AT LEAST FIVE (5) TIMES THE AMOUNT OF THE PROPOSED INVESTMENT.

NOTICE TO RHODE ISLAND RESIDENTS

ALTHOUGH THE SECURITIES HEREIN DESCRIBED HAVE BEEN EXEMPTED FROM REGISTRATION PURSUANT TO TITLE 7, CHAPTER 11, OF THE RHODE ISLAND GENERAL LAWS, SUCH EXEMPTION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE RHODE ISLAND DEPARTMENT OF BUSINESS REGULATION THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, ACCURATE OR NOT MISLEADING.

NOTICE TO SOUTH CAROLINA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE SOUTH CAROLINA UNIFORM SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE SOUTH CAROLINA SECURITIES COMMISSIONER. THE COMMISSIONER DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THE PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE TO SOUTH DAKOTA RESIDENTS

EACH SOUTH DAKOTA RESIDENT PURCHASING ONE OR MORE WHOLE OR FRACTIONAL SECURITIES MUST WARRANT THAT HE HAS EITHER A MINIMUM ANNUAL GROSS INCOME OF $30,000.00 OR A MINIMUM NET WORTH (EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES) OF $75,000.00. ADDITIONALLY, EACH INVESTOR WHO IS NOT AN ACCREDITED INVESTOR OR WHO IS AN ACCREDITED INVESTOR SHALL NOT MAKE AN INVESTMENT IN THIS PROGRAM IN EXCESS OF TWENTY PERCENT (20%). OF HIS NET WORTH (EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES).

NOTICE TO TENNESSEE RESIDENTS

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONS OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE TENNESSEE SECURITIES ACT OF 1993, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NOTICE TO TEXAS RESIDENTS

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE TEXAS SECURITIES ACT, AS AMENDED, AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT. THE SECURITIES ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE SECURITIES HAVE NOT BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES COMMISSION, ANY STATE SECURITIES COMMISSION NOR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON NOR ENDORSED THE MERITS OF THIS OFFERING NOR THE ACCURACY NOR ADEQUACY OF THE PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO VIRGINIA RESIDENTS

THE SECURITIES OF THE COMPANY HAVE NOT BEEN REGISTERED UNDER THE VIRGINIA SECURITIES ACT (THE "**VIRGINIA ACT**"), AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED BY THE INVESTOR EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE VIRGINIA ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE VIRGINIA ACT.

NOTICE TO WASHINGTON STATE RESIDENTS

THE ADMINISTRATOR OF SECURITIES HAS NOT REVIEWED THE OFFERING OR OFFERING CIRCULAR AND THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF WASHINGTON, CHAPTER 21.20 RCW, AND, THEREFORE, CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT OF WASHINGTON, CHAPTER 21.20 RCW, OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

NOTICE TO WISCONSIN RESIDENTS

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY IN THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES HAVE NOT BEEN RECOMMENDED BY AND FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY, OR DETERMINED THE ADEQUACY, OF THE PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

**LEGEND HOLDINGS, LLC**

**SUMMARY OF TERMS**

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| THE COMPANY: | Legend Holdings, LLC ("**Holdings**") was organized as a limited liability company under the laws of the State of Tennessee by filing articles of organization in accordance with the Tennessee Limited Liability Company Act (as amended, together with any successor statute, the "**Act**"). |
| PURPOSE: | Holdings' objective and business purpose is to hold 100% of the membership interests in Legend Re, LLC (the "**Captive**"), a pure captive insurance company licensed by the Tennessee Insurance Commissioner (the "**Commissioner**") in accordance with the Revised Tennessee Captive Insurance Act (as amended, together with any successor statute, the "**Captive Statute**").<br><br>The Captive implements an insurance program (the "**Captive Program**") whereby the Captive reinsures medical stop loss policies in favor of the admitted members of Holdings (the "**Holdings Members**"). These medical stop loss policies will be purchased by the Holdings Members from an admitted insurance carrier as a condition of membership in Holdings. |
| TERM: | The term of Holdings shall be indefinite, except that Holdings may be terminated by agreement of two-thirds of the Members of Holdings and the consent of the Manager to dissolve and terminate Holdings; the entry of a decree of judicial dissolution under the Act; Administrative dissolution under the Act or as may be otherwise provided in the Operating Agreement for Holdings.<br><br>The term of the Captive shall be indefinite, except that the Captive may be terminated by the consent of Holdings to dissolve and terminate the Captive; the entry of a decree of judicial dissolution under the Act; or Administrative dissolution under the Act or as may be otherwise provided in the Operating Agreement for the Captive. |
| ADMISSION OF MEMBERS; CAPITAL CONTRIBUTIONS: | Holdings may admit Holdings Members upon the following conditions: (1) the approval of such admission by the Manager of Holdings and the satisfaction of any conditions to admission established by the Manager; (2) the member must purchase a medical stop loss insurance policy that will be reinsured by the Captive; (3) the proposed member must pay an initial cash Capital Contribution in an amount determined by the Manager; and (4) execute a Subscription Agreement in the form required by the Manager. All cash received from prospective Holdings |

Members prior to the acceptance of their respective subscriptions will be deposited in an account designated by Holdings.

For every Program Year, each Holdings Member continuing to participate in the Captive Program may be required to make an additional Capital Contribution in the amount determined by the Manager (an "**Additional Capital Contribution**"). Once the reinsurance obligations of the Captive for a particular Program Year have been commuted or terminated, any unused Capital Contributions from the Holdings Members associated with that Program Year not needed to satisfy future obligations of the Captive less the expenses of Holdings may be released and/or used to offset the obligation to provide additional Capital Contributions for a subsequent Program Year.

Except for the annual Capital Contributions, and as may be required by the Commissioner of the Tennessee Department of Commerce and Insurance (the "**Commissioner**"), and as may otherwise be required by the Operating Agreement of Holdings or the Operating Agreement of the Captive, no Member of Holdings shall be required to make any additional Capital Contributions to Holdings. There is however a risk that pursuant to requirements imposed by the Commissioner or otherwise, the Captive will need to raise additional regulatory capital in the form of equity or debt from Holdings in order to meet regulatory capital, collateral and other financial requirements (an "**Assessment**"). In such event, Holdings may require additional contributions of the Holdings Members to satisfy the Assessment (*See* "Certain Risk Factors").

The Captive will be required pursuant to the Captive statute to hold a minimum capital and surplus of at least $250,000. The minimum capital and surplus will be contributed by Holdings, as sole Member of the Captive, in the form of cash, which will be funded by the Capital Contributions of the Holdings Members.

SALES CHARGES: There will be no sales charges in connection with the offering of Holdings Interests.

WITHDRAWALS: Holdings Members may withdraw from the Captive Program at the end of any underwriting year. Immediate withdrawal of a Holdings Member may be deemed to have occurred if: (1) the Holdings Member's policy is cancelled or is not renewed; (2) the Holdings Member enters bankruptcy or reorganization; (3) the Manager removes the Holdings Member as a member pursuant to guidelines established by the Member Board; or (4) the occurrence of such other withdrawal events as described in the Operating Agreement of Holdings. Withdrawal of any Holdings Member shall also be subject to the withdrawal procedures

and other conditions set forth in the Operating Agreement of Holdings.

Except as may be otherwise permitted by the Manager, withdrawal from the Captive Program shall not entitle a Holdings Member from withdrawal from Holdings or a return of such Holdings Member's unused Capital Contributions. Subject to the satisfaction of the conditions set forth in the Operating Agreement of Holdings, the Manager may permit Holdings Members to withdraw from Holdings and to receive either (a) any declared but undistributed distributions with respect to the then current Program Year (to the extent in Good Standing) and a distribution of any amount such Holdings Member would have been entitled to receive as a result of the activities of Holdings and the Captive through the date of withdrawal once all of the Captive's obligations under its reinsurance agreement for the underwriting periods during which the Holdings Member was a member of Holdings have been commuted or (b) such other amount as may be mutually agreed by the withdrawing Holdings Member and the Manager (subject to Holdings' and the Captive's offset rights as more particularly described in the Holdings and Captive Operating Agreements); provided, however that no Holdings Member shall be permitted to withdraw without the execution by such Holdings Member of a waiver and release in favor of the Captive, Holdings, the Manager, officers, employees and agents of Holdings and the Captive and such other parties designated by the Manager, as required under the Holdings Operating Agreement.

The Manager may establish reserves for contingencies (even if such reserves are not otherwise required by generally accepted accounting principles) which could reduce the amount of a distribution upon withdrawal. A distribution in respect of a withdrawal may be made in cash or in kind.

ALLOCATION OF GAINS AND LOSSES:

Gains, losses and distributions in Holdings will be allocated in accordance with each Holdings Member's allocation amount determined by the Manager under the Holdings Operating Agreement, subject to any adjustments as may be required by the terms of the Captive Program. Since Holdings will be taxable as a corporation, such allocations will not result in taxable income or loss to the Holdings Members. They are for the purpose of determining the distributions to which each of the Holdings Members are entitled. Distributions from the Captive to Holdings are subject to the prior approval of the Commissioner.

Forfeited distributions from withdrawn Holdings Members become part of the distributions for the rest of the Holdings Members participating in the Program Years to which the distributions correspond, subject to the

Manager's right to use such funds to establish reserves or apply the same to the operating expenses of Holdings and/or the Captive.

Distributions must be authorized by the Manager and will be calculated separately for each Program Year. Holdings Members must have been in Good Standing to receive a distribution.

Distribution calculations will be made by the Manager upon the release of funds from the admitted insurance carrier.

GOOD STANDING: A Holdings Member is deemed to be in Good Standing and entitled to receive distributions if it maintains an in force medical stop loss policy reinsured by the Captive and has made all required Capital Contributions to Holdings.

RESTRICTIONS ON TRANSFER: In addition to such other restrictions and conditions set forth in the Operating Agreement of Holdings, Holdings Members will not be permitted to transfer their Interests without the prior written permission of the Manager and, if required, the approval of the Commissioner.

Holdings will not be permitted to transfer its 100% membership interest in the Captive without the prior written approval of the Commissioner.

MANAGER FEE: Holdings and/or the Captive will pay (or the admitted carrier will pay on Holdings' and/or the Captive's behalf) to the Manager a monthly fee of 5% of total gross premium charged on stop loss policies that are reinsured by the Captive. In the event that there are no stop loss policies reinsured by the Captive in force, the Member Board and the Manager will negotiate a fee for the Manager to provide for the administration of the Captive until all obligations of the Captive are commuted or otherwise terminated and for the wind up of Holdings and the Captive.

RISK FACTORS: The investment in Holdings and participation in the Captive Program involves significant risks (*See* "Certain Risk Factors").

CONFLICTS OF INTEREST: The organizational structure of Holdings and the Captive and the business relationships anticipated with respect to the Captive Program give rise to certain potential conflicts of interest. (*See* "Conflicts of Interest").

SUITABILITY: Holdings Members must meet certain suitability requirements, including qualification as "accredited investors" under applicable regulations. The Manager in its sole and absolute discretion may decline to admit investors who do not meet such suitability requirements.

TAXATION: It is the intention of Holdings to be treated as a corporation for Federal,

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| | state and local income tax purposes, and of the Captive to be taxed as an insurance company at the Federal level. |
| ERISA AND OTHER TAX-EXEMPT ENTITIES: | Holdings does not intend to admit Members that are "plans" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and/or a "plan" that is subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code of 1986. |
| REPORTS TO MEMBERS: | Holdings Members will receive annual financial reports of Holdings and the Captive. |
| AUDITORS: | Cover & Rossiter, PA 62 Rockford Road #200, Wilmington, DE 19806 will serve as auditor for Holdings and the Captive. |
| ACTUARIES: | Pinnacle Actuarial Resources, Inc., 2817 Reed Road #2, Bloomington, IL 61704 Attn: Rob Walling, will serve as the actuary for the Captive. |
| GENERAL COUNSEL: | Kurtz & Revness, P.C., 1265 Drummers Ln, Suite 209, Wayne, PA 19807. |
| TENNESSEE COUNSEL: | Waller Lansden Dortch & David, LLP, 511 Union Street, Suite 2700, Nashville, Davidson County, Tennessee 37219 |
| SUBSCRIPTION FOR INTERESTS: | Persons interested in subscribing for Interests and participating in the Captive Program will be furnished, and will be required to complete and return to Holdings, subscription documents. |

## USE OF PROCEEDS

The proceeds from the Capital Contributions or any subsequent sale of new issue Interests, after organizational, operating expenses and other expenses, shall be available to fund the Captive Program (described below).

## CAPTIVE PROGRAM

Holdings will own a 100% membership interest in the Captive, a limited liability company formed pursuant to the Tennessee Limited Liability Company Act (the "**Act**"). The Captive operates pursuant to a certificate of authority as a captive insurance company pursuant to Section 401 et seq. of the Revised Tennessee Captive Insurance Act (T.C.A. §§ 56-13-101 et seq.) (as amended, the "**Captive Statute**").

As identified in the business plan submitted to and approved by the Commissioner of the Tennessee Department of Commerce and Insurance (the "**Commissioner**") for the Captive, the purpose of the Captive Program is to insure medical stop risks of the Holdings Members. The Captive will create underwriting and risk control guidelines and will approve brokers that are allowed to sell policies that will be reinsured to the Captive.

*Neither Holdings nor any of its affiliates or agents nor the Manager have made or be deemed to have made any representations, warranties or assurances to a Holdings Member, or its stockholders or other owners, regarding the federal or state tax consequences of participation in this captive insurance program or any other matter not expressly set forth herein. Furthermore, without waiver or limitation of the foregoing, neither Holdings nor any of its affiliates or agents nor the Manager have made or will make any representations, warranties or assurances to a Holdings Member, or its stockholders or other owners, regarding the operating results of any medical stop loss insurance plan purchased by any Holdings Member in connection with participation in this captive insurance program.*

## MANAGEMENT STRUCTURE

Except for such powers as delegated to the Member Board under the Holdings Operating Agreement, Holdings shall be managed by Pareto Captive of Tennessee, LLC, as the Manager. The Manager will serve until removed by the Member Board for gross negligence, fraud, willful misconduct, or material breach of the Manager's duties under the Holdings Operating Agreement continuing beyond the applicable notice and cure period or until earlier resignation. A member of the Manager's board of managers will fulfill regulatory requirements of the Captive's state of domicile.

The Manager shall have full, exclusive, and complete discretion, power and authority to make all decisions affecting the day to day business and affairs of Holdings, including, without limitation, the power to: (a) approve the initial financial terms of each Holdings Member; (b) approve the financial terms of each Holdings Member's renewal term; (c) collect all funds, including the Capital Contributions, for all Holdings Members; (d) determine Capital Commitments for each Holdings Member; (e) determine the profits, losses, premiums, expenses, claims, taxes, and investment income of the Captive and/or Holdings and to determine each

Holdings Member's pro rata share thereof; (f) identify and evaluate potential new Holdings Members; (g) designate and/or change the stop loss carrier and negotiate, approve, and execute the reinsurance agreement with the carrier; (h) authorize broker consultants who are eligible to recommend new Holdings Members and/or renew Holdings Members in the Captive; (i) offer, or decline to offer, any Holdings Member renewal terms for their medical stop loss insurance policy; (j) sell, dispose, trade, or exchange Holdings' assets in the ordinary course of Holdings' business; (k) select and engage service providers for Holdings, including, without limitation, attorneys, accountants, actuaries, and domicile managers; (l) appoint officers of Holdings; (m) enter into agreements, documents, contracts or other instruments on behalf of Holdings in the ordinary course of business or such agreements, documents, contracts or other instruments as the Manager deems necessary to carry out the transactions contemplated by the Holdings Operating Agreement; (n) purchase liability insurance and other insurance to protect Holdings' properties and business; (o) execute or modify leases with respect to any part or all of the assets of Holdings; (p) enter into agreements, documents, contracts or other instruments on behalf of Holdings containing terms acceptable to the Manager in its sole discretion to carry out the withdrawal of a Holdings Member; (q) execute all other instruments and documents which may be necessary or in the opinion of the Manager, desirable to carry out the intent and purpose of the Holdings Operating Agreement, including, but not limited to, documents whose operation and effect extend beyond the term of Holdings; (r) make any and all expenditures which the Manager, in the Manager's sole discretion, deems necessary or appropriate in connection with the management of the affairs of Holdings and the performance of its obligations and responsibilities under the Holdings Operating Agreement, including, without limitation, expenditures for legal, accounting, and other related expenses incurred in connection with the organization, financing, and operation of Holdings; and (s) invest and reinvest Holdings reserves in short-term instruments or money-market funds to the extent permitted by and in accordance with the Holdings investment policy.

The initial Manager shall be Pareto Captive of Tennessee, LLC, a Tennessee limited liability company. The Manager shall have the right under the Holdings Operating Agreement to delegate authority to one or more committees, including the "Captive Management Committee" (the "**Member Board**"). The Member Board will consist of appointees from five Holdings Members (the "**Member Directors**"), and two appointees of the Manager. The Member Directors must be officers of their respective Holdings Member. The initial Member Directors shall have the terms as set forth in the Operating Agreements of Holdings and the Captive. If a Holdings Member declines to appoint a member of the Member Board, the Manager will appoint a person to fill that Holdings Member's appointee's Member Directorship.

Each Holdings Member in Good Standing may announce its candidacy to appoint a Director to fill any vacant Member Directorships for a two-year term (a "**Candidate Holdings Member**"). No Holdings Member may be a Candidate Holdings Member if it is not in Good Standing or it already has an appointee serving on the Member Board whose term is not scheduled to expire at the annual meeting. If there are more Candidate Holdings Members than vacancies, there will be a vote of Holdings Members having the right to vote to determine which Candidate Holdings Members will appoint directors to the Member Board. If the number of Candidate Holdings Members equals the number of vacancies, each Candidate Holdings Member will be permitted to appoint a Member Director. If the number of Candidate Holdings Members

is less than the number of vacancies, each Candidate Holdings Member will be permitted to appoint a Member Director and the Manager will appoint directors to fill any remaining vacancies.

The Member Board shall be delegated the full, exclusive, and complete discretion, power, authority and obligation to the following: (a) meet annually, call for meetings as necessary, and fix the time and place of meetings pursuant to the Holdings Operating Agreement; (b) approve any proposed distribution where the aggregate distribution, less the return of any capital, exceeds $150,000; (c) approve proposed amendments to the Holdings Operating Agreement as precursor to seeking the approval of Members; (d) establish a policy for the investment of the assets of the Captive, which shall be incorporated as an exhibit to the Operating Agreement of the Captive, and may be amended or replaced from time to time; (e) take action on recommendations of the Manager submitted to the Member Board pursuant to the Holdings Operating Agreement; (f) initiate removal of the Manager pursuant to the Holdings Operating Agreement; (g) approve fees for Captive administration during a period of wind up; (h) consent to the dissolution and/or termination of the Company; (i) approve mergers, consolidations, amalgamations, conversions, split, or spin offs of the Company; and (j) consult with the Manager to develop guidelines by which Members would qualify for involuntary withdrawal.

## INITIAL MANAGER

The initial Manager will be Pareto Captive of Tennessee, LLC, which is a wholly-owned subsidiary of Pareto Captive Services, LLC ("**Pareto**"). Pareto forms and serves as the management team for various group captives that allow members to reduce costs and increase control over their insurance.

Pareto was founded by Andrew Cavenagh. Mr. Cavenagh is a leading expert in the employee benefit group captive area. Prior to founding Pareto, he created and managed Berkley Accident & Health Group Captive Division and was co-founder, majority owner and President of Garnet Captive Services, LLC, which creates and manages workers compensation group captives. Mr. Cavenagh currently serves as the Director of both Garnet Captive Services, LLC and Elevate Insurance Services, LLC.

## DOMICILE MANAGER

KRP Managers, LLC ("**KRP Managers**"), a Tennessee-approved captive manager will be engaged to provide services in the following areas: accounting, financial reporting, regulatory compliance, banking and treasury management. The KRP Managers team has extensive experience in the development, structuring and implementation of captive programs. KRP Managers is wholly-owned by Keystone Risk Partners, LLC.

## HOLDINGS MEMBERSHIP IN GOOD STANDING

Voting and appointment rights of Holdings Members are subject to such Holdings Members having an in-force medical stop loss policy that is being reinsured by the Captive. In addition, the rights of individual Holdings Members to receive distributions is conditioned upon

such Holdings Member being current on all required Capital Contributions. Each Holdings Member entitled to vote shall be allocated one (1) vote while such Holdings Member is in Good Standing.

## ALLOCATION OF GAINS AND LOSSES

Gains and losses in Holdings will be allocated in accordance with the allocations established by the Manager under the Holdings Operating Agreement and subject to the terms of the Captive Program. Since Holdings will be taxable as a corporation, such allocations will not result in taxable income or loss to the Holdings Members. They are for the purpose of determining the distributions to which each of the Holdings Members are entitled. Distributions from the Captive to Holdings are subject to the prior approval of the Commissioner of the Tennessee Department of Commerce and Insurance (the "**Commissioner**").

Distributions will be calculated and made separately for each Program Year, after funds for that Program Year have been released by the admitted insurance carrier.

## MANAGEMENT FEES; EXPENSES

Holdings and/or the Captive (or the admitted carrier on Holdings' and/or the Captive's behalf) will pay to the Manager a fee of 5% of the total gross premium charged on stop loss policies that are reinsured by the Captive. In the event that there are no in-force medical stop loss policies for the Captive to reinsure, the Manager and Member Board will negotiate a fee with the Manager to provide for the administration of the Captive until all of the Captive's insurance obligations have been commuted or otherwise terminated and for the windup of the Captive and Holdings. Payment for services furnished to Holdings and the Captive by their respective professional advisers (i.e. auditor, actuarial, legal, and captive management fees) will be paid by Holdings and/or the Captive, as applicable. Such fees have been estimated at 1.75% of gross premium for the 2018 program year. This estimate has been included in the determination of the net reinsurance premiums to be charged by the Captive to the admitted carriers; however, the estimated fee is subject to change by the Manager.

## CERTAIN RISK FACTORS

The holding of the Interest may involve a high degree of risk. The decision to hold the Interest should be made only after careful consideration of the following risks and other factors set forth elsewhere in the accompanying Subscription Packet and its Exhibits. *This Confidential Memorandum contains forward-looking statements which are subject to a number of risks and uncertainties, many of which are beyond the control of Holdings or of the Captive, such as statements of plans, objectives, intentions, expectations and similar forward-looking statements. All such forward-looking statements are made only as of the date hereof. Holdings and the Captive claim all legal protections available to forward-looking statements and are under no obligation, and expressly disclaim any such obligation, to update or alter forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements.*

**Program Expense Estimates**

Pareto has estimated several components of the Captive Program expenses (including without limitation, taxes, assessments, and claims adjusting), and does not retain control over the ultimate cost of these items. As such, the Captive Program expenses and therefore the total cost of the Captive Program could be more than as estimated.

**Underwriting Results**

Each Holdings Member retains certain economic exposure with respect to its losses and shares risks with respect to other losses with its fellow Holdings Members. The results of any one Holdings Member can have a material impact on the results of the other Holdings Members (collectively, the "**Group**"). Although the insurance carrier will attempt to ensure that premiums are adequate for each Holdings Member, situations could occur where a Holdings Member(s) adversely affects the performance of the Group. Furthermore, actual losses of a medical stop loss policy vary significantly from expected claims. This variance can cause unexpected losses in the Captive Program.

**Unfunded Balances**

The Holdings Members are responsible to contribute additional funds to cover any unanticipated operating expenses, unfunded balance for losses or projected losses up to the aggregate stop loss. An unfunded balance could be created by uncollected premiums or uncollected security requirements (due to final audits or otherwise) from other Holdings Members or subsequent development of losses after a distribution is made. In addition to triggering a requirement for additional Capital Contributions, an unfunded balance may offset surplus of other Holdings Members or other Program Years.

***The Capital Contributions of the Holdings Members shall be substantially the sole source of funds for Holdings and the Captive and the solvency of Holdings, the Captive and the insurance program is dependent upon additional Capital Contributions of the Holdings Members.***

The required additional Capital Contributions of the Holdings Members may vary greatly for each program year. Neither the Manager nor any affiliate, member, officer, director, manager or agent thereof shall have any obligation to contribute funds to Holdings and the Captive even in the event the failure to contribute such funds would render Holdings and/or the Captive insolvent.

**Taxes**

Holdings has elected to be taxed as a "C" corporation. Accordingly, Holdings will be subject to Federal and state income taxes and the Members of Holdings will not be subject to tax on Holdings' income unless such income is distributed. Taxes for Holdings will be calculated annually. No tax opinion has been delivered in connection with the Captive Program. Changes in IRS policy, bulletins, regulations, or rulings could in the future adversely impact the Captive

Program. Accordingly, each prospective Holdings Member should obtain confirming professional tax advice before investing in Holdings.

*Notwithstanding anything contained herein to the contrary, neither Holdings nor any of its affiliates or agents nor the Manager have made or be deemed to have made any representations, warranties or assurances to a Holdings Member, or its stockholders or other owners, regarding deductibility or non-deductibility of any of the costs and expenses associated with participation in the insurance program, including, without limitation, premiums paid with respect to any medical stop loss insurance plan purchased by any Holdings Member in connection with participation in this captive insurance program.*

**Restrictions on Transferability and Withdrawal**

Except as otherwise permitted under the Operating Agreement for Holdings, Interests may be acquired only by a person or entity who is an accredited investor within the meaning of the Securities Act of 1933, as amended (the "**Securities Act**"). The transfer of any Interests is restricted in accordance with the Operating Agreement for Holdings. No public or other market will develop for the Interests in either the United States or elsewhere, and prospective Holdings Members must assume that they will bear the economic risk of an investment in Holdings for an indefinite period of time. Subsequent Holdings Members will be bound by any applicable restrictions on the transfer, dissolution, or liquidation of the Interests. Holdings Members will not be permitted to transfer their Interests without the written permission of the Manager, which transfers are further subject to the limitations set forth in the Operating Agreement for Holdings.

Withdrawal of any Holdings Member shall also be subject to the approval of the Manager and the withdrawal procedures and other conditions set forth in the Operating Agreement of Holdings. Subject to the satisfaction of the conditions set forth in the Operating Agreement of Holdings, withdrawn Holdings Members may be entitled to receive (a) any declared but undistributed distributions with respect to the then current Program Year (to the extent in Good Standing) and a distribution of any amount such Holdings Member would have been entitled to receive as a result of the activities of Holdings and the Captive through the date of withdrawal (subject to Holdings' and the Captive's offset rights as more particularly described in the Holdings and Captive Operating Agreements) once all of the Captive's obligations under its reinsurance agreement for the underwriting periods during which the Holdings Member was a member of Holdings have been commuted or (b) such other amount(s) as may be mutually agreed between the withdrawing Holdings Member and the Manager, but subject in any event to the execution of a waiver and release in favor of the Captive; Holdings; the Manager; officers, employees and agents of Holdings and the Captive and such other parties designated by the Manager in form and substance approved by the Manager, as required under the Holdings Operating Agreement.

**Claim Development**

Medical stop losses are determined and paid out over a number of years. Initial estimates of the value of losses can be significantly lower than ultimate losses, creating unexpected and possibly significant increases in total claim value. This long-term uncertainty can create a situation where losses for a particular policy or policies within a particular program year can

look favorable initially, but subsequently deteriorate significantly. This deterioration can increase the need for Holdings Members to make additional Capital Contributions and might require that previous distributions to be returned.

**Risk of New Business Enterprise**

Holdings was formed on October 31, 2017 upon filing of its Articles of Organization with the Secretary of State for the State of Tennessee. The Captive was formed on December 1, 2017 upon filing of its Articles of Organization with the Secretary of State for the State of Tennessee. The Captive will continue to rely on its Manager and its outside advisers for management of its day-to-day operations. It is subject to the risks inherent in the operation of any business enterprise.

