



**NATIONAL CONTRACTORS INSURANCE COMPANY, INC., A RISK
RETENTION GROUP**

AMENDMENT TO SUBSCRIPTION AND SHAREHOLDERS AGREEMENT

“NOTICE

This policy is issued by your risk retention group. Your risk retention group may not be subject to all of the insurance laws and regulations of your State. State insurance insolvency guaranty funds are not available for your risk retention group.”

RECITALS

This Amendment to the Subscription and Shareholders Agreement (the “Amendment”) is made by and between National Contractors Insurance Company, Inc., a Washington, District of Columbia Risk Retention Group, a Washington, District of Columbia corporation (hereinafter referred to as the “Company”), and the undersigned purchaser (hereinafter referred to as the “Purchaser”).

WITNESSETH:

WHEREAS, the Purchaser and the Company have previously entered into a Subscription and Shareholders Agreement (the “Agreement”). The Purchaser has made application to the Company to purchase an insurance policy from the Company; and

WHEREAS, upon acceptance of the Purchaser as an insured, the Purchaser will only be required to pay a Subsequent Policy Issuance Fee equal to the lesser of \$250.00 or 5% of the policy premium for each subsequently issued insurance policy. As this is a Subsequent Policy Issuance Fee, the Purchaser shall not be entitled to any shares of stock in the Company in exchange for the payment of each such Subsequent Policy Issuance Fee;

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by the Purchaser and the Company, the Company and the Purchaser agree as follows:

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Purchaser’s Initials _____ Date _____

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1. Incorporation of Recitals: All of the Recitals set forth above are incorporated herein as though set forth in full at this point.

2. Risk Retention Group. The Purchaser acknowledges and agrees that as a risk retention group under the LRRRA and applicable state law, the Company must require that each insured of the Company be a shareholder of the Company and that each shareholder must be and remain an insured of the Company.

3. Acceptance or Rejection of the Purchaser by the Company: This Amendment may be accepted or rejected by the Company in its sole and absolute discretion and shall be binding only upon the execution of this Amendment by the Company. If this Amendment is not entered into by the Company, in the Company's sole and absolute discretion, any documents deposited by the Purchaser in connection with the new or renewal insurance policy will be returned to the Purchaser or destroyed by the Company.

4. Insurance Coverage for the Purchaser: If the Company determines to accept the Purchaser's application for the new or renewal insurance policy, the Company will provide the Purchaser with a copy of this Amendment signed by the Company together with written notice of the premium due from the Purchaser for the one year of insurance coverage under the new or renewal insurance policy. In order to obtain the new or renewal insurance policy from the Company, the premium and any payments due from the Purchaser under this Amendment must be paid to and received by the Company.

5. Purchaser's Previously Purchased Shares: Purchaser previously paid the Company a "Subscription Fee" and may have paid a "Subscription Fee Increase". Under the Agreement, the (i) Subscription Fee equaled 10% of the gross premium initially applicable to the Purchaser's original insurance policy; and (ii) The Subscription Fee Increase, if any, equaled 10% of any increase in insurance premium for the Purchaser's original insurance policy, taking into account all applicable additional premiums and audit premiums (but not taking into account return premiums or other premium reductions). The Subscription Fee was only required when obtaining the original insurance policy. Shares were issued to the Purchaser upon the payment of the Subscription Fee and any Subscription Fee Increase. The number of share issued to the Purchaser was determined by dividing the fee by 100. For example, the payment of a Subscription Fee of \$2,000 resulted in the issuance of 20 shares. Fractional shares were issued if necessary. Purchaser shall have the right to redeem such shares as provided by Section 8 of this Amendment.

6. Purchaser's Promise to Provide Further Documents and Information: The Purchaser acknowledges and that the Company may require further documentation and information from the Purchaser before the Purchaser's application for new or renewal insurance from the Company can be processed and the Purchaser promises to provide

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such further documentation and information as the Company may request from the Purchaser. The Purchaser further agrees that the Company shall be held harmless and indemnified by the Purchaser against all loss arising as a result of a failure to process the Purchaser's application for insurance if such documentation and information as has been requested by the Company has not been provided to the Company by the Purchaser.

7. Purchaser Representations. The Purchaser represents and warrants to the Company as follows:

(a) that the Purchaser has carefully reviewed the Company's insurance program materials and all other information which the Purchaser considers necessary or appropriate to evaluate the Company's insurance program and operations as well as the merits and risks of purchasing the Company's Shares and the Company's manuscript insurance policy;

(b) that the Purchaser has had the opportunity to ask questions of and receive answers from representatives of the Company regarding the Company, the insurance program and the Shares;

(c) that the Purchaser, if an individual, is a resident, or if an organization would be deemed to be a resident, of the state shown in the Purchaser's address set forth below and will be the sole party in interest as to the Shares subscribed for and is acquiring the Shares for his/her or its own account for the primary purpose of purchasing insurance from the Company and not for investment purposes and not with a view toward any distribution, sale, transfer or division thereof or for the account of any other individual, corporation, partnership or any other entity.

(d) that the Purchaser has consulted with the Purchaser's attorney, financial advisor and others regarding all financial, securities and tax aspects of the Purchaser's previous investment, this