**Management and Professional Advisers of Holdings**

The Captive is substantially dependent upon the services provided by the Manager, outside consultants and other professionals. Daily operations and regulatory compliance for the Captive are handled by the Manager. The following professional advisers have been appointed by the Captive:

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| Certified Public Accountants: | Cover & Rossiter, P.A. |
| General Counsel: | Kurtz & Revness, P.C. |
| Actuary: | Pinnacle Actuarial Resources, Inc. |
| Captive Domicile Manager: | KRP Managers, LLC |

Payment for services furnished to Holdings and the Captive by each professional adviser will be funded by the premiums earned by the Captive plus the capital contributed to Holdings. Such fees have been estimated at 1.75% of gross premium for the 2018 program year. This estimate has been included in the determination of the net reinsurance premiums to be charged by the Captive to the admitted carriers and is subject to change by the Manager. However, there is a risk that the actual fees will exceed the estimated amounts.

Holdings will be required to hold an annual meeting of the Holdings Members to take such actions as may be required by the Holdings Operating Agreement or by law. No Holdings Member, in its capacity as a Holdings Member, shall have any right to vote on any matter pertaining to the Captive. Except as otherwise provided in Holdings' Operating Agreement or in the Captive's Operating Agreement or as otherwise required by the Act, any action required or permitted to be taken by Holdings Members or the Captive Members must be approved by a majority of the Holdings Members entitled to vote.

**No Assurance of Profits, Dividends or Distributions**

The principal purpose of the Captive Program is to reduce the volatility of medical stop loss insurance premiums. There is a risk that the premiums received by the Captive are ultimately insufficient to cover the losses underwritten by the Captive. In the event that claims exceed available cash, the Manager may require the Holdings Member to make Additional Capital Contributions.

In addition, while the Manager has estimated the expenses for Holdings and the Captive at 1.75% of gross premium for the 2018 program year, actual expenses may exceed estimates and may vary significantly year to year. In the event of unanticipated expenses or amounts of expenses incurred by Holdings and/or the Captive, Holdings may need to reduce distributions to the Holdings Members, or collect additional funds from the Holdings Members, in order to meet such expenses.

Accordingly, neither Holdings, the Captive, the Manager, nor any of their respective members, managers, officers, employees, agents, or advisers, guarantee or warrant the ability of Holdings or the Captive to be profitable or to have the ability to pay dividends or distributions of any kind to the Holdings Members.

**Investment Risks**

The Manager in its sole discretion will determine the investment of the funds comprising the general assets of Holdings and the Captive. Holdings will invest its funds primarily in fixed income securities. The Manager will, however, have the discretion to invest the funds of Holdings in any manner it deems reasonable. The investments of Holdings and the Captive may be subject to risks of fluctuation in value as a result of market conditions. In addition, such funds may be invested in securities issued by non-United States issuers or in securities issued in foreign markets by affiliates of United States issuers.

Investment in such securities may be subject to risks ordinarily not associated with those of United States securities. For example, such risks include the possibility of significant changes in the rate of exchange between the U.S. dollar and the currency in question and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. Such risks generally depend on economic and political events and the supply and demand for the relevant currencies over which Holdings has no control. In recent years, rates of exchange between the U.S. dollar and foreign currencies have been highly volatile and such volatility may be expected in the future. Investment losses could significantly decrease the general assets of Holdings and the Captive, and thereby affect their respective ability to provide reinsurance coverage. Holdings and the Captive will in part be dependent on its investment income to offset any underwriting losses and to meet expenses.

**Limited Payment of Dividends**

The declaration of any dividend or distributions by the Captive and Holdings will be controlled by the Holdings' and Captive's Operating Agreements and reinsurance agreements. The participants in the Captive Program should not intend to receive dividends in the foreseeable future, even if funds are available. The Captive should initially intend to use its profits, if any, to increase its surplus in order to maintain a prudent premium to surplus ratio for the covered risks. Such profits will therefore be unavailable for the payment of dividends except as described above.

**Commissioner's Authority Over Assets**

The Captive is a bona fide, regulated captive insurance company. As such, it is ultimately subject to the authority of the Commissioner, whose primary focus is to protect the Captive's policyholders by ensuring that the Captive maintains sufficient financial resources to pay anticipated claims. Occasionally, this focus can place the Commissioner at odds with Holdings or the Captive such that the Commissioner may require Holdings to contribute regulatory capital to the Captive in the form of equity or debt from Holdings in order to meet regulatory capital, collateral and other financial requirements (an "**Assessment**"), may prohibit or require liquidation of a particular investment of the assets of the Captive, or may delay distribution of assets from the Captive or other diminution of the assets of the Captive. Such action by the Commissioner could restrict Holdings Members' access to funds. Because the funding requirements of Holdings should result in funding the Captive to the full limits of potential liability, it is unlikely that an Assessment would be required by the Commissioner; however, in the event of an Assessment due to the impairment of the Captive, Holdings may require additional contributions of the Holdings Members to satisfy the Assessment.

**Risk of Underwriting and Capitalization Loss**

Prior to commencing any insurance business, the Captive will be capitalized with $250,000 as its initial capital and surplus, which is the minimum capitalization required by the Commissioner for the insurance business of the Captive specified in its business plan submitted to the Commissioner. Unless required by the Commissioner, which Holdings does not anticipate, a Holdings Member will not be required to make any Capital Contributions beyond the initial and annual Capital Contributions payable to Holdings as determined by the Manager.

Limited capitalization relative to premium volume could expose the Captive to an increased threat of insolvency in the event of unanticipated or unexpectedly large losses. The Captive functions in an insurance market for which there is little underwriting data. Actual loss experiences may differ greatly from those anticipated by Holdings and the Captive. It may be necessary from time to time, pursuant to requirements imposed by the Tennessee Insurance Commissioner or otherwise, for the Captive to raise additional regulatory capital in the form of equity or debt from Holdings in order to meet regulatory capital, collateral and other financial requirements. Although assumptions made about the funding of the Captive and the actual funding thereof are intended to assure that assets of the Captive and any related investment income will at all times cover the expected and unexpected losses of the Captive, circumstances could arise in which such funds may not be adequate to cover losses or expenses. Losses and expenses could also deplete the Captive's regulatory surplus or regulatory capital in the future, and the Captive may seek additional regulatory capital from Holdings, or be required to cease operations, or to defer payment of any dividends, or to defer or cease repayment of interest and/or principal on loans made by the Holdings Members.

Nevertheless, except as may be required by the Commissioner, and as may otherwise be required by the Operating Agreement of Holdings or by express agreement of the Holdings Members, no Holdings Member shall be required to make any further Capital Contributions to

Holdings. If additional regulatory capital is required to be contributed under such circumstances, the Holdings Member may be required to contribute additional capital in a required form which could include cash or other assets acceptable to the Commissioner and/or the Manager.

No Holdings Member shall be entitled to interest on any Capital Contribution to Holdings. No Holdings Member shall be entitled to withdraw any part of its Capital Contribution, or to receive any distribution from Holdings, except as provided in the Holdings Operating Agreement and subject, if required, to the Commissioner's prior approval. Except as otherwise provided in Holdings' Operating Agreement, there shall be no obligation to return to any Holdings Member or withdrawn Holdings Member any part of such Holdings Member's Capital Contribution for so long as Holdings continues to exist.

**Operational Results of the Captive May Differ from Those Projected in Pro Forma Financial Statements**

In connection with the Captive's application for a Certificate of Authority from the Tennessee Department of Commerce and Insurance, the Captive is required to submit to the Department of Commerce and Insurance pro forma financial statements. Actual operating results may differ from those specified in such pro forma financial statements due to various factors affecting the assumptions and risks upon which pro forma financial statements are based.

**No Assurance of a Renewal of Policy or Premium Amount**

There can be no assurance that by holding the Interests and receiving any insurance policies activated with respect to the Captive, such policies will be renewed or that renewal premiums charged in succeeding years will be consistent with premium amounts for the first year or period covered with respect to any Holdings Member. Future premium amounts will be dependent in part on claims experience, the financial performance, pricing, and the overall insurance market, as some or all of these factors may affect a particular Holdings Member.

**The Captive's Reinsurance Agreements Follow the Fortunes of the Direct Policies**

The reinsurance agreements entered into by the Captive will be subject in all respects to the same risk, terms, rates, conditions, interpretations, assessments, waivers, and to the same modifications, alterations and cancellations, as the medical stop loss policies to which such reinsurance agreement relate. The admitted carriers directly writing the medical stop loss policies, and not the Captive, shall have the sole liability therefor and will have sole authority and responsibility over accepting, rejecting and settling claims. Accordingly, the Captive will have no claims authority or liability and will be following the fortunes of the admitted insurance companies.

**No Reinsurance to be Purchased for the Captive**

The Captive will not in turn reinsure the risks which the front carriers have ceded to it. This means that all of the assets of the Captive are at risk to satisfy its obligations under its reinsurance agreements with the admitted insurance carriers, although based on the business plan submitted to and approved by the Commissioner, it is presently believed that such risk is not

likely to materialize. Should the Captive in the future desire to obtain reinsurance, there is no assurance that acceptable reinsurance terms will then be available. Any such failure to secure reinsurance at a future date could have a materially adverse effect on the ability of the Captive to continue operations. Neither the Captive nor Holdings shall have any liability to the Holdings Members associated with claims under any medical stop loss policies whether or not the same are reinsured by the Captive. The Holdings Members shall not be third party beneficiaries under any of the reinsurance agreements and shall not have any rights thereunder.

**Competition**

The insurance program of the Captive should at least initially be considered to be in competition with commercial insurance carriers in the United States and abroad that have greater financial and other resources and extensive experience in underwriting risks of the type that may be offered through the Captive. It is anticipated that the premium charged for insurance coverage will be competitive with premium charges offered commercially, although there can be no assurances. The Captive may be required to increase premiums, reduce the limits of reinsurance offered, or otherwise restructure its business plan in order to remain competitive or viable. If such changes are not successful, the Captive could be required to cease its operations.

**Enforceability of Agreements**

The Subscription Agreement, Holdings and the Captive's Operating Agreements, and all reinsurance documentation pertaining to the Captive are or should be assumed to be controlled by Tennessee law. Primary enforcement of any such documentation would likely only be possible in the courts of that state.

**Possible Regulatory Changes**

The Captive Program is subject to the regulation of the Commissioner. Changes to regulations may adversely affect the Captive's capital structure and reinsurance offerings. Likewise, as the insurance written under the Captive Program is related to the field of health care, a regulated industry at the state and federal level and the medical stop loss policies reinsured are subject to regulation in their respective states of issue. Changes to insurance regulations and health care regulations may adversely affect the Captive's capital structure and reinsurance offerings and may result in the cessation of the Captive's operations.

**Possible Changes in Tax Treatment**

The recognition of insurance company status and the deductibility of premiums attributable to the Captive is dependent upon the structure, assumptions and general reinsuring relationships described under the General Information and Description above. No tax opinion has been delivered in connection with Holdings, the Captive or the Captive Program. Changes in IRS policy, bulletins, regulations, or rulings could in the future adversely impact the audit defensibility of deductions taken by or in respect of the Captive. Accordingly, each prospective Holdings Member should obtain confirming professional tax advice before investing.

**Holding Company Structure**

One hundred percent (100%) of the equity interests (designated as limited liability company interests) in the Captive shall be owned by Holdings, which are each legally separate and distinct entities. The Articles of Organization for the Captive provide that the Captive shall be member-managed and therefore the management of Holdings shall control the management and affairs of the Captive. No Holdings Member shall have any interest in the Captive, direct or otherwise, apart from such Holdings Member's interest in Holdings. Holdings' interest in the Captive is further subject to terms, conditions and restrictions set forth in the Operating Agreement for the Captive and certain other regulatory and contractual requirements and restrictions applicable to the Captive.

## CONFLICTS OF INTEREST

The organizational structure of Holdings and the Captive and the business relationship anticipated with respect to the Captive Program give rise to certain potential conflicts of interest. Pareto Captive of Tennessee, LLC shall be wholly owned by Pareto. The initial President of Holdings will be an officer of the Manager. The Manager, who is charged with creating underwriting and risk control guidelines for the Captive and approving brokers that are allowed to sell policies that will be reinsured to the Captive, will earn fees based on the amount of premiums on such policies. Certain service providers, including the Manager, the Captive Domicile Manager and counsel for Holdings and the Captive will be providing ongoing services to Holdings and the Captive.

## REGULATORY MATTERS

Holdings is not registered as an investment adviser or a broker-dealer with the Securities and Exchange Commission, and accordingly, is not subject to certain regulatory requirements (which are intended to provide certain regulatory safeguards to investors) that are applicable to investment advisers and broker-dealers.

## TAX ASPECTS

**CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The following is a summary of certain aspects of the Federal income taxation of Holdings and the Holdings Members which should be considered by a prospective Holdings Member. Holdings has not sought a ruling from the Internal Revenue Service (the "**Service**") or any other Federal, state or local agency with respect to any of the tax issues affecting Holdings nor has it obtained an opinion of counsel with respect to any Federal tax issues.

This summary of certain aspects of the Federal income tax treatment of Holdings is based upon the Internal Revenue Code of 1986, as amended (the "**Code**"), judicial decisions, Treasury Regulations (the "**Regulations**") and rulings in existence on the date hereof, all of which are subject to change. This summary does not discuss the impact of various proposals to amend the Code which could change certain of the tax consequences of an investment in Holdings. This summary also does not discuss all of the tax consequences that may be relevant to a particular investor or to certain investors subject to special treatment under the Federal income tax laws, such as insurance companies.

Holdings will be treated as a corporation for Federal, state and local income tax purposes, and Holdings Members shall be prohibited from taking any position or making any election, in a tax return or otherwise, inconsistent with such treatment. Holdings shall make such elections as is necessary from time to time for Holdings to be treated as a corporation for income tax purposes. Holdings Members will only be subject to income tax if Holdings makes a distribution out of its current or accumulated earnings and profits.

The Captive will be taxed as an insurance company at the Federal level. Holdings and the Captive expect that premiums paid to the admitted insurance carrier will be deductible by the Holdings Members as business expenses.

In addition to the Federal income tax consequences described above, prospective investors should consider potential state and local tax consequences of an investment in Holdings. State and local laws often differ from Federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit.

EACH PROSPECTIVE HOLDINGS MEMBER SHOULD CONSULT WITH ITS OWN INDEPENDENT TAX ADVISER IN ORDER TO FULLY UNDERSTAND THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF AN INVESTMENT IN HOLDINGS. IN NO EVENT SHALL ANY PROSPECTIVE HOLDINGS MEMBER RELY UPON ANY INFORMATION PROVIDED BY THE MANAGER OR ITS ADVISORS AS TAX, ACCOUNTING OR LEGAL ADVICE.

## FISCAL YEAR

Holdings and the Captive's fiscal years will end on December 31 of each calendar year.

## OUTLINE OF HOLDINGS OPERATING AGREEMENT

*The below outline summarizes certain material terms and conditions of the Operating Agreement of Holdings. Although it is intended to cover the material terms of the Operating Agreement of Holdings, it does not contain all the terms and conditions of the Operating Agreement of Holdings and is not a substitute for reviewing the Operating Agreement of Holdings. Each prospective Holdings Member should review the Operating Agreement of Holdings carefully with its legal and tax advisors. To the extent there are inconsistencies or other conflicts between the below outline and the Operating Agreement of Holdings signed by the Holdings Members, the Operating Agreement of Holdings shall control.*

### Limited Liability

Except as required by the Act or as set forth in the Holdings Operating Agreement, no Holdings Member, solely by reason of being a Holdings Member, shall be liable for the debts, obligations or liabilities of Holdings.

### Term

The term of Holdings shall be indefinite, except that Holdings may be terminated by agreement of two-thirds of the Members of Holdings entitled to vote and the consent of the Manager to dissolve and terminate Holdings; the entry of a decree of judicial dissolution under the Act; Administrative dissolution under the Act or as may be otherwise provided in the Operating Agreement for Holdings.

### Notional Capital Accounts

A separate notional capital account shall be maintained for each Holdings Member. The Manager shall distribute written details of the notional capital accounts to the Holdings Members from time to time.

### Capital Contributions

Generally, except as may otherwise be required by Holding's Operating Agreement or by express agreement of the Holdings Members, no Holdings Member shall be required to make any Capital Contributions to Holdings. However, in the event that pursuant to requirements imposed by the Commissioner or otherwise, the Captive needs to raise additional regulatory capital in the form of equity or debt from Holdings in order to meet regulatory capital, collateral and other financial requirements (an "**Assessment**"), Holdings may require additional contributions of the Holdings Members to satisfy the Assessment.

### Management

Subject to the rights and authority delegated to the Program Manager, Holdings shall be managed by the Manager. The initial Manager shall be Pareto Captive of Tennessee, LLC, a Tennessee limited liability company. The day-to-day management of the Captive Program will

be the responsibility of the Manager. A member of the Manager's board of managers will fulfill regulatory requirements of the Captive's state of domicile.

The Manager shall have the right under the Holdings Operating Agreement to delegate authority to one or more committees, including a "Captive Management Committee" (the "**Member Board**"). The Member Board will consist of appointees from five Holdings Members (the "**Member Directors**") and two appointees of the Manager. The Member Directors must be officers of their respective Holdings Member. The initial Member Directors shall have the terms as set forth in the Operating Agreements of Holdings and the Captive. If a Holdings Member declines to appoint a member of the Member Board, the Manager will appoint a person to fill that Holdings Member's appointee's Member Directorship.

Each Holdings Member in Good Standing may announce its candidacy to appoint a Director to fill any vacant Member Directorships for a two-year term (a "**Candidate Holdings Member**"). No Holdings Member may be a Candidate Holdings Member if it is not in Good Standing or it already has an appointee serving on the Member Board whose term is not scheduled to expire at the annual meeting. If there are more Candidate Holdings Members than vacancies, there will be a vote of Holdings Members having the right to vote to determine which Candidate Holdings Members will appoint directors to the Member Board. If the number of Candidate Holdings Members equals the number of vacancies, each Candidate Holdings Member will be permitted to appoint a Member Director. If the number of Candidate Holdings Members is less than the number of vacancies, each Candidate Holdings Member will be permitted to appoint a Member Director and the Manager will appoint directors to fill any remaining vacancies.

The Member Board shall be delegated the full, exclusive, and complete discretion, power, authority and obligation to the following: (a) meet annually, call for meetings as necessary, and fix the time and place of meetings pursuant to the Holdings Operating Agreement; (b) approve any proposed distribution where the aggregate distribution, less the return of any capital, exceeds $150,000; (c) approve proposed amendments to the Holdings Operating Agreement as precursor to seeking the approval of Members; (d) establish a policy for the investment of the assets of the Captive, which shall be incorporated as an exhibit to the Operating Agreement of the Captive, and may be amended or replaced from time to time; (e) take action on recommendations of the Manager submitted to the Member Board pursuant to the Holdings Operating Agreement; (f) initiate removal of the Manager pursuant to the Holdings Operating Agreement; (g) approve fees for Captive administration during a period of wind up; (h) consent to the dissolution and/or termination of the Company; (i) approve mergers, consolidations, amalgamations, conversions, split, or spin offs of the Company; and (j) consult with the Manager to develop guidelines by which Members would qualify for involuntary withdrawal.

**Distributions**

Subject to Section 236-105 of the Act and Section 56-13-106 of the Captive Statute, Holdings may make distributions of cash or other assets to the Holdings Members, at such times and in such amounts as the Manager or duly appointed committee shall determine, provided that no distribution shall be made to the extent it would make Holdings insolvent or cause its net assets to be less than zero. All distributions shall be calculated by the Manager and will be

calculated and allocated separately for each Program Year, after funds for that Program Year have been released by the admitted insurance carrier.

Distributions to individual Holdings Members will be calculated based upon such Holdings Member's allocation as determined by the Manager. Forfeited distributions from withdrawn Holdings Members become part of the distributions for the rest of the Holdings Members participating in the Program Years to which the distributions correspond, subject to the Manager's right to use such funds to establish reserves or apply the same to the operating expenses of Holdings and/or the Captive.

To be eligible to receive distributions, a Holdings Member must be in Good Standing. A Holdings Member who withdraws without having previously made all required Capital Contributions shall have all of its distributions forfeited and the and the amount of any distributions it would have otherwise been entitled to will be allocated to the other Holdings Members according to the applicable allocation for that Program Year.

**Admission of Members**

Holdings may admit additional Holdings Members upon the following conditions: (1) the approval of such admission by the Manager and the satisfaction of any conditions to admission established by the Manager; (2) the proposed member must purchase a medical stop loss insurance policy that will be reinsured by the Captive; (3) the proposed member must pay an initial cash Capital Contribution as determined by the Manager; and (4) the proposed member must execute a Subscription Agreement in the form required by the Manager.

**Withdrawal as Holdings Member**

Holdings Members may withdraw from participation in the insurance program at the end of any Program Year. Holdings Members may not withdraw as members without the consent of the Manager. In addition, except as otherwise provided in the Holdings Operating Agreement, a withdrawal is not effective until (a) all obligations of the Captive for any Program Year in which the Holdings Member purchased a medical stop loss policy reinsured by the Captive have been commuted or otherwise terminated; and (b) the withdrawing Holdings Member executes and delivers to Holdings a waiver and release in favor of the Manager, the Captive; Holdings; the Captive's Manager, and the Captive's and Holdings' respective officers, employees and agents and such other parties as designated by the Manager. A withdrawn Holdings Member is entitled to receive (x) any declared but undistributed distributions with respect to the then current Program Year (to the extent in Good Standing) and a distribution of any amount such Holdings Member would have been entitled to receive as a result of the activities of Holdings and the Captive through the date of withdrawal once all of the Captive's obligations under its reinsurance agreement for the underwriting periods during which the Holdings Member was a member of Holdings have been commuted or (y) such other amount(s) as the Manager and the withdrawing Holdings Member may otherwise agree (in all events subject to Holdings' and the Captive's offset rights as more particularly described in the Holdings and Captive Operating Agreements). As described above, a Holdings Member who withdraws without having made all its required Capital Contributions shall have all of its distributions forfeited and the amount of any

distributions it would have otherwise been entitled to will be allocated to the other Holdings Members according to the applicable allocation for that Program Year.

The Manager may establish reserves for contingencies (even if such reserves are not otherwise required by generally accepted accounting principles) which could reduce the amount of a distribution upon withdrawal. A distribution in respect of a withdrawal may be made in cash or in kind.

**Required Withdrawals**

The Manager shall be permitted to treat certain adverse events (as more particularly described in the Operating Agreement of Holdings) as an event of withdrawal (each, an "**Automatic Withdrawal**") from Holdings of the affected Holdings Member, including (a) the dissolution, bankruptcy or insolvency of or involving the Holdings Member or its assets; (b) the Holdings Member fails to maintain an in force medical stop loss insurance policy that is being reinsured by the Captive and such failure is not cured within thirty (30) days' notice; (c) the Manager removes the Holdings Member as a member pursuant to guidelines established by the Member Board; or (d) the Holdings Member fails to timely pay its Capital Contribution.

**Restriction on Transfers of a Holdings Interest**

A Holdings Member may not pledge, sell, assign or otherwise transfer part or all of its Interest without the prior written consent of the Manager. No Holdings Member may pledge, sell, assign or otherwise transfer part or all of any Interest unless the following conditions are satisfied: (a) if requested by Holdings within 30 days of receiving notice from the transferor of the intended transfer, Holdings receives an opinion of counsel satisfactory to Holdings that the transfer (i) will not require registration of Interests under any federal or state securities laws; and (ii) will not result in Holdings being subject to the Investment Company Act of 1940, as amended; (b) the transferee delivers to Holdings a written instrument agreeing to be bound by the terms of the Holdings Operating Agreement; and (c) the transferor or the transferee provides Holdings with the transferee's taxpayer identification number.

**Amendments to Operating Agreement**

The Holdings Operating Agreement may be amended by the vote of two-thirds of the Holdings Members entitled to vote.

**Voting Rights**

All matters requiring the vote of Members pursuant to the Operating Agreement or the Act will be determined by the vote of the Holdings Members entitled to vote. Only Holdings Members with an active policy reinsured by the Captive shall be entitled to vote. Each Holdings Member shall be allocated one (1) vote while such Holdings Member is in Good Standing.

**Reports to Members**

At Holdings' expense and as soon as practicable after the close of each Fiscal Year, the Manager shall prepare and deliver, or cause to be prepared and delivered, to each Person who was a Holdings Member at any time during such Fiscal Year: (i) statements of Holdings' assets, liabilities and capital as of the end of the year, and revenues and expenses for the year; and (ii) such other reports as shall enable Holdings and each Holdings Member to prepare its federal, state and local income tax returns in accordance with applicable laws, rules and regulations.

**Limitation of Fiduciary Duties**

The Manager and Officers shall not be subject to fiduciary duties except for duties that cannot be waived under the applicable provisions of the Act or the Captive Statute or the implied covenant of good faith and fair dealing.

**Indemnification**

Unless otherwise prohibited by law, Holdings shall indemnify and hold harmless the Member Directors, the Officers, the Manager, their respective agents, officers, managers, directors and employees, and their respective successors (each individually an "**Indemnitee**") from any claim, loss, expense, liability, action or damage resulting from any act or omission performed by or on behalf of or omitted by an Indemnitee in its capacity as a Manager, Member Director, or Officer, including, without limitation, reasonable costs and expenses of its attorneys engaged in defense of any such act or omission; provided, however, that an Indemnitee shall not be indemnified or held harmless for any act or omission as determined by a court of competent jurisdiction, to be in violation of any of the provisions of the Holdings Operating Agreement or such parties' duties under the Holdings Operating Agreement or that constitutes fraud, gross negligence or willful misconduct.

Each Holdings Member shall indemnify and hold harmless Holdings, the Captive and such other parties identified in the Holdings Operating Agreement from any claim, loss, expense, liability, action or damage resulting from any third party claim arising from an act or omission of such Holdings Member related to any medical stop loss policy, including any insurance policy reinsured by the Captive, including, but not limited to, acts related to the administration of such plans or policies by such Holdings Member or third party administrator, any claims made under such plans or policies, or any settlements made in connection with such plans or policies.

To the fullest extent permitted by law, expenses (including legal fees) incurred by an Indemnitee in defending any claim, demand, action, suit or proceeding with respect to which such Indemnitee is entitled to indemnification shall, from time to time, be advanced by Holdings prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by Holdings of an undertaking by or on behalf of the Indemnitee, to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified.

Holdings may purchase and maintain insurance coverage to the extent and in such amounts as the Manager shall, in its discretion, deem reasonable, on behalf of the Indemnitees against any liability that may be asserted against or expense that may be incurred by any

Indemnitees in connection with activities of Holdings or such Indemnitees with respect to which Holdings would have the power to indemnify such Indemnitee against such liability under the provisions of the Holdings Operating Agreement.

## LIMITATIONS ON TRANSFERABILITY; SUITABILITY REQUIREMENTS

Each purchaser of Interests must bear the economic risk of his, her or its investment for an indefinite period of because the Interests have not been registered under the Securities Act, and, therefore, cannot be sold unless they are subsequently registered under the Securities Act or an exemption from such registration is available. It is not contemplated that any such registration will ever be effected, or that certain exemptions provided by rules promulgated under the Securities Act (such as Rule 144) will ever be available. In no event, however, will any transferee or assignee be admitted as a Holdings Member without the consent of the Manager which may be withheld in its sole discretion.

Unless waived by the Manager, Holdings Members must be "accredited investors" as defined under the Securities Act. The subscription document for Holdings contains questions relating to these qualifications. The Manager may, in its sole discretion, decline to admit investors who do not meet such suitability requirements for any other reason.

Interests may not be purchased by nonresident aliens, foreign corporations, foreign partnerships, foreign trusts or foreign estates, all as defined in the Code, or by entities that are "plans" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and/or "plans" that are subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code of 1986.

Each purchaser of an Interest will be required to represent that the Interest is being acquired for his, her or its own account, for investment and not with a view to resale or distribution. The Interests are suitable investments only for certain sophisticated investors for whom an investment in Holdings does not constitute a complete investment program and who fully understand, are willing to assume and who have the financial resources necessary to withstand, the risks involved in Holdings and the Captive Program and to bear the potential loss of their entire investment in the Interests.

Each prospective purchaser is urged to consult with his own advisers to determine the suitability of an investment in the Interests, and the relationship of such an investment to the purchaser's overall investment program and financial and tax position. Each purchaser of an Interest will be required to further represent that, after all necessary advice and analysis, his, her or its investment in an Interest is suitable and appropriate, in light of the foregoing considerations.

## COUNSEL

The Kurtz & Revness, P.C., has acted as general counsel to Holdings and the Captive in connection with this offering of the Interests. Waller Lansden Dortch & David, LLP has acted as

Tennessee counsel to Holdings and the Captive. In connection with this offering and ongoing advice to Holdings and the Captive, neither Kurtz & Revness, P.C. nor Waller Lansden Dortch & David, LLP shall represent Holdings Members.

## AUDITOR

Holdings and the Captive have retained independent accountants Cover & Rossiter, PA as their auditors.

## ADDITIONAL INFORMATION

Holdings will make available to any proposed Holdings Member such additional information as it may possess, or as it can acquire without unreasonable effort or expense, to verify or supplement the information set forth herein.

## SUBSCRIPTION FOR INTERESTS

Persons interested in becoming Holdings Members will be furnished, and will be required to complete and return to Holdings, subscription documents and certain other documents.

**OPERATING AGREEMENT OF**

**LEGEND HOLDINGS, LLC,**
**a Tennessee limited liability company**

**THE MEMBERSHIP INTERESTS REPRESENTED BY THIS OPERATING AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS. SUCH INTERESTS MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER SUCH ACT AND LAWS OR EXEMPTION THEREFROM, AND COMPLIANCE WITH THE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN.**

**OPERATING AGREEMENT OF**

**LEGEND HOLDINGS, LLC**,
**a Tennessee limited liability company**

This Operating Agreement (this "Agreement") of Legend Holdings, LLC, a Tennessee limited liability company, shall be effective as of December 1, 2017, by and among the undersigned Members and such other Persons as may subsequently be admitted as Members in accordance with the terms and conditions hereof.

**WHEREAS**, Pareto Captive of Tennessee, LLC, a Tennessee limited liability company ("Pareto") engaged J. Leigh Griffith, as an authorized person, who executed, delivered and filed on October 31, 2017 articles of organization (as amended, restated and/or replaced, the "Articles") to form this limited liability company pursuant to and in accordance with the Act (as defined below); and

**WHEREAS**, Pareto Captive of Tennessee, LLC, the Initial Member of the Company, now wishes to organize the company pursuant to the Act and this Agreement; and

**NOW, THEREFORE**, in consideration of the agreements set forth below and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned Members hereby as follows:

## SECTION I

## DEFINITIONS

1.1 Act means the Tennessee Revised Limited Liability Company Act (T.C.A. §48- 249-101, et seq.), as amended from time to time.

1.2 Agreement means this Operating Agreement of the Company, as it may be amended from time to time.

1.3 Allocation means, with respect to a Distribution Eligible member for any particular Program Year, such Distribution Eligible Member's pro rata share of any Distribution as calculated by the Manager. The Manager's Allocation calculations shall be binding on the Members for all purposes absent manifest error or bad faith.

1.4 Board means the members of the Captive Management Committee as described and as designated or appointed under Section 6.4(d) hereof.

1.5 Capital Commitment means a Member's obligation to make the Capital Contribution with respect to any Program Year or portion thereof as required under this Agreement.

1.6 Capital Contribution means the amount of money or the fair market value of other property contributed by each Member to the Company prior to the date hereof or pursuant to the terms of this Agreement.

1.7 Captive means Legend Re, LLC, a Tennessee limited liability company.

1.8 Captive Statute means the Revised Tennessee Captive Insurance Act T.C.A. §§ 56/13-101 et seq. as amended from time to time.

1.9 Code means the Internal Revenue Code of 1986, as amended, or any successor provision of law.

1.10 Commissioner means the Commissioner of the Tennessee Department of Commerce and Insurance.

1.11 Company means Legend Holdings, LLC, a Tennessee limited liability company.

1.12 Distribution means the transfer (in the form of money or property) by the Company to any Distribution Eligible Member of: (a) such Distribution Eligible Member's Allocation of gross written premiums and/or investment income of the Company less expenses (including consultant commissions) and claims or (b) any other items to be allocated among the Distribution Eligible Members in accordance with this Agreement under Section 4 below, all as determined by the Manager in its sole discretion.

1.13 Distribution Eligible Member means a Member who has been in Good Standing for a minimum of two Program Years, regardless of whether such Member is in Good Standing at the time of a particular distribution; however, the Manager, in its sole discretion, may declare a Member to be a Distribution Eligible Member if such Member, upon withdrawal as a Member of the Company, becomes a participant in a group managed captive insurance program managed by the Manager or an affiliate thereof.

1.14 Economic Interest means a Person's right to share in the income, gains, losses, deductions, credit, or similar items of, and to receive Distributions from, the Company, but does not include any other rights of a Member, including, without limitation, the right to vote or any right to information concerning the business and affairs of the Company.

1.15 Entity shall have the meaning provided in Section 12.4 hereof.

1.16 Fiscal Year means the Company's accounting year as established in Section 10.4 hereof.

1.17 Initial Capital Contribution means the Capital Contribution made by a Person under Section 3.2 of this Agreement as a condition of admission as a Member of the Company.

1.18 Insurance Policy means the in-force stop loss medical insurance policy that will be reinsured by the Captive.

1.19 Manager means the Person appointed as manager pursuant to Section 6.1 of this Agreement, and any successor so appointed. The initial Manager shall be Pareto Captive of Tennessee, LLC.

1.20 Member means a Person that holds a Membership Interest in the Company and has

been admitted to the Company as a Member pursuant to this Agreement.

1.21 Membership Interest means a Member's rights in the Company, collectively, including the Member's Economic Interest, any right to vote and any right to information concerning the business and the affairs of the Company under this Agreement or as required by applicable law. All Membership Interests shall be determined from time to time by the Manager in accordance with the terms of this Agreement. The Manager's determination of the Membership Interests shall be binding upon the Members absent manifest error.

1.22 Notice shall have the meaning provided in Section 12.1 hereof.

1.23 Officer means each Person appointed by the Manager as an officer of the Company under Section 6.1(g) hereof.

1.24 Person means and includes an individual, proprietorship, trust, estate, partnership, joint venture, association, company, corporation, limited liability company or other entity.

1.25 President means the president of the Company identified in Section 6.1(g) hereto or any successor appointed by the Manager pursuant to Section 6.1(g) hereof.

1.26 Program Year shall mean a period commencing with the effective date of a reinsurance treaty or agreement with the Captive as reinsurer and ending on the termination date of such reinsurance treaty or agreement.

1.27 Redemption Agreement shall have the meaning provided in Section 8.8 hereof.

1.28 Subscription Agreement shall mean, with respect to any Member, the subscription and related agreements distributed by the Manager to a prospective member executed and delivered by such prospective member in favor of the Company setting forth such prospective member's required Initial Capital Contribution and other terms and conditions of such prospective member's admission in the Company.

1.29 Taxable Year means the period for calculating the Company's federal and state income tax liability as established in Section 10.7 hereof.

1.30 Withdrawn Member means any Member which has withdrawn from the Company under Sections 8.7 and/or 8.8 below.

## SECTION II

NAME; OFFICE; PURPOSE; TERM

2.1 Name of the Company. The name of the Company is or will be "Legend Holdings, LLC." The Company may do business under that name or under any other name selected by the Manager. If the Company does business under any name other than that set forth in its articles of organization, then the Company shall file a fictitious name certificate or any other documents required by applicable law.

2.2 Principal Place of Business; Registered Office and Registered Agent.

(a) The principal office and place of business of the Company shall be located at Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, Davidson County, Tennessee 37219 Attn: J. Leigh Griffith. The Manager may at any time change the location of such office to another location within or without the State of Tennessee provided that the Manager gives notice of any such change to all Members, the registered agent of the Company, and the Commissioner.

(b) The registered office of the Company for purposes of the Act shall be Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, Davidson County, Tennessee 37219 Attn: J. Leigh Griffith. The registered agent of the Company for purposes of the Act shall be J. Leigh Griffith, whose business address is the Company's registered office address.

2.3 Purpose. The Company is formed for the purpose of holding 100% of the membership interests in the Captive.

2.4 Term. The term of the Company shall be unlimited, except that the Company may be terminated as provided in Section 9.1 of this Agreement.

## SECTION III

MEMBERS; CAPITAL; NOTIONAL CAPITAL ACCOUNTS

3.1 Capital Contributions. Except as may otherwise be required by this Agreement or by express agreement of the Members, no Member shall be required to make any Capital Contributions to the Company.

3.2 Initial Capital Contribution. As a condition of admission as a Member of the Company, each Member shall make to the Company a Capital Contribution in the form of cash in an amount to be determined by the Manager based on the following factors and considerations: (a) total marginal risk assumed by the Captive as a result of the Member's participation; (b) offset, if any, by excess Capital Contributions from prior years; (c) estimated gains or losses, if any, from expenses of the Company or the Captive; and (d) allocated profits or losses, if any, from the Company or the Captive. The Initial Capital Contribution of any Member may be increased proportionately if the Member's final Insurance Policy earned premium is higher than the initial estimate.

3.3 Additional Capital Contributions. Every Member renewing or replacing its Insurance Policy may be required to make to the Company a capital contribution (each an "Additional Capital

Contribution") in the form of cash in an amount to be determined by the Manager, based on factors and considerations set forth in Section 3.2. The Additional Capital Contribution may be increased proportionately if any Insurance Policy of a Member has an earned premium higher than the initial estimate. A Member that non-renews its Insurance Policy may not be required to make Additional Capital Contributions other than previously invoiced amounts that are outstanding or increases due to premium growth as provided in Section 3.2 above.

3.4 Failure to Pay Capital Contribution. Without waiver or limitation of the other provisions of this Agreement, in the event a Member fails to timely pay to the Company any required Capital Contributions, and such failure continues for a period of sixty (60) days, interest shall accrue on the outstanding Capital Commitment balance at the U.S. prime rate of interest (as most recently published in the Wall Street Journal as of the date such Capital Contributions are due) plus 2% per annum (compounded daily and calculated based on the number of days during which there is a deficit Capital Commitment position, as determined by the Manager) until such Capital Contribution is paid in full. The Company may offset any Distributions due to the Member that fails to timely pay to the Company any required Capital Contributions for the amount the Member owes the Company plus the interest thereon.

3.5 Determination of Capital Commitments. The Manager's calculation of the Capital Contribution requirements under Sections 3.2 and 3.3 above shall be binding upon the Members for all purposes absent manifest error. Notwithstanding anything to the contrary contained herein, the Manager may amend the factors set forth in Section 3.2 (or substitute another method for calculating Capital Contributions for the same), subject to the approval of the Manager.

3.6 Release of Excess Capital Contributions. Subject to any required approval from the Commissioner, the Manager may return Capital Contributions it deems unnecessary to support the operations of the Company.

3.7 No Interest on Capital Contributions. No Member shall be entitled to interest on its Capital Contributions.

3.8 Return of Capital Contributions. No Member shall be entitled to withdraw any part of its Capital Contribution, or to receive any distribution from the Company, except as specifically provided in this Agreement. Except as otherwise provided herein, there shall be no obligation to return to any Member or Withdrawn Member any part of such Member's Capital Contribution to the Company for so long as the Company continues to exist.

3.9 No Third Party Beneficiary. No creditor or other third party having dealings with the Company shall have the right to enforce the right or obligation of any Member to make Capital Contributions or loans or to pursue any other right or remedy hereunder or at law or in equity, it being understood and agreed that the provisions of this Agreement shall be solely for the benefit of, and may be enforced solely by, the parties hereto and their respective successors and permitted assigns. None of the rights or obligations of the Members herein set forth to make Capital Contributions or loans to the Company shall be deemed an asset of the Company for any purpose by any creditor or other third party, nor may such rights or obligations be sold, transferred or assigned by the Company or pledged or encumbered by the Company to secure any debt or other obligation of the Company or of any of the Members. In addition, it is the intent of the parties hereto that no distribution to any Member shall be deemed a return of money or other property in violation of the Act. Any Member receiving the payment of any such money or distribution of any such property shall not be required to return any

such money or property to any Person, the Company, or any creditor of the Company. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Member is obligated to return such money or property, such obligation shall be the obligation of such Member and not of the other Members.

3.10 Notional Capital Accounts. A separate notional capital account shall be maintained for each Member. The Manager shall distribute written details of the notional capital accounts to the Members at the time or times as the Manager deems appropriate.

## SECTION IV

## PROFIT, LOSS AND DISTRIBUTIONS

4.1 Distributions. Subject to Section 48-249-306 of the Act, the terms of this Agreement (including Section 6.4(d)(ii)), and the approval of the Commissioner, if required, the Company may make Distributions of cash or other assets to the Distribution Eligible Members, at such times and in such amounts as the Manager shall determine, provided that no Distribution shall be made to the extent it would make the Company insolvent or cause its net assets to be less than zero (0). Except as may otherwise be provided in this Agreement, all Distributions shall be to the Distribution Eligible Members in amounts based upon their respective Allocations. Notwithstanding the foregoing, the Company shall have the right to offset against any amounts otherwise distributable to a Member hereunder, any amounts the Member is required to pay as a Capital Contribution. Any asset, other than cash, shall be valued at fair market value, as determined by the Manager in good faith, for purposes of determining the amount of any Distribution consisting in whole or in part of such asset. Only Distribution Eligible Members shall be eligible to receive any Distributions from the Company. Distributions shall be calculated and allocated separately for each Program Year after the applicable cash or other assets for Distribution have been released to the Company by the Insurer, subject to any reserves established by the Manager.

4.2 Liquidation and Dissolution. If the Company is liquidated, the assets of the Company available for distribution shall be distributed to the Members on a pro rata basis based on their relative notional capital accounts. No Member shall be obligated to restore a negative notional capital account in the course of liquidating and dissolving the Company or otherwise. However, the Company may offset any amounts that would otherwise be due to the Member by any amounts (including interest thereon) that such Member owes the Company in accordance with the terms and conditions of this Agreement.

## SECTION V

## RIGHTS AND OBLIGATIONS OF THE MEMBERS; MEETINGS

5.1 Limitation on Authority of Members.

(a) No Member is an agent of the Company solely by virtue of being a Member, and no Member has authority to act for the Company by virtue of being a Member. No Member shall, solely by virtue of being a Member, take part in the management of the Company's business, transact any business for the Company, or have power to sign for or to bind the Company.

(b) Any Member who takes any action or binds the Company in violation of this Section 5.1 shall be solely responsible for any loss and expense incurred by the Company as a result of the unauthorized action and shall indemnify and hold the Company harmless with respect to the loss or expense.

5.2 Voting Rights. Except as expressly provided herein or as otherwise required by the Act, all matters requiring a vote of Members pursuant to this Agreement or the Act shall be determined by the vote of the Members in Good Standing entitled to vote. Except as otherwise specifically provided herein or as otherwise required by the Act, any action required or permitted to be taken by the Members must be approved by Members in Good Standing holding not less than a majority of the votes. Each Member entitled to vote shall be allocated one (1) vote while such Member is in Good Standing.

5.3 Places of Meetings. All meetings of the Members shall be held at such date and location, if any, within or without the State of Tennessee, or by means of remote communication, as from time to time may be fixed by the Manager. Meetings of the Members may be held by means of conference telephone or other communications equipment by means of which all persons participating in such meeting can hear each other, and participation by such means shall constitute presence in person. In addition, notwithstanding any provision hereof, the Members may act by consent, written or via electronic transmission, signed by Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Membership Interests entitled to vote thereon were present and voted.

5.4 Annual Meetings. The annual meeting of the Members for the transaction of such business as may be properly brought before the meeting shall be held in each calendar year after 2017 on a day designated by the Manager.

5.5 Special Meetings. A meeting of the Members for any purpose(s) may be called at any time by Members holding at least 20% of the votes entitled to be cast, by the President of the Company, or by the Manager. At such meeting no business shall be transacted and no action shall be taken other than that stated in the notice of the meeting, except with the majority consent of the Members (determined in accordance with Section 5.2 above) present or represented by proxy.

5.6 Notice of Meetings. Notice of every meeting of the Members shall be given by letter, telephone, facsimile or electronic transmission at the number or address set forth on such Member's signature page hereto or such other number or address designated by the Member in writing, and shall be given by hand delivery or sent not less than 10 days before the date of such meeting to each Member entitled to vote at such meeting. Notice of every meeting of the Members shall state the place, date, and hour of the meeting, the means of remote communication, if any, and the purpose(s) for which the meeting is called. Such further notice shall be given as is required by law, but meetings may be held without notice so long as all the Members entitled to vote are present in person or by proxy, or if notice is waived in writing (including by facsimile or electronic transmission) by those not present, either before or after the meeting.

5.7 Quorum. Except as otherwise provided herein, any number of Members of the Company together holding at least one-third of the Membership Interests entitled to vote with respect to the business to be transacted, who shall be present in person or represented by proxy at any meeting duly called, shall constitute a quorum for the transaction of business. If less than a quorum shall be in attendance at the time for which a meeting shall have been called, the meeting may be adjourned from time to time by a majority of the Members present or represented by proxy without notice other than by

announcement at the meeting.

5.8 Voting. At any meeting of the Members, each Member entitled to vote on any matter coming before the meeting shall, as to such matter, have a vote or votes, in person or by proxy, determined in Section 5.2 above, fixed by the Manager as the record date for the purpose of determining Members entitled to vote. If the Manager does not fix a record date, the record date shall be deemed to be the date that notice of the meeting is sent. Execution of a proxy may be caused by signing such writing or causing such person's signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature. A Member may authorize another person or persons to act on their behalf as proxy by means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the Member.

5.9 Good Standing.

(a) To be a Member in Good Standing:

(i) a Member must be current on all required Capital Contributions; and

(ii) the Member must have an in-force stop loss policy that is being reinsured by the Captive.

(b) A Member shall have thirty (30) days after notice that it is not in Good Standing to cure the condition that resulted in the loss of Good Standing.

(c) Notwithstanding anything in this Agreement to the contrary, during any period of time in which a Member is not in Good Standing, such Member shall not be entitled to vote as a Member, and shall not be entitled to appoint an individual to the Board under Section 6.4(d) below. A Member that timely cures its lack of Good Standing shall be considered to have been in Good Standing for the entire Program Year and shall regain its rights under this Agreement to vote and to designate individuals to serve on the Board.

## SECTION VI

## MANAGEMENT OF COMPANY

6.1 Designation of Manager; Committees and Officers

(a) Except as otherwise provided in this Agreement, the property and business of the Company shall be managed under the direction of one or more Managers. The initial Manager shall be Pareto Captive of Tennessee, LLC. Except as otherwise expressly provided by law, the articles of organization or this Agreement, the Manager shall have complete and exclusive control of the management of the Company's business and affairs, with the right, power, and authority on behalf of the Company and in the name thereof to execute documents or other instruments and exercise all of the rights, powers, and authority of the Company under the Act. The Manager shall have the right to make delegations of its decision-making authority to the Manager or to a committee or an Officer of the

Company; provided, however, that any power expressly delegated to the Board or the Officers under this Agreement shall only be revocable with the consent of the Members. The Manager hereby delegates to the Officers of the Company the power and authority to perform or cause to be performed the management and operational functions relating to the day-to-day business of the Company and to implement the policies and decisions of the Board. The Manager shall serve and continue in office throughout the entire term of the Company unless sooner removed (i) by operation of law, (ii) by order or decree of any court of competent jurisdiction, (iii) by voluntary resignation, (iv) upon the bankruptcy or insolvency of such Manager, (v) by action of the Members in Good Standing following the gross negligence, fraud, willful misconduct, or material breach of the Manager's duties under this Agreement which material breach remains uncured following thirty (30) days' written notice to the Manager, or (vi) as otherwise provided in this Agreement. In the event of the removal of a Manager, a substitute Manager may be selected by the Members in Good Standing entitled to vote.

(b) At the conclusion of the Manager's service, the Manager shall have no ongoing obligations to the Company other than to promptly deliver to the Company all files, books, records and working papers related to the Company.

(c) Without limitation of the provisions of Section 6.1(a), the Manager shall have full, exclusive, and complete discretion, power, authority and, subject to Sections 11.2 and 11.3(a) below, obligation to make all decisions affecting the business and affairs of the Company, including, without limitation, the power to:

(i) Approve the initial financial terms of each Member.

(ii) Approve the financial terms of each Member's renewal term.

(iii) Collect all funds, including the Capital Contributions, for all Members.

(iv) Determine Capital Commitments for each Member.

(v) Allocate profits, losses, Premiums, expenses, claims, taxes, and investment income of the Captive and/or the Company among the Members.

(vi) Determine each Member's Allocation.

(vii) Identify and evaluate potential new Members.

(viii) Designate and/or change the stop loss carrier and negotiate, approve, and execute the reinsurance agreement with the carrier.

(ix) Authorize broker consultants who are eligible to recommend new Members and/or renew Members in the Captive.

(x) Offer, or decline to offer, any Member renewal terms for their Insurance Policy.

(xi) Sell, dispose, trade, or exchange Company assets in the ordinary course of the Company's business.

(xii) Select and engage service providers for the Company, including, without limitation, attorneys, accountants, actuaries, and domicile managers.

(xiii) Appoint Officers under Section 6.1(g).

(xiv) Enter into agreements, documents, contracts or other instruments on behalf of the Company in the ordinary course of business or such agreements, documents, contracts or other instruments as the Manager deems necessary to carry out the transactions contemplated by this Agreement.

(xv) Purchase liability insurance and other insurance to protect the Company's properties and business.

(xvi) Execute or modify leases with respect to any part or all of the assets of the Company.

(xvii) Enter into agreements, documents, contracts or other instruments on behalf of the Company containing terms acceptable to the Manager in its sole discretion to carry out the withdrawal of a Member under Sections 8.7 or 8.8.

(xviii) Execute all other instruments and documents which may be necessary or in the opinion of the Manager, desirable to carry out the intent and purpose of this Agreement, including, but not limited to, documents whose operation and effect extend beyond the term of the Company.

(xix) Make any and all expenditures which the Manager, in the Manager's sole discretion, deems necessary or appropriate in connection with the management of the affairs of the Company and the performance of its obligations and responsibilities under this Agreement, including, without limitation, expenditures for legal, accounting, and other related expenses incurred in connection with the organization, financing, and operation of the Company.

(xx) Invest and reinvest Company reserves in short-term instruments or money-market funds to the extent permitted by and in accordance with the Company's Investment Policy.

(xxi) After consulting with the Board, develop guidelines by which Members would qualify for involuntary withdrawal pursuant to Section 8.7(d).

(d) Notwithstanding anything to the contrary contained in this Agreement, the Manager shall have the right, by written notice to the Board, to recommend any action to the Board. Such written notice shall state that the same is being sent in accordance with this Section and that written action is required by the Board within fifteen (15) business days form the date the Manager's notice is received. The Board shall be required to approve or disapprove of the recommended action set forth in the Manager's notice within fifteen (15) business days from the date such notice is delivered to the Board, which approval or disapproval shall be in writing and delivered to the Manager within such fifteen (15) business-day period. In the event the Board fails to approve or disapprove of any action recommended by the Manager within fifteen (15) business days from the date the Board received the Manager's written notice, then such action shall be deemed irrevocably approved by the Board and the Manager shall be authorized to take all action, in the judgment of such Manager, necessary to carry out the recommended action, including, without limitation, executing and delivering on behalf of and in the name of the Company, such agreements, documents, certificates, reports or

other instruments necessary, in the judgment of such Manager, to carry out, memorialize, effectuate and/or consummate the recommended action.

(e) Upon recommendation by the Board or at its own initiative, the Manager may be removed during a term only for gross negligence, fraud, willful misconduct, or material breach of the Manager's duties under this Agreement which material breach remains uncured following thirty (30) days' written notice to the Manager. In the event that the Manager is removed pursuant to this Section 6.1(e), the Manager shall have no ongoing obligations to the Company after the effective date of removal other than to promptly deliver to the Company all files, books, records and working papers related to the Company.

(f) The Manager shall charge the Company a monthly fee in the amount of 5% of the total gross premium charged on stop loss policies that are reinsured by the Captive. In the event that there are no stop loss policies in force and being reinsured by the Captive, the Board shall negotiate a fee with the Manager to provide for the administration of the Captive until all obligations of the Captive are commuted or otherwise terminated and for the wind up of the Captive and the Company.

(g) The Manager shall appoint a President of the Company, who shall be an officer of the Manager. The Manager may appoint other Officers. The Officers may be removed by the Manager at any time. Each Officer elected or appointed pursuant to this Section 6.1(g) shall serve in such capacity until his or her respective earlier death, resignation or removal. One Person may hold more than one of the offices specified in this section and may have such other titles as the Manager may determine. The initial Officers of the Company shall be as follows:

| | |
|---|---|
| President: | Andrew Cavenagh |
| Vice Presidents: | Kristen McKenna |
| | Drew Ries |
| | Catharine Thurston |
| Treasurer: | Drew Ries |
| Secretary: | Catharine Thurston |

(h) The Manager may, as it deems necessary, elect, appoint or choose agents in such manner as may be prescribed by the Manager.

(i) Except as otherwise prescribed by the Manager, each Officer shall have such authority and perform such duties in the management of the Company, as generally pertain to the office filled by him. The President, when present, shall preside at all meetings of the Board and Members. The authority of each agent shall be established in the contract or agreement with such agent, if applicable.

(j) The removal of any Officer pursuant to Section 6.1(g) shall be without prejudice to the recovery of damages for breach of contract rights. Election or appointment of an Officer or agent shall not of itself create contract rights.

(k) Third parties dealing with the Company shall be entitled to rely conclusively on the power and authority of the Officers authorized by the Manager to act on behalf of the Company.

6.2 Duties of Manager and Officers. The Manager and Officers shall devote such time,

effort, and skill to the Company's business affairs as is necessary and proper for the Company's welfare and success. The Members expressly recognize that the Manager and Officers have or may have other business activities and agree that the Manager and Officers shall not be bound to devote all of their business time to the affairs of the Company, and that the Manager and Officers may engage for their own account and for the accounts of others in other businesses or activities.

6.3 Compensation of Manager. In addition to the fee payable under Section 6.1(f), the Manager may receive reimbursement from the Company for all reasonable and customary expenses incurred in connection with the performance of its duties hereunder. The Manager shall not be entitled to any additional compensation for its services.

6.4 Committees.

(a) The Manager may from time to time designate one or more committees, with such lawfully delegable powers and duties as it thereby confers in writing, to serve at the pleasure of the Manager and shall, for those committees and any others provided for herein, elect one or more Members or their representatives to serve as the member or members, designating, if it desires, other Members or their representatives as alternate members who may replace any absent or disqualified member at any meeting of the committee. The Manager may, from time to time, suspend, alter, continue or terminate any committee or the powers and functions thereof.

(b) The Manager may appoint, or may provide for the appointment of, committees consisting of Officers or other persons, with chairpersonships, vice chairpersonships and secretaryships and such duties and powers as the Manager may, from time to time, designate and prescribe. The Manager may, from time to time, suspend, alter, continue or terminate any of such committees or the powers and functions thereof.

(c) Except as otherwise provided herein, each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one third of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

(d) The Manager hereby creates the Board and delegates to it the powers and authority more particularly set forth below. The number of members of the Board shall be no less than four and no greater than seven, consisting of (i) at least two and up to five individuals designated by the Members in accordance with the procedure set forth in Section 6.4(e) (each, a "Member Director" and collectively, the "Member Directors"), and (ii) two Persons (who may be individuals and/or entities) designated by the Manager (each, a "non-Member Director" and collectively, the "non-Member Directors"). A Member Director must be an officer of the Member at all times who designated such Member Director. If at any time after the first annual meeting of Members there shall be fewer than five Members, the Manager may designate additional Persons to serve as non-Member Directors so that the total number of members of the Board is no greater than seven. Each additional non-Member Director appointed by the Manager pursuant to the preceding sentence of this Section 6.4(d) shall serve in such capacity until his or its replacement is appointed pursuant to Section 6.4(h) of this Agreement. The Board is delegated the full, exclusive, and complete discretion, power, authority and obligation to:

(i) Meet annually, call for meetings as necessary, and fix the time and place of meetings pursuant to Section 6.4(i).

(ii) Approve any proposed distribution pursuant to Section 4.1 if the aggregate distribution, less the return of any capital, exceeds $150,000.

(iii) Approve proposed amendments to the Operating Agreement as precursor to seeking the approval of Members.

(iv) Establish a policy for the investment of the assets of the Captive, which shall be incorporated as an exhibit to the Operating Agreement of the Captive, and may be amended or replaced from time to time.

(v) Take action on recommendations of the Manager submitted to the Board pursuant to Section 6.1(d).

(vi) Initiate removal of the Manager pursuant to Section 6.1(e).

(vii) Pursuant to Section 6.1(f), approve fees for Captive administration during a period of wind up.

(viii) Consent to the dissolution and/or termination of the Company pursuant to Section 9.1.

(ix) Approve mergers, consolidations, amalgamations, conversions, split, or spin offs of the Company pursuant to Section 8.1.

(x) Consult with the Manager to develop guidelines by which Members would qualify for involuntary withdrawal pursuant to Section 8.7(d).

(e) The Manager shall appoint the first five (5) Member Directors shall be the "Member Directors" of the Company to commence terms during the first operating year. Two of those Member Directors shall serve a term of three (3) years; the others shall each serve a term of two (2)years.

(f) Prior to every annual meeting, the Manager will solicit Members in Good Standing to stand as candidates ("Candidate Members") for the Board. If the number of Candidate Members is equal to or less than the number of vacancies, each Candidate Member shall appoint a Member Director and the Manager shall appoint non-Member Directors to fill any remaining vacancies. If the number of Candidate Members is greater than the number of vacancies, the Members in Good Standing entitled to vote shall elect the Candidate Members who shall be entitled to appoint Member Directors, with each Member entitled to vote casting one vote. In the event of any ties, the President shall cast the deciding vote(s). Any Member Director appointed pursuant to this Section 6.4(f) shall serve a term of two (2) years.

(g) Each non-Member Director shall serve until his or her successor is designated and qualified or until his or her earlier death, resignation or removal in accordance with this Agreement.

(h) Member Directors may be removed at any time, with or without cause, but only the Member who designated a particular Member Director may remove such Member Director. A Member who removes a Member Director designated by it prior to the end of such Member Director's term shall designate a replacement Member Director to complete such term. The Manager may remove non-Member Directors at any time, with or without cause, and may designate replacement non-Member Directors. A Member Director may resign at any time by delivering a notice in writing to the Manager. In the event of a resignation of a Member Director, the Manager may designate a replacement Member Director to serve until the next annual meeting of the Members, at which time a successor shall be chosen in accordance with Section 6.4(f).

(i) The Board shall hold an annual meeting in the State of Tennessee. Other meetings of the Board shall be held at such places within or without Tennessee, or by means of remote communication, and at such times as fixed by resolution of the Board or at the call of the Manager. Notwithstanding the preceding sentences, at least one meeting of the Board shall be held in Tennessee each year with no less than a quorum physically present in the State of Tennessee. All members of the Board shall be given notice by letter, telegraph, telephone, fax, electronic transmission or in person of meetings of the Board, provided that notice need not be given of the annual meeting or of regular meetings held at times and places fixed by resolution. Meetings may be held at any time without notice if all of the members of the Board are present (including by phone or electronic communication in which each can hear or be heard), or if those not present waive notice in writing (including by facsimile or electronic transmission), either before or after the meeting. The notice of meetings of the Board need not state the purpose of the meeting. Notwithstanding any provision hereof, the Board may act by consent, written or via electronic transmission, in the absence of a meeting, signed by members of the Board having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all members of the Board entitled to vote thereon were present and voted.

(j) Notwithstanding any provision of this Agreement to the contrary, any committee established by the Manager, including the Board, may participate in a meeting by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

6.5 Waiver of Conflict of Interest. Any Member, Manager, or Officer, and their respective affiliates may have business interests and engage in business activities in addition to those relating to the Company, and may engage in the ownership, operation and management of business activities, including business interests and activities which are not in direct competition with the Company, and each Member waives any conflict of interest arising therefrom. Notwithstanding the above, no Member Manager shall have business interests and activities that would divert such Manager from such Manager's duty to further the interests of the Company. The Members acknowledge that Pareto and certain affiliates thereof provide management services for other insurance captives and other similar services and nothing herein shall be construed to prohibit Pareto from continuing, growing, modifying or expanding its business regardless of whether such activities are or would be directly or indirectly competitive with the Company. Pareto shall not incur any obligations, fiduciary or otherwise, to disclose, grant or offer any interest in such activities to the Company or any Member and shall not be deemed to have a conflict of interest, breach of fiduciary duty or usurpation of a business opportunity solely because of such activities.

## SECTION VII

TREATMENT OF MEMBERSHIP INTERESTS

7.1 Exemption from Securities Registration. Each Member represents and warrants to the Manager and to the Company that:

(a) Such Member has the power and authority to execute and comply with the terms and provisions hereof.

(b) Each Member understands that its Membership Interests have not been registered under the Securities Act of 1933, as amended, or the securities or similar laws of any state, and are offered in reliance on exemptions therefrom.

(c) Each Member understands that neither the Securities and Exchange Commission nor any other federal or state agency has recommended, approved or endorsed the purchase of the Membership Interests as an investment or passed on the accuracy or adequacy of the information set forth in any Company documents.

(d) Such Member's Membership Interest in the Company, has been or will be acquired solely by and for the account of such Member for investment purposes only and is not being purchased for subdivision, fractionalization, resale or distribution; such Member has no contract, undertaking, agreement or arrangement with any Person to sell, transfer or pledge to such Person or anyone else; such Member's interest in the Company (or any portion thereof); and such Member has no present plans or intentions to enter into any such contract, undertaking or arrangement.

(e) Such Member's Membership Interest in the Company has not and will not be registered under the Federal Securities Act of 1933, as amended, or the securities laws of any state, and cannot be sold or transferred without compliance with the registration provisions of said Federal Securities Act of 1933, as amended, and the applicable state securities laws, or compliance with exemptions, if any, available thereunder. Such Member understands that neither the Company nor the Manager have any obligation or intention to register the Company interests under any Federal or state securities act or law, or to file the reports to make public the information required by Rule 144 under the Securities Act of 1933, as amended.

(f) Such Member expressly represents that (A) it has such knowledge and experience in financial and business matters in general, and in investments of the type to be made by the Company in particular; (B) it is capable of evaluating the merits and risks of an investment in the Company; (C) its financial condition is such that it has no need for liquidity with respect to its investment in the Company to satisfy any existing or contemplated undertaking or indebtedness; (D) it is able to bear the economic risk of its investment in the Company for an indefinite period of time, including the risk of losing all of such investment, and loss of such investment would not materially adversely affect it; and (E) it has either secured independent tax advice with respect to the investment in the Company, upon which it is solely relying, or it is sufficiently familiar with the income taxation of corporations that it has deemed such independent advice unnecessary.

(g) Such Member acknowledges that the Manager has made all documents pertaining to the transaction available and has allowed it an opportunity to ask questions and receive answers

thereto and to verify and clarify any information contained in the documents. Such Member is aware of the provisions of this Agreement providing for additional Capital Contributions and dilution of its interest in the Company.

(h) Such Member has relied solely upon the documents submitted to it and independent investigations made by it in making the decision to purchase its Company interest.

(i) Such Member expressly acknowledges that (A) no Federal or state agency has reviewed or passed upon the adequacy or accuracy of the information set forth in the documents submitted to such Member or made any finding or determination as to the fairness for investment, or any recommendation or endorsement of an investment in the Company; (B) there are restrictions on the transferability of such Member's Membership Interest; (C) there will be no public market for the Member's Membership Interest, and, accordingly, it may not be possible for such Member to liquidate its investment in the Company; and (D) any anticipated Federal or state income tax benefits applicable to such Member's Membership Interest may be lost through changes in, or adverse interpretations of, existing laws and regulations.

(j) Each Member admitted hereto hereby represents and warrants that such Person is in a financial position to afford to, and intends to, hold its Membership Interest indefinitely and fulfill such Person's obligations under this Agreement.

In addition to the representations set forth above, the representations, warranties, covenants and certifications of each Member contained in the Subscription Agreement executed and delivered to the Company thereby are hereby incorporated by reference and restated herein as if set forth above. Each of the representations, warranties, covenants and certifications set forth above in this Section 7.1 (including the representations, warranties, covenants and certifications contained in the applicable Subscription Agreements), shall be deemed made upon the Member's admission to the Company and shall be deemed remade upon each Additional Capital Contribution made by such Member to the Company under Section 3.3 above.

7.2 Partition. Each Member waives any and all rights that it may have to maintain an action for partition of the property of the Company in which such Member may have rights.

7.3 Uncertificated Interests. Membership Interests will be recorded in book-entry form and no Member will have the right to demand that the Company produce and/or deliver certificates representing any Membership Interest.

## SECTION VIII

## ADMISSION OF ADDITIONAL MEMBERS; TRANSFERS OF MEMBERSHIP INTERESTS

8.1 Admission of Additional Members.

(a) The Company may admit new Members upon the following conditions: (1) the approval of the Manager; (2) the approval of the Commissioner, if required, (3) the purchase of an Insurance Policy that will be reinsured by the Captive; (4) the execution of a Subscription Agreement, this Agreement or a joinder hereto in a form satisfactory to the Manager, and (5) the execution of any other documents the Manager deems necessary or appropriate. Upon obtaining the requisite consents, a

Person shall be admitted as a Member of the Company upon the fulfillment of such additional conditions precedent as shall be determined by the Manager, including payment of the Initial Capital Contribution described in Section 3.2 of this Agreement.

(b) Upon admission of a Member in accordance with this Agreement, and contemporaneous therewith, the Company shall register or cause to be registered on the books and records of the Company, the Member and such Member's Membership Interest, and will designate and allocate, or cause to be designated and allocated to the Company the cash or other property that may have been contributed in exchange for such Membership Interest.

8.2 Restriction on Transfers. A Member may not pledge, sell, assign or otherwise transfer part or all of its Membership Interest without the consent of the Manager. Notwithstanding anything else in this Section 8.2, no Member may pledge, sell, assign or otherwise transfer part or all of any Membership Interest unless the following conditions are satisfied:

(a) If requested by the Company within 30 days of receiving notice from the transferor of the intended transfer, the Company receives an opinion of counsel satisfactory to the Company that the transfer will not require registration of Membership Interests under any federal or state securities laws;

(b) If requested by the Company within 30 days of receiving notice from the transferor of the intended transfer, the Company receives an opinion of counsel satisfactory to the Company that the transfer will not result in the Company thereof being subject to the Investment Company Act of 1940, as amended;

(c) The transferee delivers to the Company a written instrument agreeing to be bound by the terms of this Agreement;

(d) The transferor or the transferee provides to the Company the transferee's taxpayer identification number.

8.3 Right of Transferee to Become a Member.

(a) Valid Transfer. A transferee to whom all or part of a Membership Interest has been pledged, sold, assigned or otherwise transferred pursuant to the conditions and consent requirement of Section 8.2 shall become a Member of the Company when the conditions and consent requirement of Section 8.2 have been met and the transfer has been completed.

(b) Transfer Without Consent. No transferee to whom all or part of a Membership Interest has been pledged, sold, assigned or otherwise transferred pursuant to the conditions of Section 8.2, but without the consent required by Section 8.2, shall have any right to become a Member of the Company or to exercise any rights of Members other than those specifically pertaining to the ownership of a Membership Interest, including without limitation, the right to receive the reports described in Section 10.5 of this Agreement.

(c) Invalid Transfer. Any pledge, sale, assignment or other transfer of any Membership Interest in violation of any of the conditions of Section 8.2 shall be deemed invalid, null and void, and of no force or effect.

8.4 Events of Cessation of Member. A Person shall cease to be a Member of the Company upon the lawful transfer of all of its Membership Interests in accordance with this Agreement (including any redemption or other repurchase by the Company) or as otherwise provided herein.

8.5 Persons Deemed Members. The Company may treat the Person in whose name any Membership Interest shall be registered on the books and records of the Company as the sole holder of such interest for purposes of receiving distributions or for any purpose whatsoever and, accordingly, shall, to the fullest extent permitted by law, not be bound to recognize any equitable or other claim to or interest in such Membership Interest on the part of any other Person, whether or not the Company shall have actual or other notice thereof, except as otherwise expressly provided herein.

8.6 No Right to Withdraw. Except as otherwise provided in this Agreement, no Member shall have any right to voluntarily resign or otherwise withdraw from the Company without the written consent of the Manager. Notwithstanding the foregoing, any Member shall be entitled to withdraw as a Member at the end of any Program Year, subject to the procedure provided in Section 8.8 hereof.

8.7 Automatic Withdrawal. The Manager shall be permitted to treat any of the following as an event of withdrawal from the Company of the affected Member (each, together with any Member withdrawing under Section 8.6 above, a "Withdrawn Member") (a) a petition is filed against or by the Member under any bankruptcy, insolvency or similar law; (b) the Member makes a general assignment for the benefit of creditors or becomes insolvent; (c) the Member fails to maintain an active Insurance Policy that is being reinsured by the Captive; (d) the Manager removes the Member as a Member pursuant to guidelines established by the Manager and Board pursuant to Sections 6.1(c)(xxi) and 6.4(d)(x); (e) the Member seeks, consents to, or acquiesces in the appointment of a trustee for, receiver for, or liquidation of the Member or of all or any substantial part of the Member's property; (f) the Member is acting as a Member by virtue of being a trustee of a trust, the termination of the trust; (g) if the Member is a partnership, limited liability company or corporation, the dissolution and commencement of winding up of the partnership, limited liability company or corporation or revocation of its charter; (h) if the Member is a partnership, limited liability company or a corporation, unless approved by the Manager, any merger, consolidation, the sale of substantially all the assets of the Member or similar transaction or any transaction resulting in the transfer of fifty-one percent or more of the direct or indirect equity interests in such Member or any transaction resulting in a change in Control or change in the right to Control of such entity without the prior written consent of the Manager; (i) the Member files an action seeking a decree of judicial dissolution pursuant to the Act or any similar law; or (j) the Member fails to timely pay its Capital Contribution and such failure continues beyond the expiration of the applicable notice and cure periods.

8.8 Withdrawal Procedure. No withdrawal of any Member shall be effective to release a Withdrawn Member from its continuing obligations under this Agreement until the following conditions have been satisfied: (a) all of the Captive's obligations under its reinsurance agreements for the Program Years in which such Withdrawn Member participated must be commuted or otherwise terminated, unless (i) such liabilities can be estimated with a reasonable degree of certainty or (ii) such liabilities are deemed de minimis (all as determined by the Manager in its sole discretion); and (b) such Withdrawn Member must execute a Withdrawal and Redemption Agreement (the "Redemption Agreement") substantially in the form attached hereto as Exhibit "A" (but otherwise in the form required by the Manager) and shall have satisfied all of the conditions set forth therein, including, without limitation, the execution and delivery of the General Release set forth therein. Upon the satisfaction of the conditions of this Section 8.8, and upon the withdrawal of a Member in accordance with this Agreement, such Withdrawn Member shall be entitled to receive any declared but

undistributed Distributions with respect to the then current Program Year (to the extent such Withdrawn Member is a Distribution Eligible Member) and to receive a Distribution of any amount such Member would have been entitled to receive as a result of the activities of the Company and the Captive through the date of withdrawal, subject to the Company's right to offset against all such amounts until such Withdrawn Member's unsatisfied liabilities are reduced to zero (0), all as determined by the Manager. Notwithstanding anything to the contrary contained herein, (x) a Withdrawn Member that is not a Distribution Eligible Member shall not be entitled to any future Distributions from the Company and (y) nothing in Sections 8.6, 8.7 or 8.8 is intended to restrict the Manager's right and authority to consent to the voluntary withdrawal of a Member under Section 8.6 above (including the terms thereof) or to waive the requirement under Section 8.8(a) above, in which event the Withdrawn Member and Manager shall mutually agree upon the consideration to be paid under the Redemption Agreement in lieu of any other Distribution under this Agreement, together with all other terms and conditions of the withdrawal.

8.9 Expenses. Except as otherwise set forth herein, each party shall bear its own expenses in connection with any transfer or withdrawal permitted by this Agreement.

8.10 Voting Rights; Resignation. Without waiver or limitation of any other provision contained in this Agreement, all voting rights of any Withdrawn Member shall be suspended. If any Withdrawn Member or Member that transfers 100% of its Membership Interest or any principal of the foregoing is an officer, Manager, employee and/or representative of the Company, such Withdrawn Member or transferring Member and each principal thereof must submit to the Company their respective resignations as manager, officer, director, employee and/or representative, as the case may be.

8.11 Members Bound by Agreement. Every Person, by virtue of holding a Membership Interest and/or having become a Member in accordance with the terms of this Agreement, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Agreement, irrespective of whether such Member has executed the same.

8.12 Mergers, Consolidations, Split and Sales. The Company may not consolidate, amalgamate, convert or merge with or into, be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any other Entity, except as set forth in this Section 8.12. The Company may, with the consent of the Manager, the Board, and two-thirds (2/3) of the Members and the prior approval of the Commissioner if necessary:

(a) Merge with any other Entity, if the Company is the survivor of such merger; or

(b) Consolidate, amalgamate, convert or merge with or into, be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to, any other Entity if the Company is not the survivor of the transaction and the other Entity, or a new Entity, is the survivor (the "Successor"), provided that the Successor expressly assumes all of the obligations of the Company under this Agreement; or

(c) Split or spin off into two or more Entities.

## SECTION IX

DISSOLUTION, LIQUIDATION AND TERMINATION OF THE COMPANY

9.1 Events of Dissolution of the Company. The Company shall be dissolved and terminated upon the first to occur of any of the following events:

(a) The agreement of two-thirds of the Members and the consent of both the Manager and the Board to dissolve and terminate the Company; or

(b) The entry of a decree of judicial dissolution under the Act; or

(c) Administrative dissolution under the Act.

9.2 Procedure for Winding Up and Dissolution. In the event of the dissolution of the Company, the Manager shall cause the winding up of its affairs. On winding up of the Company, the assets of the Company shall be distributed, first to creditors of the Company, including Members who are creditors, in satisfaction of the liabilities of the Company, to the establishment of such reserves as the Manager shall deem appropriate for contingent liabilities of the Company and then to the Distribution Eligible Members as provided in Section 4.2.

9.3 Liquidation Subject to Regulatory Requirements. Notwithstanding any other provision of this Agreement, no termination, dissolution or liquidation of the Company shall occur without whatever such notice, approval, supervision or receivership may be required by Tennessee law, regulation, order, bulletin or directive, or otherwise by the Commissioner in the exercise of any applicable authority.

9.4 Articles of Termination. In the case of the dissolution, liquidation and termination of the Company, on completion of the distribution of Company assets, the Manager (or such other person as the Act may require or permit) shall file or cause to be filed articles of termination with the Secretary of State of Tennessee, cancel any other filings and take such other actions as may be necessary to terminate the existence of the Company.

## SECTION X

BOOKS, RECORDS, ACCOUNTING AND TAX ELECTIONS

10.1 Books and Records.

(a) The Manager shall keep, or cause to be kept, full and accurate books of account, financial records and supporting documents, which shall reflect, completely, accurately, in reasonable detail, and according to generally accepted accounting principles, each transaction of the Company, which books of account, financial records, and supporting documents shall be kept and maintained at the principal office of the Manager. The Manager shall keep, or cause to be kept, all other documents and writings of the Company in or out of the State of Tennessee at such place or places as may be designated from time to time by the Manager. Each Member or its designated representative shall, at its own expense and upon reasonable notice to the Manager, have access to such books, records, and documents during reasonable business hours and may inspect and make copies of any of them at the

offices of the Manager.

(b) The Manager shall also keep, or cause to be kept, at the Manager's principal office the required records under Section 406 of the Act and the following:

(i) a current list of the name and last known business or mailing address, telephone number, facsimile number, e-mail address of each Member, together with true and full information regarding the amount of cash and a description and statement of the agreed value of any other property and services contributed by each Member or which each Member has agreed to contribute in the future, and the date upon which each became a Member;

(ii) a current list of the name and last known business or mailing address of the Manager and Officers;

(iii) a copy of this Agreement, the Company's articles of organization, and all amendments to any of the preceding, together with executed copies of any written powers of attorney pursuant to which this Agreement, such articles of organization, and any amendments to any of the preceding have been executed;

(iv) promptly after becoming available, a copy of the Company's federal, state, and local income tax returns for each year; and

(v) a copy of the Company's financial statements for each year.

10.2 Company's Use of Records of Members. Upon request by the Company, each Member will allow the Company or the Company's designee to inspect all information that the Company deems, in its reasonable discretion, relevant to such Member's participation, including without limitation information regarding the operation, loss data, actuarial reports, work papers, audit reports and audit work papers of such Member, and each Member will cause any third party acting on behalf of such Member to provide the Company with requested material. Such request will be made within a reasonable time in advance of such inspection, and any inspection will be made during normal business hours. Each Member will cooperate fully with the Company and the Company's designee in connection with any audit of the Company or examination of the Company by a regulatory authority.

10.3 Bank Accounts. The Company shall open and maintain, in the name of the Company, accounts in a bank or savings and loan association, in which shall be deposited all funds of the Company. The President will determine the institution or institutions at which the accounts will be opened and maintained, the types of accounts, and the Persons who will have authority with respect to the accounts and the funds therein.

10.4 Fiscal and Taxable Year. The Fiscal Year and Taxable Year of the Company shall be the calendar year.

10.5 Reports. At the Company's expense and as soon as practicable or as otherwise required by the Captive Statute or other applicable law after the close of each Fiscal Year, the Manager shall prepare and deliver or electronically publish, or cause to be prepared and delivered or electronically published, to each Person who was a Member at any time during such Fiscal Year:

(a) statements of the Company's assets, liabilities and capital as of the end of the

year, and revenues and expenses for the year, and such other statements and reports as may be required by the Captive Statute or order of the Commissioner; and

(b) such other reports as shall enable the Company and each Member to prepare its federal, state and local income tax returns in accordance with applicable laws, rules and regulations.

10.6 Tax Elections. The Manager shall, in its sole discretion, decide whether to make any available elections under the Code or any applicable state or local tax law on behalf of the Company.

10.7 Treatment as Corporation. It is the intention of the Members that the Company be treated as a corporation for Federal, state and local income tax purposes, and no Member shall take any position or make any election, in a tax return or otherwise, inconsistent with such treatment. The Company shall make such elections as is necessary from time to time for the Company to be treated as a corporation for income tax purposes.

10.8 Title to Company Property. All real and personal property acquired by the Company shall be acquired and held by the Company in its name, except that the Company may acquire and hold title to all or any portion of its real and personal property, in a name other than the Company's name, including but not limited to, in the names of trustees, nominees or straw parties for the Company.

## SECTION XI

## LIABILITY AND INDEMNIFICATION

11.1 Liability to Third Parties. Except as required by the Act or as set forth in this Agreement, no Member, solely by reason of being a Member, shall be liable for the debts, obligations or liabilities of the Company.

11.2 Limitation of Fiduciary Duties. Except for such duties that cannot be waived under the applicable provisions of the Act (including Section 205 thereof) or the Captive Statute, the Manager and Officers shall not be subject to fiduciary duties except for the implied covenant of good faith and fair dealing.

11.3 Indemnification of Manager and Officers.

(a) Unless otherwise prohibited by law, no Indemnitee (as defined below) shall be liable for, and the Company shall indemnify and hold harmless, the Manager, the Officers and any committee member (including the members of the Board), and their respective agents, officers, directors and employees, and successors (each individually an "Indemnitee") from any claim, loss, expense, liability, action or damage resulting from any act or omission performed by or on behalf of or omitted by an Indemnitee in its capacity as a Manager, Officer, or committee member, including, without limitation, reasonable costs and expenses of its attorneys engaged in defense of any such act or omission; provided, however, that an Indemnitee shall not be indemnified or held harmless for any act or omission as determined by a court of competent jurisdiction after the exhaustion of all appeals, to be in violation of any of the provisions of this Agreement or that constitutes fraud, gross negligence or willful misconduct.

(b) The Members shall indemnify and hold harmless the Company and the Indemnitees from any claim, loss, expense, liability, action or damage resulting from any act or omission related to any employee benefits plan or stop loss policy, including any policy reinsured by the Captive, including but not limited to acts related to the administration of such plans or policies by any Member or third party administrator, any claims made under such plans or policies, or any settlements made in connection with such plans or policies.

11.4 Nature of Indemnification. The right of indemnification provided for herein (i) shall not be deemed exclusive of any other rights of an Indemnitee, (ii) shall be deemed to create contractual rights in favor of such Indemnitee, (iii) shall continue as to persons who have ceased to have the status pursuant to which they were entitled or were determined to be entitled to indemnification hereunder and shall inure to the benefit of the heirs, successors, assigns, administrators and personal representatives of such Indemnitees and (iv) shall be applicable to actions, suits or proceedings commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof. The rights of indemnification provided for herein may not be amended, modified or repealed so as to limit in any way the indemnification provided for herein with respect to any acts or omissions occurring prior to the effective date of any such amendment, modification or repeal. The indemnification obligations provided in this Agreement shall survive the expiration or earlier termination of this Agreement.

11.5 Expenses. To the fullest extent permitted by law, expenses (including legal fees) incurred by an Indemnitee in defending any claim, demand, action, suit or proceeding with respect to which such Indemnitee is entitled to indemnification under Section 11.3 hereof shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Indemnitee, to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section XI.

11.6 Insurance. The Company may purchase and maintain insurance coverage to the extent and in such amounts as the Manager shall, in its discretion, deem reasonable, on behalf of the Indemnitees against any liability that may be asserted against or expense that may be incurred by any Indemnitees in connection with activities of the Company or such Indemnitees with respect to which the Company would have the power to indemnify such Indemnitee against such liability under the provisions of this Agreement.

11.7 Miscellaneous. An Indemnitee shall not be denied indemnification in whole or in part under this Section XI because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement. The provisions of this Section XI are for the benefit of the Indemnitees and their heirs, successors, assigns, administrators and personal representatives and shall not be deemed to create any rights for the benefit of any other Persons.

11.8 Notice of Claims.

(a) With respect to any claim made or threatened against an Indemnitee for which such Indemnitee is entitled to indemnification under Section 11.3(a), the Manager shall, or shall cause such Indemnitee, to:

(i) give written notice to the Company of such claim promptly after such

claim is made or threatened, which notice shall specify in reasonable detail the nature of the claim and the amount (or an estimate of the amount) of the claim;

(ii) provide the Company with such information and cooperation with respect to such claim as the Company may require;

(iii) cooperate and take all such steps as the Company may request to preserve and protect any defense to such claim;

(iv) in the event suit is brought with respect to such claim, upon prior notice, afford the Company the right, which the Company may exercise in its sole discretion and at its expense, to participate in the investigation, defense, and settlement of such claim; and

(v) neither incur any material expense to defend against nor release or settle such claim or make any admission with respect thereto without the prior written consent of the Company.

(b) With respect to any claim made or threatened against the Company or an Indemnitee for which the Company or such Indemnitee is entitled in indemnification under Section 11.3(b), the Manager shall, or shall cause the Company or Indemnitee, to:

(i) give written notice to the Members of such claim promptly after such claim is made or threatened, which notice shall specify in reasonable detail the nature of the claim and the amount (or an estimate of the amount) of the claim;

(ii) provide the Members with such information and cooperation with respect to such claim as the Members may require, including, without limitation, making appropriate personnel available to the Members at such times as the Members shall request;

(d) cooperate and take all such steps as the Members may request to preserve and protect any defense to such claim;

(e) in the event suit is brought with respect to such claim, upon prior notice, afford the Members the right, which the Members may exercise in their sole discretion and at their expense, to participate in the investigation, defense, and settlement of such claim; and

(f) neither incur any material expense to defend against nor release or settle such claim or make any admission with respect thereto without the prior written consent of the Members.

## SECTION XII

## MISCELLANEOUS PROVISIONS

12.1 Notices. Unless otherwise provided herein, any offer, acceptance, election, approval, consent, certification, request, waiver, notice or other communication required or permitted to be given hereunder (collectively referred to as a "Notice"), must be in writing and shall be given by hand delivery or delivering the same by facsimile or electronic transmission or reliable overnight courier or enclosing the same in an envelope addressed to the Company c/o Pareto Captive of Tennessee, LLC, 2929 Walnut Street, FMC Tower, Suite 1500, Philadelphia, PA 19104 or to the Member to whom the

Notice is to be given at the appropriate address as maintained by the Company pursuant to Section 10.1(b)(i) of this Agreement, and deposited in the U.S. Mail postage prepaid. In addition, the Company shall be sent a copy of all Notices to Members at the Company's principal office. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails, by overnight courier, by facsimile or by electronic transmission, shall be the time of the giving of such Notice. Any party may designate, by Notice to all of the others, substitute addresses or addressees for Notices; and, thereafter, Notices are to be directed to those substitute addresses or addressees.

12.2 Electronic Transmissions. For purposes of this Agreement, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, which creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

12.3 Electronic Communications and Documents. All meetings of any kind may be held electronically to the extent permitted by, or not inconsistent with, the articles of organization and by law. To the extent permitted by law, all communications, including notices of meetings, and all contracts, agreements and other documents and signatures may be created, affixed and delivered electronically.

12.4 Voting of Securities Held. Unless otherwise provided by the Manager, the President may from time to time appoint an attorney or attorneys or agent or agents of the Company, to cast the votes that the Company may be entitled to cast as an equity holder or otherwise in any corporation, limited partnership, limited liability company or any other entity (an "Entity") in which this Company may hold securities or other interests, at meetings of the holders of securities of such Entity, or to consent to any action by such Entity, and may instruct the agent(s) or attorney(s) so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed on behalf of the Company, such proxies, consents, waivers or other instruments that such agent(s) or attorney(s) of the Company may deem necessary or proper in the meetings of such Entity; or the President may himself attend any meeting of the holders of securities of any such Entity and thereat vote or exercise any and all powers of the Company as the holder of such securities of such Entity.

12.5 Entire Agreement. This Agreement, including the Exhibits, and Schedules attached hereto or incorporated herein by reference, constitutes the entire agreement of the Members with respect to the matters covered herein. This Agreement supersedes all prior and contemporaneous agreements and oral understandings among the Members with respect to such matters. In the event there is any arbitrated, mediated, or litigated dispute between the Members over the interpretation of any provision of this Agreement, the prevailing Members in such dispute shall be entitled to recover reasonable attorney's fees from the non-prevailing Members in such dispute.

12.6 Amendment. Except as expressly provided by law, in the Company's articles of organization or otherwise set forth herein, this Agreement may be amended or altered only by the affirmative vote or written consent of Members owning sixty-six and two-thirds percent of the Membership Interests, with the prior written consent of the Manager, and, if required by law, rule or regulation, with the prior approval of the Commissioner.

12.7 Interpretation. Wherever the context may require, any noun or pronoun used herein shall include the corresponding masculine, feminine, or neuter forms. The singular form of nouns, pronouns, and verbs shall include the plural, and vice versa.

12.8 Severability. Each provision of this Agreement shall be considered severable and if for any reason any provision hereof is determined to be invalid and contrary to existing or future law, such invalidity shall not impair the operation or effect of those portions of this Agreement which are valid, and the Agreement shall remain in full force and effect and shall be enforced in all respects, and such invalid or unenforceable provision shall be replaced with an alternative valid and enforceable provision which otherwise gives maximum effect to the original intent of such invalid or unenforceable provision.

12.9 Successors. Except as expressly otherwise provided herein, this Agreement is binding upon, and inures to the benefit of, the parties hereto and their respective heirs, executors, administrators, personal and legal representatives, successors, and permitted assigns.

12.10 Further Assurances. Each Member hereby agrees that it shall hereafter execute and deliver further instruments, provide all information and take or forbear such further acts and things as may be reasonably required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with terms hereof.

12.11 Power of Attorney. Each Member does hereby constitute and appoint the Manager and each Person specifically authorized by the Manager to act as its true and lawful representative and attorney-in-fact, in its name, place and stead to make, execute, sign, deliver and file:

(a) any amendment of the articles of organization required because of an amendment to this Agreement or in order to effectuate any change in the ownership of the Membership Interests of the Company; or

(b) any amendments to this Agreement made in accordance with the terms hereof or in order to effectuate any change in the ownership of the Membership Interests of the Company;

(c) all such other instruments, documents and certificates which may from time to time be required by the laws of the United States of America, the State of Tennessee or any other jurisdiction, or any political subdivision or agency thereof, to effectuate, implement and continue the valid and continuing existence of the Company or to dissolve the Company or for any other purpose consistent with this Agreement and the transactions contemplated hereby. The power of attorney granted hereby is irrevocable and is coupled with an interest and shall (x) survive and not be affected by the subsequent death, incapacity, disability, dissolution, termination or bankruptcy of the Member granting the same or the transfer of all or any portion of such Member's Membership Interest and (y) extend to such Member's successors, assigns and legal representatives. Each Member shall be bound by any representations made by the attorney- in-fact acting in good faith pursuant to this power of attorney, and each Member hereby waives any and all defense which may be available to contest, negate or disaffirm any action of the attorney-in-fact taken in good faith pursuant to this power of attorney.

12.12 Governing Law; Jurisdiction. This Agreement and all questions with respect to the rights and obligations of the Members, the construction, enforcement, and interpretation hereof, and the formation, administration, and termination of the Company shall be governed by the provisions of the Act and other applicable internal laws of the State of Tennessee, without regard to conflict of laws provisions. The parties to this Agreement consent to the exclusive jurisdiction of the courts of, and the exclusivity of arbitration in, the State of Tennessee.

12.13 Section Titles. The headings herein are inserted as a matter of convenience only, and do not define, limit, or describe the scope of this Agreement or the intent of the provisions hereof.

12.14 Counterparts. This Agreement may be executed in any number of counterparts, and/or by facsimile and/or by scanned (.pdf or similar format) signatures each of which shall be an original but all of which together will constitute one instrument, binding upon all parties hereto, notwithstanding that all of such parties may not have executed the same counterpart.

12.15 Regulatory Compliance. Notwithstanding any provision of this Agreement to the contrary, the Company shall take no action for which timely notice to the Commissioner is required pursuant to the Captive Statute, or for which prior notice to and prior approval by the Commissioner are required pursuant to the Captive Statute, without having complied with such requirements and with any applicable provisions of a Tennessee order, directive, regulation or other Tennessee law. This Agreement shall not contain any provisions which are not compliant or consistent with any applicable order or directive of the Commissioner or with any other applicable Tennessee law or regulation. If this Agreement contains any provision which conflicts with or is not consistent with any applicable Tennessee order, directive, law or regulation, then such Tennessee order, directive, law or regulation shall supersede, and the conflicting provision(s) of this Agreement shall have no effect.

12.16 Arbitration. It is agreed that any and all claims of any Member arising out of the application, interpretation, or claimed breach of this Agreement shall be subject to binding arbitration as the sole and complete remedy; provided, however, that in the event the Company, the Manager or any Person acting on their behalf is seeking injunctive relief, such party shall not be required to resort to arbitration as set forth herein and may apply directly to the court for relief. Any such arbitration shall be conducted under the rules of the American Arbitration Association then in effect. In any such arbitration proceeding, the following rules will apply and supersede any conflicting provisions in the arbitration tribunal rules:

(a) The arbitrator shall be appointed by the Manager and shall be a licensed attorney in the State of Tennessee, unless otherwise agreed by the parties.

(b) The arbitrator shall have full authority to rule on all issues of fact and law in dispute, and shall have full authority to award any and all remedies appropriate to the case, including all remedies available under the law applicable to the dispute.

(c) The parties shall be permitted, subject to control by the arbitrator, to conduct reasonable pre-hearing discovery of facts and documents, including the production of documents and taking of depositions, and to file motions related to the disposition of the case.

(d) The arbitrator shall issue a written decision with respect to all issues of law and fact submitted.

(e) The party filing a demand for arbitration shall ultimately be responsible for payment of filing fees in connection with any such demand.

(f) The parties may be represented by legal counsel in any arbitration proceeding, and the successful or prevailing party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that proceeding, in addition to any other relief to which it may be entitled.

(g) All arbitration proceedings shall be conducted in Nashville, Tennessee, unless otherwise mutually agreed between the parties.

## SECTION XIII

CONFIDENTIAL INFORMATION

(a) For the purposes of this Agreement, the term "Confidential Information" shall mean and include, but shall not be limited to, any and all information disclosed and/or prepared by the Manager concerning the Company or its business, both technical and non-technical, tangible and intangible, including all procedures, data, records, marketing materials, policy forms, rates, methodologies, software, intellectual property, projections, systems, documents, agreements, financial and accounting data, customer lists, lists of prospective customers or new or existing accounts, insurance expirations, forms, source codes, software applications and configurations, and business plans, regardless of the form or nature thereof; provided, however, that the term "Confidential Information" does not include (i) information which has previously become or subsequently becomes generally available to the public other than as a result of disclosure in violation of this Agreement or in breach of any duty or obligation owed to any third party or (ii) a Member's own claims and premium data.

(b) During each Program Year, each Member (each, an "Accessing Party") shall have access to Confidential Information. Each such Accessing Party agrees that it shall use all such Confidential Information solely in connection with the performance of its duties and enforcement of its rights under this Agreement and all Confidential Information made available to the Accessing Party, together with all physical and electronic embodiments thereof, shall be used and held by the Accessing Party in the strictest confidence. In addition, the Accessing Party shall not, at any time, without the advance written consent of the Manager in each instance, directly or indirectly:

(i) Disclose, sell, transfer or otherwise communicate or convey to any third person or entity the whole or any part of the Confidential Information;

(ii) Make use of any of the Confidential Information in conducting any business with any other Person; or

(iii) Permit or otherwise authorize or direct any other Person to use or convey the Confidential Information for any purpose whatsoever.

(c) Each Member acknowledges that the Confidential Information represents a valuable business asset of the Company and that such Confidential Information shall remain the exclusive property of the Company. Under no circumstances whatsoever shall any of the Confidential Information be sold or disclosed to any Person other than as specifically permitted pursuant to the terms of this Agreement without the prior written consent of the Manager in each instance.

(d) Each Member agrees that it shall return to the Manager all physical or electronic embodiments of the Confidential Information obtained from the Manager or the Company upon the expiration or other termination of this Agreement. In addition, no Member shall retain copies, electronic or otherwise, of any of the Confidential Information.

(e) Each Member understands and agrees that money damages would not be sufficient remedy for any breach of this Section 13 and that the Company and/or the Manager shall be entitled to specific performance and injunctive relief (without the necessity of posting any bond) as

remedies for any such breach. Such remedies shall not be deemed the exclusive remedies for the breach of this Agreement, but shall be in addition to all other remedies available at law or at equity to the Company and/or Manager.

(f) The provisions of this Section 13 shall survive the expiration or other termination of this Agreement indefinitely.

* * *

[signatures appear on following page(s)]

IN WITNESS WHEREOF, Pareto, as the initial Member of the Company, has executed this Agreement to acknowledge its withdrawal as the initial Member of the Company as of the day and year first above written.

INITIAL MEMBER:

Pareto Captive of Tennessee, LLC

By: _____
Name: Andrew C. Cavenagh
Title: President

*[Signature Page to Operating Agreement of Legend Holdings, LLC]*

Legend Holdings, LLC Member Signature Page

The undersigned has received a copy of the Operating Agreement of Legend Holdings, LLC and hereby agrees to be bound by the same.

MEMBER

Name of Entity or Individual

Signature

Name of Authorized Representative (if Entity)

Title (if Entity)

Date

*Notice Address (Sections 5.6, 10.1(b) and 12.1):*

Address

Address 2

City, State, Zip Code

Telephone

Facsimile

Email

LEGEND HOLDINGS, LLC
REDEMPTION AND WITHDRAWAL AGREEMENT

THIS REDEMPTION AND WITHDRAWAL AGREEMENT (this "Redemption Agreement") is made effective as of [*_____], 20__ (the "Effective Date"), by and between [*_____] ("Assignor"), as assignor, and Legend Holdings, LLC, a Tennessee limited liability company ("Company").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Operating Agreement of Company, dated as of the __ day of _____, 20__ (as amended, the "Operating Agreement"), by and among Assignor and the other Members named therein, Assignor owns certain Membership Interests issued and outstanding in Company (the "Assigned Interests"); and

WHEREAS, Assignor desires to assign to Company, and Company desires to redeem, Assignor's right, title and interest in and to Company, including the Assigned Interests and all other rights derived therefrom (collectively, the "Assigned Rights"), under the terms of this Redemption Agreement.

NOW, THEREFORE, in consideration of the sum of Ten and 00/100 Dollars ($10.00) and other good and valuable consideration in hand paid to Assignor by Company at or before the signing and sealing of these presents, the receipt, adequacy and sufficiency whereof are hereby acknowledged, Assignor and Company, intending to be legally bound, hereby agree to the following:

1. Redemption. Assignor hereby assigns, transfers, releases, conveys and sets over to Company, free and clear of all Encumbrances (as defined below), and Company hereby redeems, all right, title and interest Assignor has in, and with respect to, the Assigned Rights. Notwithstanding anything to the contrary contained herein, in no event shall the redemption of the Assigned Interests and assignment of all Assigned Rights to Company be deemed an assumption by Company of any Encumbrances or other liabilities of Assignor arising from or relating to the Assigned Rights existing as of, or relating to periods prior to, the Effective Date.

2. Purchase Price; Waiver. In addition to the mutual covenants contained herein, any cash and/or separate additional non-cash consideration being paid in connection with this Redemption Agreement (collectively, "Additional Consideration"), if any, whether being paid by or on behalf of Assignor or Company, is set forth on Schedule 2 attached hereto (the "Additional Consideration Schedule") and incorporated herein by reference. Except as may be otherwise provided on the Additional Consideration Schedule, all Additional Consideration, if any, shall be due and payable upon Company's receipt of the Assignor's Instruments of Conveyance (as defined below) under Section 3 below and shall be paid by the party(ies) identified in the Additional Consideration Schedule. Notwithstanding any Additional Consideration agreed to be paid in connection with the transactions described in this Redemption Agreement, Assignor acknowledges that the mutual covenants contained in this Redemption Agreement are adequate and sufficient consideration.

3. Instruments of Conveyance. Without limitation or modification of the redemption set forth in Section 1 above, Assignor hereby agrees to execute and deliver the following instruments to effectuate the transactions described herein (collectively, the "Instruments of Conveyance"):

(a) Assignor shall execute and deliver the form of Assignment of Limited Liability Company Membership Interests attached hereto as Exhibit A-1 (the "Assignment") and made a part hereof, pursuant to which Assignor shall assign the Assigned Interests to Company under the terms and conditions of the Assignment; and

(b) Assignor shall execute and deliver the form of [**Mutual**] General Release attached hereto as Exhibit A-2 (the "Release") and made a part hereof, pursuant to which Assignor shall release Company and certain other parties named therein (the "Company Released Parties") from the claims and liabilities described in the Release (the "Covered Liabilities")[**, and Company shall release Assignor and certain other parties named in the Release from the claims and liabilities described therein**], all as more particularly set forth in, and subject to the terms of, the Release; and

(c) Assignor covenants that it will, from time to time, from and after the date hereof, promptly do, execute, acknowledge and deliver and will cause to be done, executed, acknowledged and delivered, all such further acts, deeds, certificates, bills of sale, assignments, transfers, conveyances, powers of attorney, assurances and other documents as may be reasonably requested by Company (i) for better assigning, transferring, granting, conveying, assuring and conferring right, title and interest to Company of the Assigned Rights; (ii) to effectuate the release of the Company Released Parties from the Covered Liabilities; and/or (iii) to otherwise better consummate the transactions expressly provided for in this Redemption Agreement.

4. Withdrawal. Assignor acknowledges that, as a result of the transactions described in this Redemption Agreement, Assignor is deemed to have withdrawn as a Member of Company and shall hereafter no longer have any right, title or interest in the Company or any direct or indirect interest in or to any of Company's rights or assets. Assignor hereby waives any and all rights (including any rights to profits, losses, distributions of cash, options, rights of first refusal or similar rights) that Assignor had, now has, or would have had in the future under the Operating Agreement or otherwise arising from the Assigned Interests.

5. Representations and Warranties. As an inducement to Company to enter into this Redemption Agreement, Assignor represents and warrants to Company as follows:

(a) Assignor is duly-organized, validly-existing and in good standing pursuant to the laws of its jurisdiction of formation. Assignor has the requisite power to own its properties and is duly-qualified to do business in all states where Assignor conducts business. Assignor has the power and authority to execute and deliver this Redemption Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Redemption Agreement has been duly-executed and delivered by Assignor and (assuming due authorization, execution, and delivery by Company) constitutes the legal, valid and binding obligation of Assignor, enforceable against Assignor in accordance with its terms.

(b) Assignor is the legal, beneficial and record owner of the Assigned Interests, free and clear of all security interests, pledges, mortgages, liens (including environmental and tax liens), charges, encumbrances, adverse claims, preferential arrangement, third party interests or restrictions of any kind, including, without limitation, any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership (each, but excluding any restrictions arising solely under the Operating Agreement, an "Encumbrance").

(c) Assignor has not transferred, sold, conveyed, hypothecated, pledged or otherwise created any Encumbrance or in any other way disposed of or limited Assignor's rights in the Assigned Interests, and has not entered into any agreement (whether written or oral) with respect to the foregoing.

(d) Neither the execution, delivery and performance of this Redemption Agreement nor the consummation by Assignor of the transactions contemplated hereby (i) conflicts with or violates (A) any law, regulation, order, writ, injunction, decree, determination, or award of any court, any governmental department, board, agency or instrumentality, domestic or foreign, or any arbitrator, applicable to Assignor, or (B) any contract, agreement, instrument, mortgage, note, lease or other arrangement binding on or affecting Assignor or any of Assignor's property (including the Assigned Interests); (ii) requires any consent, authorization or approval (which has not been previously obtained) under any contract, agreement, instrument, mortgage, note, lease or other arrangement to which Assignor or any of Assignor's property is bound (including the Assigned Interests); or (iii) results in the creation or imposition of any Encumbrance upon any property of Assignor (including the Assigned Interests).

(e) Upon the Closing of the transactions contemplated by this Redemption Agreement, (i) Assignor will transfer good, valid, and marketable title in the Assigned Interests to Company, free and clear of any Encumbrance; and (ii) Assignor shall be deemed to have withdrawn as Member of Company and shall no longer have any voting, economic or other rights in or to Company or any of Company's property, rights or assets.

(f) No broker, finder, or investment banker is entitled to any brokerage, finders, or other fee or commission in connection with the transactions hereunder based upon arrangements made by or on behalf of Assignor.

(g) To Assignor's knowledge, there are no claims other than claims previously disclosed to Company's admitted insurance carrier in writing prior to the Effective Date or any increases (including any pending or proposed increases) in existing claim reserves. As used herein, the term knowledge shall mean, with respect to Assignor and each director, manager, member, shareholder, officer, employee, partner, executor, trustee or agent thereof, (i) that Assignor is actually aware that the foregoing representation and warranty is true and correct or (ii) Assignor after conducting a reasonable investigation regarding the accuracy of the foregoing representation and warranty (including, without limitation, making appropriate inquiries with the human resource officer, safety manager and/or risk manager of any named insured or additional insured covered by Insurance Policies) should reasonably be expected to discover or otherwise become aware of that fact or matter.

6. Indemnification. Assignor hereby agrees to defend, indemnify, and hold Company harmless from and against any and all claims, demands, actions, causes of action, liabilities, damages, costs, and expenses (including reasonable attorneys' fees) related to or arising from (i) the Assigned Rights based on any act, occurrence or omissions prior to the date hereof or (ii) any breach by Assignor of the covenants, representations or warranties set forth in this Redemption Agreement.

7. Taxes. The parties agree that any tax that may be payable as a result of the transactions described hereinabove shall be the sole responsibility of Assignor and Assignor agrees to hold Company harmless from and against any liability or claim imposed on Company for any tax or other governmental contribution or any penalty or interest thereon that may be incurred or demanded as a result of the transactions described hereinabove.

8. Miscellaneous. This Redemption Agreement may not be amended, modified or terminated except by an instrument in writing executed by the parties hereto. This Redemption Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. This Redemption Agreement shall be interpreted and construed in accordance with, and governed by, the laws of the State of Tennessee, without regard to its principles of conflict of laws. This Redemption Agreement may be executed by (.pdf) electronic signature, facsimile signature and/or in one or more counterparts which, when taken together, shall constitute a single instrument. Each provision of this Redemption Agreement (including the exhibits and schedules attached hereto) is intended to be severable, and, if any term or provision of this Redemption Agreement is determined to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Redemption Agreement. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Operating Agreement unless the context requires otherwise. Any dispute related to this Redemption Agreement shall be subject to and resolved under the arbitration and related provisions of the Operating Agreement.

[signatures appear on following page]

[*signature page to Legend Holdings, LLC Redemption and Withdrawal Agreement*]

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

ASSIGNOR:

[*_____], a
[_____][_____]

By: _____
Name:
Title:

[**or, if individual**]

[_____
**Print Name:**]

COMPANY:

Legend Holdings, LLC, a Tennessee limited liability company

By: _____
Name:
Title:

Schedule 2

Additional Consideration

[to be completed]

Exhibit A-1

ASSIGNMENT OF LIMITED LIABILITY COMPANY MEMBERSHIP INTERESTS

FOR AND IN CONSIDERATION OF the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and intending to be legally bound, [*_____] ("Assignor") hereby sells, assigns, transfers and sets over all of its right, title and interest in and to Legend Holdings, LLC, a Tennessee limited liability company (the "Company"), including, without limitation, all membership interests in the Company owned by Assignor (collectively, the "Membership Interests"), to the Company pursuant to the terms of the Legend Holdings, LLC Redemption and Withdrawal Agreement made effective as of [*_____**, 20**__] (the "Redemption Agreement"), free and clear of any and all Encumbrances.

This Assignment shall be binding upon and inure to the benefit of Assignor, the Company, and their respective successors and assigns. This Assignment is being executed and delivered in connection with the transactions described in the Redemption Agreement and is subject to all terms and conditions set forth therein. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Redemption Agreement unless the context requires otherwise.

IN WITNESS WHEREOF, Assignor, intending to be legally bound hereby, has executed this Assignment effective this [__] day of [_____], 20__.

ASSIGNOR:

[*_____], a [_____]
[_____]

By: _____
Name:
Title:

[**or, if individual**]

[_____
**Print Name:**]

Exhibit A-2

[**MUTUAL**] GENERAL RELEASE

THIS [**MUTUAL**] GENERAL RELEASE (this "Release"), effective as of the [__] day of [_____], 20__, by and between [*_____] ("Assignor"), having an address located at [*_____], and Legend Holdings, LLC, a Tennessee limited liability company (the "Company"), is being executed and delivered pursuant to that certain Legend Holdings, LLC Redemption and Withdrawal Agreement (the "Redemption Agreement"), dated as of the date hereof, by and between Assignor and the Company.

W I T N E S S E T H:

WHEREAS, the parties desire to consummate closing on the transactions described in the Redemption Agreement and the other matters described therein; and

WHEREAS, the consummation of the transactions contemplated by the Redemption Agreement is conditioned upon, among other things, the execution and delivery of this Release.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignor, for itself and on behalf of its present and former owners, shareholders, partners, directors, members, managers, officers, representatives, employees, agents, affiliates, subsidiaries, predecessors, successors, assigns, beneficiaries, heirs, executors, insurers, personal representatives and attorneys of the foregoing (collectively, the "Assignor Releasing Parties") hereby fully and finally release, acquit and forever discharge the Company and each of the present and former officers, directors, managers, owners, shareholders, partners, members, representatives, employees, agents, affiliates, subsidiaries, predecessors, successors, assigns, beneficiaries, heirs, executors, insurers, personal representatives and attorneys of the foregoing, including, without limitation, Pareto Captive of Tennessee, LLC and Pareto Captive Services, LLC (collectively, the "Company Released Parties") from any and all actions, causes of action (whether class, derivative or individual in nature, for indemnity or otherwise), suits, debts, claims, counterclaims, demands, liens, taxes, commitments, contracts, agreements, promises, liabilities, demands, damages, losses, costs, expenses and compensation of any kind or nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, past, present or future, in law or in equity, which the Assignor Releasing Parties had, have, or may have had from the beginning of the world to the date of this Release and thereafter, against the Company Released Parties, with respect to Assignor's ownership or other rights in, or transactions with or involving, the Company (whether direct and indirect), any or all of the Company Released Parties, or any one of them, and any act, omission, or state of facts related thereto, or otherwise. Notwithstanding anything to the contrary contained herein, nothing in this Release is intended to, or shall operate to, release the Company from any of its obligations arising solely under the Redemption Agreement (the "Company Redemption Obligations").

2. [**Company, for itself and on behalf of its present and former directors, managers, officers, representatives, employees, agents, affiliates, subsidiaries, predecessors, successors, assigns, beneficiaries, heirs, executors, insurers, personal representatives and attorneys of the foregoing (collectively, the "Company Releasing Parties") hereby fully and finally release, acquit and forever discharge Assignor and each of the present and former officers, directors, managers, owners, shareholders, partners, members, representatives, employees, agents, affiliates, subsidiaries, predecessors, successors, assigns, beneficiaries, heirs, executors, insurers, personal representatives and attorneys of the foregoing (collectively, the "Assignor Released Parties") from any and all actions, causes of action (whether class, derivative or individual in nature, for indemnity or otherwise), suits, debts, claims, counterclaims, demands, liens, commitments, contracts, agreements, promises, liabilities, demands, damages, losses, costs, expenses and compensation of any kind or nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, past, present or future, in law or in equity, which the Company Releasing Parties had, have, or may have had from the beginning of the world to the date of this Release and thereafter, against the Assignor Released Parties, with respect to Assignor's ownership or other rights in, or transactions with or involving, the Company (whether direct and indirect), any or all of the Company Released Parties, or any one of them, and any act, omission, or state of facts related thereto. Notwithstanding anything to the contrary contained herein, nothing in this Release is intended to, or shall operate to, release Assignor from any of its obligations and liabilities arising under the Redemption Agreement (the "Assignor Redemption Obligations").**]

3. Except with respect to the Company Redemption Obligations [**and the Assignor Redemption Obligations**], it is understood and agreed that this Release shall constitute a general release by Assignor, the Company, the Assignor Releasing Parties and the Company Releasing Parties and shall be effective as a full and final accord and satisfaction, and as a bar to all actions, causes of action, costs, expenses, attorneys' fees, damages, claims and liabilities whatsoever, whether or not now known, suspected, claimed or concealed.

4. Each party acknowledges and agrees that all of [**the Assignor Released Parties and**] the Company Released Parties are intended third party beneficiaries of this Release, and that this Release shall be binding upon [**the Assignor Released Parties and**] the Company Released Parties and shall inure to the benefit of, and be enforceable by, [**the Assignor Released Parties and**] the Company Released Parties.

5. This Release shall be construed under, and, interpreted in accordance with, the laws of the State of Tennessee as they exist on the day this Release is executed, without giving effect to the choice or conflicts of laws provisions thereof. This Release constitutes the entire understanding and agreement with respect to the subject matter hereof. This Release may not be modified or amended except in a writing signed by Assignor and the Company. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Redemption Agreement unless the context requires otherwise.

[signature appears on following page]

IN WITNESS WHEREOF, the parties have executed this Release as of the date first set forth hereinabove.

ASSIGNOR:

[*_____], a
[_____] [_____]

By: _____
Name:
Title:

[**or, if individual**]

[_____
**Print Name:**]

COMPANY:

Legend Holdings, LLC, a Tennessee limited liability company

By: _____
Name:
Title:

# OPERATING AGREEMENT OF

# LEGEND RE, LLC

## a Tennessee Pure Captive Insurance Limited Liability Company

**OPERATING AGREEMENT OF**

**LEGEND RE, LLC**

**a Tennessee Pure Captive Insurance Limited Liability Company**

This Operating Agreement of Legend Re, LLC, a Tennessee Pure Captive Insurance Limited Liability Company, is entered into by Legend Holdings, LLC, as its sole Member, effective as of December 1, 2017 (the "Effective Date").

The Member has organized the Company pursuant to the Act and the Captive Statute and this Agreement and agrees as follows:

## SECTION I

### DEFINITIONS

1.1 Act means the Tennessee Revised Limited Liability Company Act, T.C.A. §§ 48- 249-101 et. Seq., as amended from time to time.

1.2 Agreement means this Operating Agreement of the Company, as it may be amended from time to time.

1.3 Board means the members of the Captive Management Committee as described and as designated or appointed under Section 6.4(d) hereof.

1.4 Capital and Surplus shall have the meaning provided in the Captive Statute.

1.5 Capital Contribution means the amount of money or the fair market value of other property contributed by the Member to the Company prior to the date hereof or pursuant to the terms of this Agreement.

1.6 Captive Statute means the Revised Tennessee Captive Insurance Act T.C.A. §§ 56/13-101 et seq. as amended from time to time.

1.7 Certificate of Authority means a certificate of authority to do insurance business in Tennessee pursuant to the Captive Statute.

1.8 Code means the Internal Revenue Code of 1986, as amended, or any successor provision of law.

1.9 Commissioner means the Commissioner of the Tennessee Department of Commerce and Insurance.

1.10 Company means Legend Re, LLC, a Tennessee limited liability company.

1.11 Effective Date is defined in the recitals.

1.12 Entity shall have the meaning provided in Section 12.4 hereof.

1.13 Fiscal Year means the Company's accounting year as established in Section 10.4
hereof.

1.14 Holdings shall mean Legend Holdings, LLC, a Tennessee limited liability company.

1.15 Holdings Operating Agreement shall mean the Operating Agreement of Holdings dated as of the Effective Date, as may be amended from time to time.

1.16 Member means Holdings and/or its successor and assigns.

1.17 Notice shall have the meaning provided in Section 12.1 hereof.

1.18 Officer shall mean any individual elected by the Member as President, Vice President, Secretary, Treasurer, or any other office designated by the Member under Sections 5.1(a) or 6.1(b) hereof.

1.19 Person means and includes an individual, proprietorship, trust, estate, partnership, joint venture, association, company, corporation, limited liability company or other entity.

1.20 Program Year shall mean a period commencing with the effective date of a reinsurance treaty or agreement with the Company as reinsurer and ending on the termination date of such reinsurance treaty or agreement.

1.21 Taxable Year means the period for calculating the Company's federal and state income tax liability as established in Section 10.4 hereof.

1.22 Treasury Regulations means the Treasury Regulations issued under the Code, as amended and as hereafter amended from time to time. Reference to any particular provision of the Treasury Regulations means that provision of the Treasury Regulations on the date hereof and any successor provision of the Treasury Regulations.

## SECTION II

### NAME; OFFICE; PURPOSE; TERM

2.1 Name of the Company. The name of the Company is "Legend Re, LLC." The Company may do business under that name or under any other name selected by the Member

and approved by the Commissioner. If the Company does business under any name other than that set forth in its Articles of Organization, then the Company shall file a fictitious name certificate or any other documents required by applicable law.

2.2 Principal Place of Business; Registered Office and Registered Agent.

(a) The principal office and place of business of the Company shall be located at Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, Davidson County, Tennessee 37219 Attn: J. Leigh Griffith. The Member may at any time change the location of such office to another location within the State of Tennessee, provided that Member gives notice of any such change to the registered agent of the Company, and the Commissioner.

(b) The registered office of the Company for purposes of the Act shall be Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, Davidson County, Tennessee 37219 Attn: J. Leigh Griffith. The registered agent of the Company for purposes of the Act shall be J. Leigh Griffith, whose business address is the Company's registered office address.

2.3 Purpose. The Company is formed for the purpose of operating as Tennessee Pure Captive Insurance Limited Liability Company, implementing an insurance program whereby the Company will reinsure medical stop loss policies for mid-sized employers, who will also be members of the Member. As a condition of membership in the sole Member of the Company, such medical stop loss policies will be purchased by the members of the sole Member from an admitted carrier. The Company shall only insure the risks of its Member or the members of its Member. The business of insurance or reinsurance conducted by the Company shall be limited to those activities the Company conducts to accomplish its purpose as set forth above.

2.4 Term. The term of the Company shall be unlimited, except that the Company may be terminated as provided in Section 9.1 of this Agreement.

## SECTION III

## MEMBER; CAPITAL; CAPITAL ACCOUNTS

3.1 Member. No Person other than Holdings may be admitted as a member of the Company, except upon the amendment of this Agreement by the Member. The Member shall own all of the membership interests in the Company.

3.2 Capital Contributions. Except as may be required by the Commissioner and as may otherwise be required by this Agreement, the Member shall not be required to make any Capital Contributions to the Company.

3.3 Capital and Surplus. Notwithstanding any other provision of this Agreement, in order that the Company may obtain, and for so long as the Company shall be required as a result of having obtained, a Certificate of Authority to conduct an insurance business in

Tennessee, the Member shall make to the Company, as and when required by the Commissioner, such initial and additional Capital Contributions as are necessary to satisfy the Commissioner.

3.4 Minimum Capital and Surplus. In addition to such additional capital as may be required by the Commissioner to contribute to the Company, the Member shall maintain at least an aggregate Capital Contribution of the greater of (a) $250,000 or (b) such other amount required by the Commissioner, in the form of cash or such other form as may be satisfactory to the Commissioner, which shall be allocated, segregated and held in Tennessee as the Company's minimum Capital and Surplus in accordance with Tennessee law, regulation, order or directive.

3.5 No Interest on Capital Contributions. The Member shall not be entitled to interest on its Capital Contribution.

3.6 Return of Capital Contributions. The Member shall not be entitled to withdraw any part of its Capital Contribution, or to receive any distribution from the Company, except as specifically provided in this Agreement and subject to the Commissioner's prior approval. Except as otherwise provided herein, there shall be no obligation to return to the Member or withdrawn Member any part of such Member's Capital Contribution to the Company for so long as the Company continues to exist.

3.7 No Third Party Beneficiary. No creditor or other third party having dealings with the Company shall have the right to enforce the right or obligation of any Member to make Capital Contributions or loans or to pursue any other right or remedy hereunder or at law or in equity, it being understood and agreed that the provisions of this Agreement shall be solely for the benefit of, and may be enforced solely by, the parties hereto and their respective successors and permitted assigns. None of the rights or obligations of the Member herein set forth to make Capital Contributions or loans to the Company shall be deemed an asset of the Company for any purpose by any creditor or other third party, nor may such rights or obligations be sold, transferred or assigned by the Company or pledged or encumbered by the Company to secure any debt or other obligation of the Company or of the Member. In addition, it is the intent of the parties hereto that no distribution to any Member shall be deemed a return of money or other property in violation of the Act. Any Member receiving the payment of any such money or distribution of any such property shall not be required to return any such money or property to any Person, the Company, or any creditor of the Company. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, the Member is obligated to return such money or property, such obligation shall be the obligation of such Member and not of any other Person.

## SECTION IV

## PROFIT, LOSS AND DISTRIBUTIONS

4.1 Allocation of Profit and Loss.

(a) Profit and loss of the Company for each Program Year shall be allocated solely to the Member.

(b) "Profit" and "loss" shall be determined in accordance with generally accepted accounting principles.

4.2 Distributions. Subject to Section 48-249-306 of the Act and Section 56-13-106 of the Captive Statute, this Agreement and the prior approval of the Commissioner, the Company may make distributions of cash or other assets to the Member, at such times and in such amounts as the Member shall determine, provided that no distribution shall be made to the extent it would make the Company insolvent or cause its net assets to be less than the minimum required capital. All distributions shall be made to the Member. Any asset, other than cash, shall be valued at fair market value, as determined by the Member in good faith, for purposes of determining the amount of any distribution consisting in whole or in part of such asset.

4.3 Liquidation and Dissolution. If the Company is liquidated, after satisfying the Company's liabilities to creditors, the remaining assets of the Company, subject to the Commissioner's prior approval, shall be distributed to the Member.

## SECTION V

### MANAGEMENT OF THE COMPANY; RIGHTS AND OBLIGATIONS OF THE MEMBER; MEETINGS

5.1 Authority of Member. Management of the Company shall be vested solely in the Member. Subject to Section 2.3 above, the Member shall have all rights and powers relating to the Company, including, but not limited to, the following:

(a) to appoint and remove, with or without cause, one or more Officers of the Company as the Member deems appropriate to carry out and execute the decisions and instructions of the Member in the day-to-day operations of the business of the Company, with such duties and powers as are from time to time specified by the Member;

(b) to purchase, lease, or otherwise acquire the ownership, use, or benefit of assets, properties, rights, or privileges, real or personal, tangible or intangible, of any kind or description;

(c) to sell, pledge, mortgage, lease without limit of time, exchange, or to grant options for the purchase, lease, or exchange of the Company's assets;

(d) to institute any legal action or proceeding on behalf of the Company;

(e) to assign, transfer, pledge, compromise, or release any claims or debts due the Company;

(f) to make, execute, or deliver any assignment for the benefit of creditors

or any confession of judgment, mortgage, deed, guarantee, indemnity, or surety bond;

(g) to vote at any election or meeting of any corporation, partnership, limited liability company, joint venture, or other entity, in person or by proxy, to appoint agents to do so in the place and stead of the Member, and to exercise all rights (including without limitation approval and consent rights) that the Company may have with respect to such entity, whether pursuant to applicable law, governing documents, contracts, or otherwise;

(h) to borrow money for any purpose that the Member considers to be for the benefit of the Company or to facilitate its administration, and to mortgage or pledge Company's assets to secure the repayment thereof, and to authorize the confession of judgment against the Company and the Company's assets;

(i) to retain and pay custodians, accountants, counsel, and other agents and to incur any other expenses that are reasonably related to the operation of the Company;

(j) to enter into agreements with, and to fix and adjust the compensation of, employees of the Company; and

(k) to invest in time deposits and savings accounts and to maintain banking accounts in any institutions determined by the Member.

5.2 Voting Rights. All matters requiring a vote of members pursuant to this Agreement or the Act shall be determined by the vote of the Member. If there shall be greater than one Member, except as otherwise provided herein or as otherwise required by the Act, any action required or permitted to be taken by the Member must be approved by Members holding not less than a majority of the Membership Interests of the Company. Notwithstanding approval by the Member or Members pursuant to this Section 5.2, no action requiring prior notice to, or prior approval of, the Commissioner may be taken without such prior notice or approval.

5.3 Places of Meetings. All meetings of the Member shall be held at such date and location, if any, within or without Tennessee, or by means of remote communication, as from time to time may be fixed by the Member. Meetings of the Member may be held by means of conference telephone or other communications equipment by means of which all persons participating in such meeting can hear each other, and participation by such means shall constitute presence in person. In addition, notwithstanding any provision hereof, the Member may act by consent, written or via electronic transmission.

5.4 Annual Meetings. The annual meeting of the Member for the transaction of such business as may be properly brought before the meeting, shall be held in each calendar year after 2017 on a day designated by the Member.

5.5 Special Meetings. A meeting of the Member for any purpose(s) may be called at any time by Member.

5.6 Investment Policy; Designation of Committees and Officers

(a) The Member and its Officers shall be vested with the power and authority to perform or cause to be performed the management and operational functions relating to the day-to-day business of the Company and to implement the policies and decisions of the Member. The Member shall be responsible for establishing a policy for the investment of the assets of the Company (the "Investment Policy"), which is attached hereto as Exhibit A. The Member may from time to time revise, amend or replace the Investment Policy without the need to otherwise amend this Agreement and shall establish underwriting guidelines for the Company, which are attached hereto as Exhibit B, which may be amended from time to time.

(b) The Member shall appoint a President of the Company, who shall be an officer of the Manager of the Member. The Member may elect such other Officers as it deems proper. The Officers may be removed by the Member at any time. Each Officer elected or appointed pursuant to this Section 6.1(b) shall serve in such capacity until his or her respective earlier death, resignation or removal. One Person may hold more than one of the offices specified in this section and may have such other titles as the Member may determine. The initial Officers of the Company shall be the Officers of Holdings set forth in the Holdings Operating Agreement.

(c) The Member may, as it deems necessary, elect, appoint or choose agents in such manner as may be prescribed by the Member.

(d) Except as otherwise prescribed by the Member, each Officer shall have such authority and perform such duties in the management of the Company, as generally pertain to the office filled by him. The President, when present, shall preside at all meetings of the Board. The authority of each agent shall be established in the contract or agreement with such agent, if applicable.

(e) The removal of any Officer for any reason shall be without prejudice to the recovery of damages for breach of contract rights. Election or appointment of an Officer or agent shall not of itself create contract rights.

6.2 Third Party Reliance. Third parties dealing with the Company shall be entitled to rely conclusively on the power and authority of the Officers authorized by the Member to act on behalf of the Company.

6.3 Duties of Officers. Each Officer shall devote such time, effort, and skill to the Company's business affairs as is necessary and proper for the Company's welfare and success. The Member expressly recognizes that the Officers have or may have other business activities and agree that the Officers shall not be bound to devote all of their business time to the affairs of the Company, and that the Officers may engage for their own account and for the accounts of others in other businesses or activities.

6.4 Committees.

(a) The Member may from time to time designate one or more committees, with such lawfully delegable powers and duties as it thereby confers in writing, to serve at the pleasure of the Member and shall, for those committees and any others provided for herein, elect one or more Holdings Members or their representatives to serve as the member or members, designating, if it desires, other Holdings Members or their representatives as alternate members who may replace any absent or disqualified member at any meeting of the committee. The Member may, from time to time, suspend, alter, continue or terminate any committee or the powers and functions thereof.

(b) The Member may appoint, or may provide for the appointment of, committees consisting of Officers or other persons, with chairpersonships, vice chairpersonships and secretaryships and such duties and powers as the Member may, from time to time, designate and prescribe. The Member may, from time to time, suspend, alter, continue or terminate any of such committees or the powers and functions thereof.

(c) Except as otherwise provided herein, each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one third of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

(d) The Member hereby creates the Board, which shall carry out such powers and duties as shall be delegated by the Member from time to time. The number of members of the Board shall be no less than four and no greater than seven, the members of which shall be selected under the Holdings Operating Agreement.

(e) The Board shall hold an annual meeting in the State of Tennessee. Other meetings of the Board shall be held at such places within or without Tennessee, or by means of remote communication, and at such times as fixed by resolution of the Board or at the call of the Member. Notwithstanding the preceding sentences, at least one meeting of the Board shall be held in Tennessee each year with no less than a quorum physically present in the State of Tennessee. All members of the Board shall be given notice by letter, telegraph, telephone, fax, electronic transmission or in person of meetings of the Board, provided that notice need not be given of the annual meeting or of regular meetings held at times and places fixed by resolution. Meetings may be held at any time without notice if all of the members of the Board are present (including by phone or electronic communication in which each can hear or be heard), or if those not present waive notice in writing (including by facsimile or electronic transmission), either before or after the meeting. The notice of meetings of the Board need not state the purpose of the meeting. Notwithstanding any provision hereof, the Board may act by consent, written or via electronic transmission, in the absence of a meeting, signed by members of the Board having not less than the minimum number of votes that would be necessary to

authorize or take such action at a meeting at which all members of the Board entitled to vote thereon were present and voted.

(f) Notwithstanding any provision of this Agreement to the contrary, any committee established by the Member, including the Board, may participate in a meeting by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

## SECTION VII

## TREATMENT OF MEMBERSHIP INTERESTS

7.1 Exemption from Securities Registration.

(a) The Member understands that its Membership Interests have not been registered under the Securities Act of 1933, as amended, or the securities or similar laws of any state, and are offered in reliance on exemptions therefrom.

(b) The Member understands that neither the Securities and Exchange Commission nor any other federal or state agency has recommended, approved or endorsed the purchase of the Membership Interests as an investment or passed on the accuracy or adequacy of the information set forth in any Company documents.

7.2 Uncertificated Interests. Membership Interests will be recorded in book-entry form and the Member will not have the right to demand that the Company produce and/or deliver certificates representing any Membership Interest.

## SECTION VIII

## MERGERS, CONSOLIDATIONS AND SALES

8.1 Mergers, Consolidations and Sales. The Company may not consolidate, amalgamate, convert or merge with or into, be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any other Entity, except as set forth in this Section 8.1. The Company may, with the consent of the Member and the prior approval of the Commissioner:

(a) Merge with any other Entity, if the Company is the survivor of such merger; or

(b) Consolidate, amalgamate, convert or merge with or into, be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to, any other Entity if the Company is not the survivor of the transaction and the other Entity, or a new Entity, is the survivor (the "Successor"), provided that (i) the Successor expressly assumes all of the obligations of the Company under this Agreement, and (ii) the Successor is licensed to operate as a captive insurance company; or

(c) Split or spin off into two or more Entities

## SECTION IX

## DISSOLUTION, LIQUIDATION AND TERMINATION OF THE COMPANY

9.1 Events of Dissolution of the Company. The Company shall be dissolved and terminated upon the first to occur of any of the following events:

(a) The determination of the Member to dissolve and terminate the Company;

or

(b) The entry of a decree of judicial dissolution under the Act; or

(c) Administrative dissolution under the Act.

9.2 Procedure for Winding Up and Dissolution. In the event of the dissolution of the Company, the Member shall cause the winding up of its affairs. On winding up of the Company, the assets of the Company shall be distributed, first to creditors of the Company, including the Member if it is a creditor, in satisfaction of the liabilities of the Company, and then to the Member.

9.3 Liquidation Subject to Regulatory Requirements. Notwithstanding any other provision of this Agreement, no termination, dissolution or liquidation of the Company shall occur without whatever such notice, approval, supervision or receivership may be required by to Tennessee law, regulation, order, bulletin or directive, or otherwise by the Commissioner in the exercise of any applicable authority.

9.4 Articles of Termination. In the case of the dissolution, liquidation and termination of the Company, on completion of the distribution of Company assets, The Member (or such other person as the Act may require or permit) shall file or cause to be filed articles of termination with the Secretary of State of Tennessee, cancel any other filings and take such other actions as may be necessary to terminate the existence of the Company.

## SECTION X

## BOOKS, RECORDS, ACCOUNTING AND TAX ELECTIONS

10.1 Books and Records.

(a) The Member shall keep, or cause to be kept, full and accurate books of account, financial records and supporting documents, which shall reflect, completely, accurately, in reasonable detail, and according to generally accepted accounting principles, each transaction of the Company, which books of account, financial records, and supporting

documents shall be kept and maintained at the principal office of the Company. The Member shall keep, or cause to be kept, all other documents and writings of the Company in the State of Tennessee.

(b) The Member shall also keep, or cause to be kept, at the Company's principal office, the following:

(i) a current list of the name and last known business or mailing address of the Member and each Officer, together with true and full information regarding the amount of cash and a description and statement of the agreed value of any other property and services contributed by the Member or which the Member has agreed to contribute in the future, and the date upon which such Member became a Member;

(ii) a copy of this Agreement, the Company's articles of organization, and all amendments to any of the preceding, together with executed copies of any written powers of attorney pursuant to which this Agreement, such articles of organization, and any amendments to any of the preceding have been executed;

(iii) promptly after becoming available, a copy of the Company's federal, state, and local income tax returns for each year; and

(iv) a copy of the Company's financial statements for each year.

10.2 Use of Company Information. The Company grants the Member the right to use any data and/or information relating to the Company received in connection with the performance of the Member's duties hereunder.

10.3 Bank Accounts. The Company shall open and maintain, in the name of the Company, accounts in a bank or savings and loan association, in which shall be deposited all funds of the Company. The President will determine the institution or institutions at which the accounts will be opened and maintained, the types of accounts, and the Persons who will have authority with respect to the accounts and the funds therein.

10.4 Fiscal and Taxable Year. The Fiscal Year and Taxable Year of the Company shall end on December 31.

10.5 Reports. At the Company's expense and as soon as practicable or as otherwise required by the Captive Statute or other applicable law after the close of each Fiscal Year, the Member shall prepare or cause to be prepared:

(a) statements of the Company's assets, liabilities and capital as of the end of the year, and revenues and expenses for the year, and such other statements and reports as may be required by the Captive Statute or order of the Commissioner; and

(b) such other reports as shall enable the Company and the Member to prepare its federal, state and local income tax returns in accordance with applicable laws, rules and regulations.

10.6 Tax Elections. The Member shall, in its sole discretion, decide whether to make any available elections under the Code or any applicable state or local tax law on behalf of the Company.

10.7 Title to Company Property. All real and personal property acquired by the Company shall be acquired and held by the Company in its name, except that the Company may acquire and hold title to all or any portion of its real and personal property, in a name other than the Company's name, including but not limited to, in the names of trustees, nominees or straw parties for the Company.

## SECTION XI

## LIABILITY AND INDEMNIFICATION

11.1 Liability to Third Parties. Except as required by the Act or as set forth in this Agreement, the Member, solely by reason of being a Member, shall not be liable for the debts, obligations or liabilities of the Company.

11.2 Limitation of Fiduciary Duties. The Member shall not be subject to fiduciary duties except for the implied covenant of good faith and fair dealing.

11.3 Indemnification. Unless otherwise prohibited by law, the Company shall indemnify and hold harmless the Member, and its agents, officers, directors, managers, employees, and their respective successors (each individually an "Indemnitee") from any claim, loss, expense, liability, action or damage resulting from any act or omission performed by or on behalf of or omitted by an Indemnitee in its capacity as a Member, including, without limitation, reasonable costs and expenses of its attorneys engaged in defense of any such act or omission; provided, however, that an Indemnitee shall not be indemnified or held harmless for any act or omission as determined by a court of competent jurisdiction after the exhaustion of all appeals, to be in violation of any of the provisions of this Agreement or that constitutes fraud, gross negligence or willful misconduct.

11.4 Nature of Indemnification. The right of indemnification provided for herein (i) shall not be deemed exclusive of any other rights of an Indemnitee, (ii) shall be deemed to create contractual rights in favor of such Indemnitee, (iii) shall continue as to persons who have ceased to have the status pursuant to which they were entitled or were determined to be entitled to indemnification hereunder and shall inure to the benefit of the heirs, successors, assigns, administrators and personal representatives of such Indemnitees and (iv) shall be applicable to actions, suits or proceedings commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof. The rights of indemnification provided for herein may not be amended, modified or repealed so as to limit in any way the indemnification provided for herein with respect to any acts or omissions occurring prior to the effective date of any such amendment, modification or repeal.

11.5 Expenses. To the fullest extent permitted by law, expenses (including legal fees) incurred by an Indemnitee in defending any claim, demand, action, suit or proceeding

with respect to which such Indemnitee is entitled to indemnification under Section 11.3 hereof shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Indemnitee, to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section XI.

11.6 Insurance. The Company may purchase and maintain insurance coverage to the extent and in such amounts as the Member shall, in its discretion, deem reasonable, on behalf of the Indemnitees against any liability that may be asserted against or expense that may be incurred by any Indemnitees in connection with activities of the Company or such Indemnitees with respect to which the Company would have the power to indemnify such Indemnitee against such liability under the provisions of this Agreement.

11.7 Miscellaneous. In no event may an Indemnitee subject a Member to personal liability by reason of these indemnification provisions. An Indemnitee shall not be denied indemnification in whole or in part under this Section XI because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement. The provisions of this Section XI are for the benefit of the Indemnitees and their heirs, successors, assigns, administrators and personal representatives and shall not be deemed to create any rights for the benefit of any other Persons.

11.8 Notice of Claims. With respect to any claim made or threatened against (i) the Member or any of their agents, officers, directors, managers or employees, or their respective successors for which such Indemnitee is or may be entitled to indemnification under this Section XI or (ii) the Company shall, or shall cause such Indemnitee to:

(a) give written notice to the Member of such claim promptly after such claim is made or threatened, which notice shall specify in reasonable detail the nature of the claim and the amount (or an estimate of the amount) of the claim;

(b) provide the Member with such information and cooperation with respect to such claim as the Member may require, including, without limitation, making appropriate personnel available to the Member at such times as the Member shall request;

(c) cooperate and take all such steps as the Member may request to preserve and protect any defense to such claim;

(d) in the event suit is brought with respect to such claim, upon prior notice, afford the Member the right, which the Member may exercise in its sole discretion and at its expense, to participate in the investigation, defense, and settlement of such claim; and

(e) neither incur any material expense to defend against nor release or settle such claim or make any admission with respect thereto without the prior written consent of the Member.

## SECTION XII

MISCELLANEOUS PROVISIONS

12.1 Notices. Unless otherwise provided herein, any offer, acceptance, election, approval, consent, certification, request, waiver, notice or other communication required or permitted to be given hereunder (collectively referred to as a "Notice"), must be in writing and shall be given by hand delivery or delivering the same by facsimile or electronic transmission or reliable overnight courier or enclosing the same in an envelope addressed to the Company at the Company's principal office or to the Member to whom the Notice is to be given at the appropriate address set forth on Exhibit A, and deposited in the U.S. Mail postage prepaid. In addition, the Company shall be sent a copy of all Notices to Member at the Company's principal office. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails, by overnight courier, by facsimile or by electronic transmission, shall be the time of the giving of such Notice. Any party may designate, by Notice to all of the others, substitute addresses or addressees for Notices; and, thereafter, Notices are to be directed to those substitute addresses or addressees.

12.2 Electronic Transmissions. For purposes of this Agreement, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, which creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

12.3 Electronic Communications and Documents. All meetings of any kind may be held electronically to the extent permitted by, or not inconsistent with, the articles of organization and by law. To the extent permitted by law, all communications, including notices of meetings, and all contracts, agreements and other documents and signatures may be created, affixed and delivered electronically.

12.4 Voting of Securities Held. The Member may from time to time appoint an attorney or attorneys or agent or agents of the Company, to cast the votes that the Company may be entitled to cast as an equity holder or otherwise in any corporation, limited partnership, limited liability company or any other entity (an "Entity") in which this Company may hold securities or other interests, at meetings of the holders of securities of such Entity, or to consent to any action by such Entity, and may instruct the agent(s) or attorney(s) so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed on behalf of the Company, such proxies, consents, waivers or other instruments that such agent(s) or attorney(s) of the Company may deem necessary or proper in the meetings of such Entity.

12.5 Entire Agreement. This Agreement, including the Exhibits, and Schedules attached hereto or incorporated herein by reference, constitutes the entire agreement of the Member with respect to the matters covered herein. This Agreement supersedes all prior and contemporaneous agreements and oral understandings of the Member with respect to such matters.

12.6 Amendment. Except as expressly provided by law, in the Company's articles of organization or otherwise set forth herein, this Agreement may be amended or altered only by written consent of the Member, and with the prior approval of the Commissioner, if required.

12.7 Interpretation. Wherever the context may require, any noun or pronoun used herein shall include the corresponding masculine, feminine, or neuter forms. The singular form of nouns, pronouns, and verbs shall include the plural, and vice versa.

12.8 Severability. Each provision of this Agreement shall be considered severable and if for any reason any provision hereof is determined to be invalid and contrary to existing or future law, such invalidity shall not impair the operation or effect of those portions of this Agreement which are valid, and the Agreement shall remain in full force and effect and shall be enforced in all respects, and such invalid or unenforceable provision shall be replaced with an alternative valid and enforceable provision which otherwise gives maximum effect to the original intent of such invalid or unenforceable provision.

12.9 Successors. Except as expressly otherwise provided herein, this Agreement is binding upon, and inures to the benefit of, the parties hereto and their respective heirs, executors, administrators, personal and legal representatives, successors, and assigns.

12.10 Further Assurances. The Member hereby agrees that it shall hereafter execute and deliver further instruments, provide all information and take or forbear such further acts and things as may be reasonably required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with terms hereof.

12.11 Governing Law; Jurisdiction. This Agreement and all questions with respect to the rights and obligations of the Member, the construction, enforcement, and interpretation hereof, and the formation, administration, and termination of the Company shall be governed by the provisions of the Act and other applicable internal laws of the State of Tennessee, without regard to conflict of laws provisions. The parties to this Agreement consent to the exclusive jurisdiction of the courts of, and the exclusivity of arbitration in, the State of Tennessee.

12.12 Section Titles. The headings herein are inserted as a matter of convenience only, and do not define, limit, or describe the scope of this Agreement or the intent of the provisions hereof.

12.13 Regulatory Compliance.

(a) Notwithstanding any provision of this Agreement to the contrary, the Company shall take no action for which timely notice to the Commissioner is required pursuant the Captive Statute, or for which prior notice to and prior approval by the Commissioner are required pursuant to the Captive Statute, without having complied with such requirements and with any applicable provisions of a Tennessee order, directive,

regulation or other Tennessee law. This Agreement shall not contain any provisions which are not compliant or consistent with any applicable order or directive of the Commissioner or with any other applicable Tennessee law or regulation. If this Agreement contains any provision which conflicts with or is not consistent with any applicable Tennessee order, directive, law or regulation, then such Tennessee order, directive, law or regulation shall supersede, and the conflicting provision(s) of this Agreement shall have no effect.

(b) The Company shall manage and shall be responsible for compliance by the Company with all applicable law and regulation, including but not limited to Tennessee laws, orders, bulletins and directives, including, among other things, maintaining at all times minimum Capital and Surplus in amounts required and forms permitted by the Captive Statute, the Commissioner and as set forth in the Agreement and specifically Section 3.4 of this Agreement. In addition, the Company agrees:

(i) that it will operate in a good and business-like manner with due regard to the proper functioning of the Company's insurance program;

(ii) that it will operate its business in full compliance with all applicable laws and regulations, specifically including without limitation the insurance laws and regulations of the State of Tennessee; and

(iii) that it will permit or cause distributions of the Company's cash or assets to its Members only in compliance with to Section 48-249-306 of the Act and Section 56- 13-106 of the Captive Statute, the Agreement, and the prior approval of the Commissioner.

(c) Each Member hereby acknowledges and agrees to the following regulatory requirements:

(i) the Company will file with the Commissioner such financial reports as the Commissioner may require, including, without limitation, accounting statements detailing the financial experience of the Company;

(ii) the Company will notify the Commissioner in the event that the value of the assets in the Company falls below any applicable minimum funding amount, the Member is insolvent, or the Member otherwise fails to fulfill its obligations to the Company pursuant to this Agreement;

(iii) the terms and conditions of termination of the Member's participation in the Company or any agreement made in connection with such participation are subject to the prior written approval of the Commissioner;

(iv) the Company is prohibited from joining or contributing to any plan, pool, association or guaranty or insolvency fund in Tennessee, and is not entitled to any benefits from any such plan, pool, association or guaranty or insolvency fund for claims arising out of the operations of the Company;

(v) the Company will prepare its financial statements on such basis as determined by the Company in its discretion, subject to the approval of the Commissioner.

* * *

[Signature on Following Page]

IN WITNESS WHEREOF, the sole Member of the Company has executed this Agreement as of the day and year first above written.

MEMBER:

Legend Holdings, LLC, a Tennessee limited liability company

By: _____
Name: Andrew C. Cavenagh
Title: President

*[Signature Page to Operating Agreement of Legend Re, LLC]*

**EXHIBIT A**

LEGEND RE, LLC

**INVESTMENT POLICY**

1. Laws and Regulations: Legend Re, LLC (the "Company") is regulated by the Tennessee Department of Commerce and Insurance (the "DOI"). Prudent rules apply. This Investment Policy should be reviewed regularly.

2. Permissible Assets: The assets of the Company shall consist only of:
    a. Cash (United States legal tender);
    b. Certificates of deposit (issued by a United States bank and payable in United States legal tender); and
    c. Investment of the types specified in T.C.A. 56-3-402; provided however, that such investments may not be issued by an institution that is the parent, subsidiary, or affiliate of either the grantor or the beneficiary of any collateral trust established for the benefit of an admitted carrier whose stop loss medical insurance policies are being reinsured by the company.

3. Taxation. The Company is taxable as a corporation.

4. Unique Circumstances. Amendments or exceptions to this Investment Policy may only be made by the Manager of Legend Holdings, LLC.

**EXHIBIT B**

LEGEND RE, LLC

**UNDERWRITING GUIDELINES**

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**Program Name:** Legend Re
**Effective Date:** December 1, 2017
**Stop Loss Carrier:** Sun Life Financial

**The following outlines the underwriting guidelines for the program. These are only guidelines and the Manager has the sole and absolute discretion to interpret and implement the guidelines.**

The Company reinsures stop loss policies written by the admitted insurance carrier. The admitted carrier has its own underwriting guidelines that are separate and distinct form the Company's underwriting guidelines. The ceding carrier determines the following for each account:

1. Gross policy premium
2. Net ceded premium to the captive
3. Net ceded liability to the captive

The role of the captive's underwriting guidelines is therefore not to determine the above parameters, but to determine whether or not an account is acceptable given the above ceding carrier provided parameters.

**NEW BUSINESS SUBMISSION REQUIREMENTS**

1. Census, including enrollment information
2. Renewals from prior two years, including all rating and claim information
3. Summary Plan Document
4. All claims, utilization, loss ratio, or similar reports provided by carrier
5. Employer disclosure statement
6. Summary of cost containment programs

**RENEWAL BUSINESS SUBMISSION REQUIREMENTS**

1. Census, including enrollment information
2. Summary Plan Document
3. Claim information
    a. Large claim information
        i. 50% reports
        ii. Pre-certification reports
        iii. Trigger reports

iv. Case management notes

b. Aggregate reports

4. Summary of cost containment programs and initiatives

**PROGRAM STRUCTURE**

1. Maximum run-out provision is 6 months.
2. Maximum policy length (including run-out provision) is 18 months.
3. Retail commissions have a maximum of 10% of stop loss premium.
4. Each Member is required to contribute capital upon entry into the program and in the future as per Section III of the Company Operating Agreement.
5. The Manager has full, exclusive, and complete discretion in approving the financial terms of both initial and renewal pricing. The primary determinants of financial pricing include, but are not limited to, the following:
    a. Inception to date loss ratio
    b. Known, ongoing claims
    c. Member Cost Containment Index ("MCCI") score
6. The targeted maximum increase in specific stop loss premium is 30% any one year. This number may be modified however due to the overall captive's performance.

**KNOWN CLAIMS AT RENEWAL**

If there is a known condition or claimant at the time the group joins the program, the program may issue an insurance policy with a "laser" (higher attachment points for specific plan members based on their prior claims experience or the expectation they will become high-cost claimants in the future). That laser may continue at subsequent renewals and the amount and type (straight or contingent) of the laser may be adjusted, up or down, based on claims.

The program does not issue lasers for conditions or claimants that occur after a group joins the program and for so long as the employer receives consecutive renewal policies in the captive.

**NON-RENEWAL**

The program may decline to offer a renewal policy to a Member if one or more of the following circumstances exist:

1. The admitted insurance carrier declines:
    a. To renew that individual account, or
    b. To renew any of the accounts in the program.
2. The Member has the following criteria that persist following a notice and cure period:
    a. MCCI score in the bottom quartile,
    b. Loss ratio in the bottom quartile,
    c. Low engagement and participation as evidenced by such things as failure to attend at least one Members' Meeting per year, failure to enroll in the program's data analytics program, or failure to implement captive-wide offerings.
3. Renewing the account threatens the solvency of the program.

4. The Member refuses to take commercially reasonable efforts to mitigate the cost of known claims.
5. The Member ceases to be a Member in Good Standing, as defined by the Company's operating agreement.
6. The Member uses a consultant that has not been approved by Pareto.
7. A majority of Members in Good Standing vote not to renew a Member, and the Manager agrees.

# Business Associate Agreement

# BUSINESS ASSOCIATE AGREEMENT

In order to comply with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191, 42 U.S.C. §§ 1320d through 1320d-8 ("HIPAA"), the American Recovery and Reinvestment Act of 2009, Public Law 111-5 ("ARRA"), and specifically, the Health Information Technology for Economic and Clinical Health Act provisions of ARRA ("HITECH") and its implementing regulations, and 45 C.F.R. Parts 160, 162 and 164 ("Privacy Rule") and ("Security Rule"), _____ ("Covered Entity") and **Pareto Health Technologies, LLC** ("Business Associate"), agree as follows:

## RECITALS

A. Covered Entity and Business Associate have executed an underlying service agreement (the "Service Agreement") describing the relationship between the parties.

B. All provisions of the Service Agreement which are not amended by this Business Associate Agreement ("Agreement") shall be given the same meaning as they are given in the Service Agreement. In the event of a conflict between a specific term of this Agreement and the Service Agreement, the term of this Agreement shall control.

NOW, THEREFORE, in consideration of the above Recitals and of the mutual covenants and agreements in this Agreement, and intending to be legally bound, the parties agree to the following:

## 1. DEFINITIONS

a. Administrative Safeguards: "Administrative Safeguards" shall mean administrative actions and policies and procedures used to manage the selection, development, implementation, and maintenance of security measures to protect electronic Protected Health Information and to manage the conduct of the Business Associate's workforce in relation to the protection of that information, as more particularly set forth in 45 C.F.R. § 164.308.

b. Breach: "Breach" shall mean the acquisition, access, use, or disclosure of Protected Health Information not permitted by HIPAA which compromises the security or privacy of Protected Health Information as stated in 45 C.F.R. § 164.402.

c. Business Associate: "Business Associate" shall generally have the same meaning as the term "business associate" at 45 CFR § 160.103, and in reference to the party to this agreement, shall mean **Pareto Health Technologies, LLC**.

d. Catch-all Definition: Terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in the HIPAA Rules, HITECH or ARRA and its implementing regulations.

e. Covered Entity: "Covered Entity" shall generally have the same meaning as the term "covered entity" at 45 CFR § 160.103, and in reference to the party to this agreement, shall mean .

f. HIPAA Rules: "HIPAA Rules" shall mean the Privacy, Security, Breach Notification and Enforcement Rules at 45 CFR Part 160, 162 and Part 164.

g. Individual: "Individual" shall have the same meaning as the term "individual" in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).

h. Physical Safeguards: "Physical Safeguards" shall mean the physical measures, policies and procedures used to protect Business Associate's electronic information systems and related buildings and equipment, from natural and environmental hazards, and unauthorized intrusion, as more particularly set forth in 45 C.F.R. § 164.310.

i. Privacy Rule: "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 C.F.R. Part 160 and Part 164.

j. Protected Health Information: Protected Health Information ("PHI") shall mean Individually Identifiable Health Information that is (i) transmitted by electronic media; (ii) maintained in any medium constituting electronic media, or (iii) transmitted or maintained in any other form or medium, as more particularly set forth in 45 C.F.R. § 160.103.

k. Required by Law: "Required by Law" shall have the same meaning as the term "required by law" in 45 C.F.R. § 164.103.

l. Secretary: "Secretary" shall mean the Secretary of the U.S. Department of Health and Human Services or his designee.

m. Security Incident: "Security Incident" shall mean the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system containing Covered Entity's PHI, pursuant to 45 C.F.R. § 164.304.

n. Security Rule: "Security Rule" shall mean the Security Standards for the Protection of Electronic PHI at 45 C.F.R. Part 160 and Part 164.

o. Technical Safeguards: "Technical Safeguards" shall mean the technology and the policy and procedures for its use that protect electronic PHI and control access to it, as more particularly set forth in 45 C.F.R. § 164.312.

p. Unsecured Protected Health Information: "Unsecured Protected Health Information" shall mean PHI that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of a technology or methodology specified by the Secretary, as stated in 45 C.F.R. § 164.402.

## 2. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE

a. Business Associate agrees not to use or disclose PHI other than as permitted or required by this Agreement or as Required by Law;

b. Business Associate agrees to use reasonable and appropriate safeguards, and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI, to prevent use or disclosure of PHI other than as provided for by the Agreement. Business Associate agrees to mitigate, to the extent practicable, and will act in good faith with Covered Entity, any harmful effect that is known to the Business Associate of a use or disclosure of PHI by Business Associate in violation of the requirements of this Agreement.

c. Business Associate agrees to report promptly, and within no more than sixty (60) calendar days, to Covered Entity any use or disclosure of PHI not provided for by the Agreement of which it becomes aware, including Breaches of Unsecured PHI as required at 45 CFR § 164.410, and any Security Incident of which it becomes aware. Notwithstanding anything in this Agreement to the contrary, this Agreement shall constitute ongoing notice of "Unsuccessful Security Incidents" (as herein defined), and Business Associate shall not be required to provide further notice to Covered Entity of any Unsuccessful Security Incident. For purpose of this Agreement, "Unsuccessful Security Incidents" include, without limitation, pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, denial of service attacks, and any combination of the above, so long as no such incident results in unauthorized access to, use or disclosure of PHI.

d. Business Associate agrees to ensure, in accordance with 45 CFR §§ 164.502(e)(1)(ii) and 164.308(b)(2), if applicable, that any subcontractors that create, receive, maintain, or transmit PHI on behalf of the Business Associate agree to the same restrictions, conditions, and requirements that apply to the Business Associate with respect to such information.

e. Business Associate agrees to make available PHI in a designated record set to Covered Entity as necessary to satisfy Covered Entity's obligations under 45 CFR § 164.524.

f. Business Associate agrees to make any amendment(s) to PHI in a designated record set as directed or agreed to by Covered Entity pursuant to 45 CFR § 164.526, or take other measures as necessary to satisfy Covered Entity's obligations under 45 CFR § 164.526

g. Business Associate agrees to maintain and make available the information required to provide an accounting of disclosures to Covered Entity as necessary to satisfy Covered Entity's obligations under 45 CFR § 164.528.

h. To the extent Business Associate is to carry out one or more of Covered Entity's obligation(s) under Subpart E of 45 CFR Part 164, Business Associate agrees to comply with the requirements of Subpart E that apply to Covered Entity in the performance of such obligation(s).

i. Business Associate agrees to make its internal practices, books, and records, including policies and procedures relating to the use and disclosure of PHI received from, or created or received by Business Associate on behalf of Covered Entity, available to the Secretary for purposes of determining compliance with the HIPAA Rules and other applicable ARRA and HITECH provisions.

## 3. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE

a. Business Associate may use or disclose PHI to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in this Agreement.

b. Business Associate may use or disclose PHI as Required by Law.

c. Business Associate agrees to make uses and disclosures and requests for PHI consistent with Covered Entity's minimum necessary policies and procedures.

d. Business Associate may not use or disclose PHI in a manner that would violate Subpart E of 45 CFR Part 164 if done by Covered Entity, except for the specific uses and disclosures set forth below.

e. Business Associate may use PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate.

f. Business Associate may disclose PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, provided the disclosures are Required by Law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that the information will remain confidential and used or further disclosed only as Required by Law or for the purposes for which it was disclosed to the person, and the person notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached or impermissibly used in violation of this Agreement.

g. Business Associate may provide data aggregation services relating to the health care operations of Covered Entity and any other covered entity client of Business Associate.

h. Business Associate may use PHI to create de-identified information and use and disclose de-identified information for any purpose whatsoever if the de-identification meets the standard and implementation specifications for de- identification under 45 C.F.R. §164.514.

## 4. HIPAA SECURITY RULE REQUIREMENTS

Business Associate agrees to:

a. Implement and document, as set forth in 45 C.F.R. § 164.316, Administrative Safeguards, Physical Safeguards and Technical Safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic PHI that it creates,

receives, maintains, or transmits on behalf of the Covered Entity, as required by 45 C.F.R. Part 164, and specifically, but not exclusively, including the following:

i. Ensure the confidentiality, integrity, and availability of all electronic PHI the Business Associate creates, receives, maintains, or transmits on behalf of Covered Entity;

ii. Protect against any reasonably anticipated threats or hazards to the security or integrity of such information;

iii. Protect against any reasonably anticipated uses or disclosures of such information that are not permitted under this Agreement or required under the Privacy Rule, Security Rule or ARRA and its implementing regulations; and

iv. Ensure compliance with these sections by its workforce.

b. Ensure that any agent, including a subcontractor, to whom it provides this information agrees to implement and document reasonable and appropriate Administrative Safeguards, Physical Safeguards, and Technical Safeguards, including at least the requirements set forth in this section for the Business Associate;

c. Assist the Covered Entity and act in good faith and to mitigate potential or actual harms or losses and to assist and protect PHI, if appropriate, and to further protect any known suspected or actual Breaches, Security Incidents, or known inappropriate or unlawful use or disclosure of PHI;

d. Make its policies, procedures, and documentation required by this Section relating to such safeguards, available to the Secretary and to Covered Entity for purposes of determining the Business Associate’s compliance with this section; and

e. Authorize termination of the relationship with Covered Entity if Covered Entity notifies the Business Associate of a pattern of an activity or practice of the Business Associate that constitutes a material breach or violation of the Business Associate's obligation under this Agreement and the Business Associate has failed to cure the breach or end the violation in accordance with Section 6.b. hereof.

## 5. OBLIGATIONS OF COVERED ENTITY

a. Covered Entity shall notify Business Associate of any limitation(s) in the notice of privacy practices of Covered Entity under 45 CFR § 164.520, to the extent that such limitation may affect Business Associate’s use or disclosure of PHI.

b. Covered Entity shall notify Business Associate of any changes in, or revocation of, the permission by an Individual to use or disclose his or her PHI, to the extent that such changes may affect Business Associate’s use or disclosure of PHI.

c. Covered Entity shall notify Business Associate of any restriction on the use or disclosure of PHI that Covered Entity has agreed to or is required to abide by under 45 CFR 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

## 6. TERM AND TERMINATION

a. Term. The term of this Agreement shall be effective as of the date written on the signature page below and shall terminate upon termination of the Service Agreement, unless sooner terminated as provided herein. Nothing in this Section 6.a. shall affect those provisions of this Agreement that survive termination of this Agreement.

b. Termination for Cause. Either party may terminate this Agreement and the Service Agreement if that party determines the other has violated a material term of this Agreement and the breaching party has not cured the breach or ended the violation within thirty (30) days after written notification thereof by the non-breaching party. The non-breaching party may require the breaching party to submit reports to demonstrate that the breach has been cured or the violation has ended.

c. Obligations of Business Associate Upon Termination. Upon termination of this Agreement for any reason, Business Associate shall return to Covered Entity, or, if agreed to by Covered Entity, destroy all PHI received from Covered Entity, or created, maintained, or received by Business Associate on behalf of Covered Entity, that Business Associate still maintains in any form. Business Associate shall retain no copies of the PHI. This provision shall apply to PHI that is in the possession of subcontractors or agents of Business Associate. In the event that Business Associate determines that returning or destroying the PHI is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the parties that return or destruction of PHI is infeasible, Business Associate shall extend the protections of this Agreement to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such PHI.

## 7. MISCELLANEOUS

a. Regulatory References. A reference in this Agreement to a section in the HIPAA Rules means the section as in effect or as amended, and for which compliance is required.

b. Amendment. The parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for either party to comply with the requirements of the HIPAA, ARRA and/or the HIPAA Rules. This Agreement may only be amended by a writing signed on behalf of each of the parties hereto.

c. Survival. The respective rights and obligations of Business Associate under Section 6.c of this Agreement shall survive the termination of this Agreement

d. Construction of Terms and Interpretation. The terms of this Agreement shall be construed in light of any applicable interpretation or guidance on HIPAA, ARRRA and/or the HIPAA Rules issued by the U. S. Department of Health and Human Services ("HHS") or the Office For Civil Rights and the Center for Medicare and Medicaid Services at HHS and the U.S. Federal Trade Commission from time to time. Any ambiguity in this Agreement shall be resolved in favor of a meaning that permits the parties to comply with the HIPAA, ARRA and/or the HIPAA Rules.

e. Ownership of PHI. The PHI to which Business Associate, or any agent or subcontractor of Business Associate has access under this Agreement shall be and remain the property of Covered Entity.

f. Notices. Any notice, demand or communication required or permitted to be given by any provision of this Agreement shall be in writing and will be deemed to have been given when actually delivered (by whatever means) to the party designated to receive such notice, or on the next business day following the day sent by overnight courier with delivery confirmation, or on the third (3rd) business day after the same is sent by certified United States mail, postage and charges prepaid, directed to the addresses noted below, or to such other or additional address as any party might designate by written notice to the other party.

If to Covered Entity: _____
_____
_____
Attn:_____

If to Business Associate: Pareto Health Technologies, LLC
2929 Walnut Street, Suite 1500
Philadelphia, PA 19104
Attn: Privacy Officer

With a copy to: Stuart B. Kurtz, Esq.
Kurtz & Revness, P.C.
1265 Drummers Lane, Suite 120
Wayne, PA 19087

g. Severability. If any provision of this Agreement is rendered invalid or unenforceable by the decision of any court of competent jurisdiction, that invalid or unenforceable provision shall be severed from this Agreement and all other provisions of this Agreement shall remain in full force and effect if it can reasonably be done in conjunction with the original intent of this Agreement.

h. Assignment. No assignment of the rights or obligations of either party under this Agreement shall be made without the express written consent of the other party, which consent shall not be unreasonably withheld.

i. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the parties, their respective successors and permitted assignees.

j. Waiver of Breach. Waiver of breach of any provision of this Agreement shall not be deemed a waiver of any other breach of the same or different provision.

k. Governing Law, Jurisdiction, and Venue: This Agreement shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania regardless of the choice of law rules of any jurisdiction. Each party irrevocably agrees that the courts of the Commonwealth of Pennsylvania located in Philadelphia County shall have the sole and exclusive jurisdiction with respect to any action or proceeding at law or in equity arising out of or relating to this Agreement. Each party hereby submits to the personal jurisdiction of, and venue in, such court(s) for the purposes thereof, and expressly waives any claim of lack of jurisdiction, improper venue, or that such venue constitutes an inconvenient forum.

l. Entire Agreement. This Agreement embodies the entire understanding and agreement among the parties regarding the matters contained herein, and supersedes all prior or contemporaneous negotiations, understandings or agreements concerning such matters, whether written or oral.

m. Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. The parties agree that a copy or facsimile copy (whether by email, fax, photocopy or otherwise) of a signature on behalf of a party shall be evidence of that party's assent to the terms of this Agreement.

SIGNATURE PAGE TO FOLLOW

The parties hereto have duly executed this Agreement as of _____, 20__.

By: _____
Title:

**Pareto Health Technologies, LLC**

By: _____
Signature

_____
Printed Name

_____
Title

# SERVICE AGREEMENT

This Service Agreement (this "Agreement") is made and entered into as of [DATE] (the "Effective Date") by and between Pareto Health Technologies, LLC, a Delaware limited liability company ("Pareto") and [EMPLOYER NAME], a [STATE AND TYPE OF ENTITY] (the "Employer").

## RECITALS

A. One or more Pareto Affiliates form and manage Captives for self-insured employers and their health benefit plans.

B. Pareto provides Pareto Services to Captive Members and their health benefit plans.

C. The Employer self-insures its employee health benefits and has created the Plan, and the Plan is a covered entity, as the term is defined under HIPAA. The Employer has the authority to execute this Agreement issued hereunder on behalf of itself and the Plan and bind both itself and the Plan to the terms thereof.

D. The Employer is a Captive Member that wishes to access the Pareto Services and provide the Plan with access to the Pareto Services, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of mutual covenants and agreements set forth in this Agreement, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound, the Parties agree as follows:

## 1. DEFINITIONS

"Agreement" has the meaning set forth in the first paragraph of this document.

"BAA" has the meaning set forth in Section 5 of this Agreement.

"Captives" collectively means employee benefit insurance captives managed by one or more Pareto Affiliates.

"Captive Members" collectively means self-insured employers who are members of the Captives.

"Confidential Information" has the meaning set forth in Section 11.1 of this Agreement.

"Eligible Individuals" collectively means individuals (employees, spouses, or dependents) who are or become enrolled in the Employer's Plan, as set forth in the Plan's Eligibility File or otherwise communicated by the Employer to Pareto or a Pareto Affiliate.

"Eligibility File" means all information pertaining to Eligible Individuals necessary for Pareto and/or any Service Provider for the provision of the Pareto Services, including, without limitation,

each Eligible Individual's full name, date of birth, social security number, mailing address, telephone number, email address, and Plan enrollment data.

"Employer" has the meaning set forth in the first paragraph of this Agreement.

"Employer Indemnitees" has the meaning set forth in Section 14.2 of this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and its implementing regulations.

"Fees" has the meaning set forth in Section 4 of this Agreement.

"Force Majeure Event" has the meaning set forth in Section 15.5 of this Agreement.

"Healthcare Data" means all data provided, received, or generated by the Employer, the Plan, any Service Provider, Pareto, and/or any Pareto Affiliate related to or concerning Eligible Individuals' health and healthcare, including, without limitation, treatments, medications, treatment outcomes, healthcare utilization, and healthcare costs. Healthcare Data may include the Pareto Data, the Plan Data, and the Service Provider Data.

"HIPAA" means Health Insurance Portability and Accountability Act of 1996, as amended, and its implementing regulations.

"HITECH" means Health Information Technology and Economic and Clinical Health Act, enacted as part of the American Recovery and Reinvestment Act of 2009, as amended, together with the implementing regulations.

"Initial Term" has the meaning set forth in Section 12.1 of this Agreement.

"Limitation of Liability" has the meaning set forth in Section 13 of this Agreement.

"Pareto" has the meaning set forth in the first paragraph of this Agreement.

"Pareto Affiliate" means any entity directly or indirectly controlling, controlled by, or under common control with Pareto. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity.

"Pareto Data" means any data, formula, or algorithm created or generated, in whole or in part, either internally or through a third-party vendor, by Pareto and/or any Pareto Affiliate in the course of providing Captive Members (including, without limitation, the Employer) and their respective health benefit plans (including, without limitation, the Plan) with access to the Pareto Services.

"Pareto Indemnitees" has the meaning set forth in Section 14.1 of this Agreement.

"Pareto Services" has the meaning set forth in Section 2 of this Agreement.

"Party" or "Parties" means, individually or collectively (as applicable), Pareto and the Employer.

"PBM" means a pharmacy benefit manager engaged or contracted by the Employer or the Employer's Plan.

"Permitted Use" has the meaning set forth in Section 11.2 of this Agreement.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or any other entity.

"Plan" means any group or individual health benefit plan issued or administered by the Employer.

"Plan Data" means the information and data pertaining to the Employer, the Plan, or the Eligible Individuals enrolled in the Plan that is provided to Pareto and/or any Service Provider by the Employer, the Plan, the TPA administering the Plan, or the PBM engaged or contracted by the Employer or the Employer's Plan.

"Protected Health Information" or "PHI" shall have the same meaning as it does under HIPAA.

"Renewal Terms" has the meaning set forth in Section 12.1 of this Agreement.

"Representatives" has the meaning set forth in Section 11.2 of this Agreement.

"Reproductions" has the meaning set forth in Section 11.3 of this Agreement.

"Service Provider" means a third party engaged by Pareto as part of or in conjunction with the Pareto Services.

"Service Provider Agreement" means an agreement between Employer and any Service Provider.

"Service Provider Data" means all data, information, and materials prepared or provided by any Service Provider in the course of the Pareto Services.

"Third-Party Claims" has the meaning set forth in Section 14.1 of this Agreement.

"TPA" means a third-party administrator that administers the Employer's Plan.

## 2. PARETO SERVICES

Subject to the terms and conditions of this Agreement, Pareto will provide the Employer and the Employer's Plan with access to the following services designed to provide the Employer and its Plan with better control of healthcare-related expenditures and improve cost-effectiveness of such expenditures (collectively, the "Pareto Services"):

a. Cost Management Consulting Services. From time to time, Pareto will review the Healthcare Data associated with the Employer's Plan and identify ways in which the

Employer's Plan may be able to better control its healthcare expenditures and reduce healthcare-related costs.

b. Springbuk Consultant Intelligence Plus. As part of the Pareto Services, the Employer and its Plan will have access to the data analytic services provided by Springbuk, Inc. known as the "Consultant Intelligence Plus," which provides enhanced levels of data analysis compared to the "Consultant Analytics" package provided to Captive Members that do not receive access to the Pareto Services.

c. SmartMatch Services. As part of the Pareto Services, representatives of SmartMatch Insurance Agency, LLC will, from time to time, contact Eligible Individuals covered under the Employer's Plan who may be eligible to enroll in Medicare and provide such Eligible Individuals with information regarding Medicare enrollment.

d. KISx Card Data Integration. By virtue of the Employer being a Captive Member, the Employer's Plan and the Eligible Individuals covered thereunder have access to a network of surgical providers and related services provided by KISx Card, LLC designed to lower surgical costs of the Plan and the Covered Individuals. As part of the Pareto Services, Pareto will facilitate data integration between KISx Card, LLC and the TPA administering the Plan for the purpose of stop-loss policy deductible accumulation.

e. CancerCare Pre-Treatment Review. As part of the Pareto Services, the Employer's Plan will have access to certain elements of the Pre-Treatment Review program provided by Interlink Care Management, Inc., which is the enhanced, more proactive version of the Pareto CancerCARE+ program provided to Captive Members.

f. Neonatal Medical Management Services. As part of the Pareto Services, the Employer's Plan will have access to the neonatal medical management services provided by ProgenyHealth, LLC.

The Employer understands and acknowledges that, notwithstanding anything set forth in this Agreement, the nature and the scope of the Pareto Services may change from time to time, some of the Pareto Services listed in this Section 2 may be changed or discontinued in the future, and additional new services designed to help the Employer and the Plan better control healthcare costs may be added to the list of the Pareto Services provided under this Agreement. Pareto will communicate all material changes to the nature and scope of the Pareto Services to the Employer in writing. In the event that the Employer does not consent to any such material change, the Employer shall have the right to terminate this Agreement pursuant to Section 12.2.2 below.

## 3. SERVICE PROVIDER AGREEMENTS

To access the Pareto Services set forth in Section 2 above, Employer and/or its Plan may be required to execute Service Provider Agreements with some or all Service Providers in addition to executing this Agreement with Pareto. Employer (i) acknowledges that some or all of the Pareto Services may not be available to the Employer or the Plan unless and until the Employer and/or its Plan execute the appropriate Service Provider Agreement with each applicable Service Provider;

and (ii) covenants that Employer and/or the Plan (as applicable) shall fully comply with all terms and provisions of each applicable Service Provider Agreement.

## 4. FEES

To access the Pareto Services, the Employer shall pay Pareto a fee of $2.00 per employee per month (the "Fees"). During the Initial Term, Pareto will invoice the Employer on a monthly basis based on the number of employees employed by Employer at the time the Employer first joins the Captive. During each Renewal Term, Pareto will invoice the Employer on a monthly basis based on the number of employees employed by Employer at the time of the applicable annual renewal of the Employer's medical stop-loss policy. Employer shall pay each invoice within ten (10) calendar days of the date of such invoice. The Employer's failure to pay the Fees when due shall constitute a material breach of this Agreement. All past-due amounts shall accrue interest at the rate of one and five-tenths percent (1.5%) per annum or the maximum interest rate permitted under applicable law, whichever is lower. The Employer shall be responsible for all costs of collection of any unpaid amounts, including reasonable attorneys' fees incurred by Pareto in the course of any such collection. The Fees set forth in this Section 4 shall be in addition to any fees that Employer may be obligated to pay to any Service Provider under the terms of the applicable Service Provider Agreement.

## 5. PROTECTED HEALTH INFORMATION

The Parties acknowledge that, in the course of providing Pareto Services, Pareto may require access to PHI of the Eligible Individuals covered under the Employer's Plan. To ensure the Parties' HIPAA compliance, Pareto and the Employer (on behalf of the Employer's Plan) have entered or will enter into a business associate agreement (the "BAA") that will govern the Parties' respective rights and obligations with respect to PHI. In the event of a conflict between any term or provision of this Agreement and the BAA, the terms of the BAA shall control and govern the Parties respective rights and obligations with respect to PHI only. Any disclosure of PHI to the Employer, who is a Plan sponsor under HIPAA, shall be in full compliance with the applicable HIPAA provisions, including, without limitation, 45 C.F.R. § 164.504(f).

## 6. ELIGIBILITY FILE

In order to provide the Pareto Services, Pareto and/or the Service Providers will require access to information regarding Eligible Individuals. Upon execution of this Agreement, the Employer's Plan shall provide or shall cause the TPA administering the Employer's Plan to provide to Pareto the Eligibility File for all Eligible Individuals enrolled in the Employer's Plan in a format acceptable to Pareto. From time to time, as requested by Pareto and/or any Service Provider at times/frequencies acceptable to Pareto and/or such Service Provider (but in no event less frequently than once per calendar month), the Employer's Plan shall provide or cause the TPA to provide to Pareto and/or any Service Provider with an updated Eligibility File, to ensure that all information pertaining to the Eligible Individuals is current and accurate. The Employer's Plan shall be solely responsible to ensure the accuracy of the information contained in any Eligibility File provided to Pareto and/or any Service Provider, and Pareto shall have no liability with respect to any inaccuracies contained therein. The Employer acknowledges that failure by the Plan to

provide the Eligibility File in a timely manner may result in interruption, suspension, or termination of some or all of Pareto Services without any liability to Pareto.

## 7. AUTHORIZATION TO RECEIVE AND SHARE DATA

In the course of providing the Pareto Services, Pareto may receive Plan Data from the Employer's Plan, a TPA administering the Employer's Plan, or a PBM engaged or contracted by the Employer or the Plan. It may also be necessary for Pareto to share the Plan Data, regardless of its source, with Service Providers, the TPA, the PBM, and/or the Employer's insurance brokers. By executing this Agreement, the Employer, on behalf of itself and the Plan, (i) authorizes Pareto to receive the Plan Data from the TPA and/or the PBM and share the Plan Data with Service Providers, the TPA, the PBM, and/or the Employer's insurance brokers; (ii) affirms that Pareto is authorized to receive from any TPA listed in *Appendix A* any Plan Data that Pareto may request from such TPA from time to time, use the Plan Data received from any such TPA as may be reasonably necessary to provide the Employer and/or the Plan with access to Pareto Services, and share the Plan Data with the Service Providers; and (iii) affirms that all necessary agreements between the Employer, the Plan, and Pareto that may be necessary for such disclosure and use of Plan Data are in place.

## 8. CAPTIVE MEMBER; SELF-INSURED PLAN

The Employer represents and warrants that (i) it is a member of a Captive managed by a Pareto Affiliate; (ii) the Plan provided by the Employer to the Eligible Individuals is a self-insured health benefits plan; and (iii) the Employer has the authority to execute this Agreement on behalf of itself and the Plan and bind both itself and the Plan to the terms thereof.

## 9. COMPLIANCE WITH APPLICABLE LAW

Pareto shall make commercially reasonable efforts to ensure that the Pareto Services are provided in accordance with applicable industry standards and in compliance with all applicable law, including, without limitation, HIPAA and HITECH. The Employer acknowledges that Pareto is not a fiduciary under ERISA or any other law, and Pareto's provision of the Pareto Services does not create a fiduciary relationship between Pareto and the Employer, the Plan, or any of the Employer's Eligible Individuals. The Employer shall make commercially reasonable efforts to comply with all applicable law, including, without limitation, HIPAA, HITECH, and ERISA, in administering the Plan and utilizing the Pareto Services, and shall make commercially reasonable efforts to ensure that the TPA utilized by the Employer in administering the Plan likewise complies with all applicable law.

## 10. HEALTHCARE DATA

10.1 Pareto Data. Pareto shall own all rights, title, and interest in and to Pareto Data, and nothing set forth in this Agreement shall be interpreted to transfer to the Employer any such rights, title, or interest.

10.2 Plan Data. The Employer, the Plan, and/or the Eligible Individuals, as applicable, shall retain ownership of the Plan Data. Pareto shall have the right to use the Plan Data for the purpose of providing the Employer, the Plan, and the Eligible Individuals with access to the Pareto Services during the term of this Agreement. Subject to the terms of the BAA and any applicable laws (including, without limitation, HIPAA and HITECH), Pareto and Pareto Affiliates shall also have the right to use the Plan Data in an aggregated and deidentified form for any lawful purpose described in Section 10.4 below, both during the term of this Agreement and after termination thereof.

10.3 Service Provider Data. Pareto's rights and obligations with respect to the Service Provider Data shall be governed under Pareto's agreement with each applicable Service Provider. Employer, on behalf of itself and the Plan, agrees that it shall not use the Service Provider Data for any purpose other than participating in the Pareto Services or receiving services from the applicable Service Provider or in any manner that violates any Service Provider's intellectual property rights in or to any material contained in the Service Provider Data.

10.4 Pareto's Use of Healthcare Data. Subject to the terms of the BAA and any applicable laws (including, without limitation, HIPAA and HITECH), Pareto and Pareto Affiliates shall have the right to use the Healthcare Data (provided that any Plan Data contained therein is in an aggregated and deidentified form), during the term of this Agreement and after termination thereof, for any lawful purpose, commercial or otherwise, including, without limitation, benchmarking; normative reporting; developing, improving, or coordinating the Pareto Services; or providing services to other Persons.

## 11. CONFIDENTIALITY

11.1 Confidential Information. In the course of participating in the Pareto Services, the Employer may receive Pareto's Confidential Information. "Confidential Information" shall mean (i) the terms of this Agreement (including, without limitation, the Fees); (ii) terms of any agreement between Pareto and any Service Provider (including, without limitation, pricing, guaranties, fee structures, market check procedures, discounts, service bundles and structures, formularies, administrative procedures, restrictive covenants, parties' obligations, dispute resolution procedures, and all other provisions of the agreements between Pareto and any Service Provider that are not generally known to parties other than Pareto and such Service Provider); (iii) identity of Pareto's and Pareto Affiliates' other clients (including, without limitation, other Captive Members); (iv) documents pertaining to the structure, operation, and ownership of the Captives; (v) any financial information pertaining to the operation of the Captives; (vi) nonpublic information pertaining to business operations of any Service Provider; (vii) Pareto Data; (viii) materials specifically designated by Pareto or a Service Provider as confidential; and (ix) any information that a reasonable party would understand to be confidential under the circumstances. Confidential Information does not include (a) information which at the time of disclosure to the Employer is in the public domain; (b) information which, after disclosure to the Employer, becomes generally available to the public by publication or otherwise other than as a result of a disclosure by the Employer; (c) information which the Employer can

demonstrate was in its possession prior to disclosure thereof by Pareto, and which information was not acquired by the Employer directly or indirectly from Pareto or any Service Provider, or from any other Person under the condition of confidentiality; or (d) information independently developed by the Employer without use of or reference to any Confidential Information or any other information provided by Pareto under this Agreement.

11.2 Restricted Use. The Employer agrees that all Confidential Information received or obtained from Pareto or any Service Provider shall be used solely for the Employer's use, and only for the sole purpose of and to the extent necessary for the Employer's administration of the Plan and participation in the Pareto Services (the "Permitted Use"). The Employer agrees, on behalf of itself, the Plan, the Plan's fiduciaries, and the Employer's shareholders, directors, managers, members, partners, employees, and legal counsel (collectively, the "Representatives"), that it will not (a) except as permitted under Section 11.4 below, copy, disclose, distribute, communicate or divulge any Confidential Information, or portion thereof, to any Person without Pareto's prior written consent in each instance (and, if Pareto consents to disclosure, upon receiving such Confidential Information, the receiving party shall be deemed a Representative of the Employer for the purpose of this Section 11); or (b) use any Confidential Information for any purpose other than for the Permitted Use. Without limitation of the foregoing, and by way of example, the Employer agrees that it shall not (i) disclose Confidential Information to any Person providing pharmacy benefit management services, care coordination services, cost containment services, or any other services similar to the Pareto Services or any services provided to the Employer or its Plan by any Service Provider; (ii) disclose Confidential Information to any insurance broker, third-party advisor, benefit consultant, or any other Person utilized or engaged by the Employer for the purposes of offering or providing services related to Plan administration, unless Pareto agrees to such disclosure in writing in each instance; or (iii) use or disclose Confidential Information to obtain or secure services that are the same or similar to the Pareto Services or to the services provided to the Employer or its Plan by any Service Provider (including, without limitation, pharmacy benefit management services, care coordination services, and cost containment services). Nothing set forth in this Agreement shall be interpreted to restrict Pareto's own use or disclosure of Confidential Information.

11.3 Return of Confidential Information. The Employer shall have no right to any Confidential Information except as specifically set forth in this Section 11. All Confidential Information shall be promptly returned by the Employer to Pareto or destroyed by the Employer, without the Employer's retention of any summaries, memoranda, notes, materials, copies, or other reproductions thereof (collectively, "Reproductions") upon the earlier of any of the following: (i) termination of this Agreement, (ii) termination of the Employer's participation in a Captive, or (iii) receipt by the Employer of Pareto's written request for return or destruction of the Confidential Information. Notwithstanding the foregoing, the Employer may retain Confidential Information to the extent (a) return or destruction of the Confidential Information is not possible; (b) Confidential Information is necessary for the Employer to comply with applicable law; (c) Confidential Information has been electronically archived and cannot be extracted; or (d) Confidential Information

is stored on the Employer's backup or disaster recovery system, until it is deleted in the ordinary course of business by such system. Any portion of Confidential Information contained in any analyses, compilations, studies, or other documents prepared by or on behalf of the Employer or its Representatives, any Confidential Information or Reproductions thereof not returned or destroyed, or any Confidential Information retained by the Employer pursuant to this Section 11.3 shall be held by the Employer and kept subject to the terms of this Section 11.

11.4 Required Disclosure. In the event that the Employer or any Representative of the Employer is legally required to disclose any Confidential Information (by way of deposition, interrogatories, requests for information or documents, subpoena, court order, civil investigative demand, or other legal processes), the Employer shall (i) provide Pareto with prompt notice of any such request or requirement prior to disclosing such information; (ii) afford Pareto a reasonable opportunity to obtain a protective order prohibiting or limiting the disclosure or use of such Confidential Information; and (iii) in the event that Pareto is unable to secure a protective order or elects not to secure one, disclose or permit the disclosure of such Confidential Information only to the extent required by applicable law in accordance with this Section 11.

11.5 Acknowledgement; Equitable Remedies. The Employer acknowledges that the restrictions regarding Confidential Information contained in this Section 11 are reasonable, any violation thereof may result in irreparable injury to Pareto, and monetary damages may be inadequate to protect Pareto against breach of this Section 11. If the Employer or any Representative uses or discloses, or threatens to use or disclose, any of the Confidential Information, or any Reproduction thereof, in any manner contrary to the terms of this Section 11, Pareto shall have the right, without waiver or limitation or any other right or remedy that may exist at law or in equity, to seek temporary, preliminary, and/or permanent injunctive relief, without necessity of posting a bond or any other security, from any court of competent jurisdiction, enjoining such acts or threatened acts.

## 12. TERM AND TERMINATION

12.1 Term. This Agreement shall be for a period of twelve (12) months from the Effective Date (the "Initial Term") and shall automatically renew for successive twelve (12) month periods (each, a "Renewal Term") unless either Party provides a written notice to the other Party at least sixty (60) days prior to the expiration of the Initial Term or the Renewal Term, as applicable, that it intends not to renew this Agreement.

12.2 Termination. This Agreement may be terminated under the following circumstances:

12.2.1 Either Party may terminate this Agreement, upon written notice to the other Party, if the Employer ceases to be a member of a Captive formed and managed by a Pareto Affiliate.

12.2.2 Employer may terminate this Agreement by providing Pareto with a thirty (30) day written notice in the event Employer does not consent to a material change to the scope or nature of the Pareto Services pursuant to Section 2 above.

12.2.3 Pareto may terminate this Agreement immediately in the event that the Employer breaches its obligations under Section 11 above.

12.2.4 Either Party may terminate this Agreement in the event of the other Party's material breach thereof if such material breach remains uncured after thirty (30) days of a written notice thereof to the breaching Party.

12.2.5 Either Party may terminate this Agreement immediately, upon written notice to the other Party, in the event that the other Party becomes insolvent or files a voluntary petition for relief under the bankruptcy code.

12.3 Effect of Termination. Upon termination of this Agreement, Pareto will return all Plan Data to the Employer's Plan, subject to Pareto's retention and use of deidentified and aggregated Plan Data pursuant to Section 10.2 & 10.4, above. In the event that Pareto is unable to return any portion of the Plan Data that has not been deidentified, Pareto will maintain such portions of Plan Data confidential and, with respect to any PHI contained therein, in accordance with the BAA and all applicable law (including HIPAA and HITECH), and will not use any such Plan Data except as authorized under this Agreement and, if applicable, the BAA. The Employer shall return all Service Provider Data to Pareto or, if directed by Pareto, the applicable Service Provider. To the extent the Employer or the Plan receives any Pareto Data during the term of this Agreement, the Employer shall return all Pareto Data to Pareto. The Employer shall be obligated to pay Pareto the Fees for all Pareto Services that were provided prior to the date of termination of this Agreement in accordance with Section 4 above.

## 13. LIMITATION OF LIABILITY

To the fullest extent permitted under applicable law, except as otherwise provided herein, Pareto's maximum liability to the Employer or its Plan under this Agreement (including, without limitation, liability pursuant to Section 14.2 below) shall not exceed the Fees paid by the Employer to Pareto under this Agreement during the twelve (12) month period immediately preceding the event giving rise to Pareto's liability (the "Limitation of Liability"). The Limitation of Liability shall not apply to Pareto's gross negligence, willful misconduct, knowing violation of law, or breach of the BAA. In no event shall Pareto be liable for any special, indirect, consequential, or punitive damages.

## 14. INDEMNITY

14.1 The Employer shall indemnify, defend, and hold harmless Pareto, Pareto Affiliates, and each of their respective members, managers, shareholders, partners, officers, directors, employees, agents, successors, and assigns (collectively, the "Pareto Indemnitees") from and against all claims, actions, causes of action, regulatory investigations, judgments, fines, and expenses (including, without limitation, attorneys' fees and costs) (collectively,

"Third-Party Claims") assessed or brought against, or paid by, any Pareto Indemnitee as a result of the Employer's or the Plan's (i) breach of any of its obligations under this Agreement; (ii) negligence of any kind or degree or willful misconduct in utilizing the Pareto Services; or (iii) violation of applicable law. Notwithstanding the foregoing, the Employer shall have no obligation to indemnify, defend, or hold harmless any Pareto Indemnitee from and against any Third-Party Claim that was caused, in whole or in part, by (i) any Pareto Indemnitee's negligence, willful misconduct, or violation of applicable law; or (ii) any action or omission by any Service Provider.

14.2 Subject to Section 13 above, Pareto shall indemnify, defend, and hold harmless the Employer, the Plan, the Plan's fiduciaries, and the Employer's members, managers, shareholders, partners, officers, directors, employees, agents, successors and assigns (collectively, the "Employer Indemnitees") from and against all Third-Party Claims assessed or brought against, or paid by, any Employer Indemnitee as a result of Pareto's (i) breach of any of its obligations under this Agreement or the BAA; (ii) negligence of any kind or degree or willful misconduct in providing the Pareto Services; or (iii) violation of applicable law. Notwithstanding the foregoing, Pareto shall have no obligation to indemnify, defend, or hold harmless any Employer Indemnitee from and against any Third-Party Claim that was caused, in whole or in part, by (i) any Employer Indemnitee's negligence, willful misconduct, or violation of applicable law; or (ii) any action or omission by any Service Provider.

## 15. MISCELLANEOUS

15.1 Independent Contractor. Pareto will provide Pareto Services to the Employer and the Plan as an independent contractor. As such, the Parties agree that there is no partnership, joint venture, employer/employee, master/servant, or other similar relationship between Pareto and the Employer.

15.2 Transferability. Except as set forth herein, neither Party may assign this Agreement issued hereunder without the other Party's prior written consent, which shall not be unreasonably withheld, conditioned, or delayed. All assignments in violation of this Section 15.2 shall be void and of no legal effect. Notwithstanding the foregoing, Pareto may assign this Agreement without the necessity of the Employer's consent to (i) a Pareto Affiliate; or (ii) a successor in interest as a result of a merger, reorganization, or sale of all or substantially all of Pareto assets.

15.3 Subcontracting. The Parties agree that Pareto shall have the right to subcontract some or all of the Pareto Services to one or more Service Providers.

15.4 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the Parties hereto and their respective successors and permitted assigns and are not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in this Agreement.

15.5 Force Majeure. In no event shall Pareto be liable under this Agreement in the event it is unable to provide any of the Pareto Services due to a natural disaster, war, insurrection, epidemic, pandemic, government restrictions or orders, strikes, communication line failures, or similar circumstances outside of Pareto's control (each, a "Force Majeure Event"). In the event of an occurrence of a Force Majeure Event, Pareto's obligations to provide the Pareto Services shall be suspended for the duration of the Force Majeure Event.

15.6 Governing Law; Venue; Mutual Jury Waiver. This Agreement shall be governed by, and interpreted and construed in accordance with, the laws of the Commonwealth of Pennsylvania, without consideration of its conflict of laws principles. Subject to Pareto's right to seek equitable relief in any court of competent jurisdiction pursuant to Section 11.5 above, state and federal courts located in Philadelphia, Pennsylvania shall be the exclusive venue for any litigation arising out of related to this Agreement, and the Parties consent to the jurisdiction of such courts.

15.7 JURY TRIAL WAIVER. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, PARETO AND THE EMPLOYER EACH WAIVE THEIR RIGHT TO A JURY TRIAL.

15.8 Attorneys' Fees. In any litigation arising from or related to this Agreement, the substantially prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in such litigation.

15.9 Waiver. No waiver of any term or provision of this Agreement shall be construed to be a waiver of any other term or provision thereof. No waiver or consent shall constitute a continuing waiver or consent hereunder or commit a Party to provide a waiver or consent in the future. All waivers must be in writing, signed by the Party to be bound by such waiver.

15.10 Notices. All notices under this Agreement shall be in writing and shall be given by way of (i) personal delivery; (ii) a nationally recognized overnight delivery service; or (iii) certified mail, return receipt requested. The effective date of a notice shall be the date of a Party's actual receipt thereof. Notices shall be delivered to each applicable Party at the following addresses, or such other addresses as a Party may specify from time to time in accordance with the notice requirements set forth in this Section 15.10:

**Pareto**
Pareto Health Technologies, LLC
Attn: _____
2929 Walnut Street, Suite 1500
Philadelphia, PA 19104

**Employer**

_____ (entity name)

Attn: _____ (employer contact)

_____ (entity address)

_____ (city,state, zip)

15.11 Severability. If any provision of this Agreement is found to be invalid or unenforceable, the remaining provisions will remain in full force and effect.

15.12 Entire Agreement; Counterparts. This Agreement and the BAA contain the entire agreement between the Parties with respect to the subject matter thereof and supersede and replace any and all prior or contemporaneous discussions, negotiations, understandings, and agreements, written and oral, with respect to such subject matter. No alteration, amendment, change, or addition to this Agreement shall be binding or of any force or effect unless reduced to writing and signed by both Parties. This Agreement may be executed in any number of counterparts, each of which, when combined, shall constitute one agreement.

15.13 Survival. Sections 1, 10, 11, 12.3, 13, 14 & 15 shall survive termination of this Agreement.

[SIGNATURES ON THE FOLLOWING PAGE]

The Parties have executed this Agreement as of the Effective Date thereof.

**PARETO HEALTH TECHNOLOGIES, LLC**

By: _____

Print Name: _____

Title: _____

**[EMPLOYER NAME]**

By: _____

Print Name: _____

Title: _____

# APPENDIX A

List of TPAs from whom Pareto is authorized to receive Plan Data:

ACS Benefit Services, Inc.
Aetna - National Accounts
Allegiance
Allied Benefit Systems, Inc.
AmeriBen Solutions
American Benefit Corporation
Anthem Blue Cross
Apostrophe
Auxiant
BAS (Benefit Administrative Systems)
BBA (Blue Benefit Administrators)
BCBS AL
BCBS LA
BCBS of Arkansas
BCBS of CA
BCBS of IL
BCBS of Michigan
BCBS of MS
BCBS of NC
BCBS of NE
BCBS of NJ
BCBS of SC
BCBS of TN
BCBS of VT
Benefit Administrative Systems, LLC (BAS)
Benefit Management, Inc
Benefit Plan Administrators
Benefit Risk Management Services
Boon-Chapman
Business Administrators and Consultants
Capital Blue Cross
Capitol Administrators
CareFirst Administrators
CBA Blue
CDPHP
Cigna Healthcare
Comprehensive Benefits Administrator, Inc /EBPA
Consociate, Inc.
Continental Benefits/WellSystems, Inc.
Custom Design Benefits, LLC
Cypress Benefit Administrators
Dakotacare
Direct Care Administrators
Educators Mutual Insurance Association
Empire Blue Cross Blue Shield
Employee Benefit Management, Inc.
Employee Plans (TPA)
First Choice Health Network, Inc.
Geisinger
Gilsbar
Group & Pension Administrators
Group Administrators, Ltd.
Harvard Pilgrim
Health Cost Solutions
Health Plans
Healthcomp
Healthgram
HealthNow Administrative Services
HealthScope (TPA)
Highmark Blue Shield
Highmark Blue Shield (PBM)
HMA Inc.
Horizon Blue Cross
Health Plans Inc. (HPI)
HPISolutions
Independence Administrators
Independence Blue Cross
Independent Health Corporation
Insight Benefit Administrators
Insurance Management Services (IMS)
Interactive Health
Interactive Medical Systems
J.P. Farley
Lifetime Benefit Solutions, Inc.

Loomis

Lucent Health

Lucent Health Solutions

Maestro

Med Ben

MedCost

Medical Mutual of Ohio

Meritain

Mississippi Select Health Care, LLC dba Select Administrative Services

Motivhealth Insurance Co. DBA Motivhealth

MVP Health Care

North America Administrators

Nova Healthcare Administrators, Inc.

Pacific Health Alliance

Paragon Benefits, Inc.

Patient Advocates, LLC

Pinnacle Claims Management

Planned Administrators Inc.

Prairie States Enterprises, Inc.

Preferred Benefit Administrators

PreferredOne

Priority Health

Proclaim

Professional Benefit Administrators, Inc.

Regence Blue Shield of Idaho

Regence BlueCross BlueShield of Utah

Regional Care, Inc.

ResourceOne

S&S Healthcare Strategies

Security Administrative Services

SelectHealth Inc

Self Funded Plans Inc.

Self Insured Services Company

SISCO

Superior Insurance Services, Inc.

Tall Tree Administrators

Taylor Benefits Insurance Agency, Inc.

The Benefit Group

The Health Plan

The Sanford Company

Trustmark Health Benefits Inc

UC Health Plan Administrators

UHC

UMR, Inc.

Underwriters Services Corporation

Unified Group Services

UNITED HEALTHCARE

WebTPA

WV  Employee Benefit Services, Inc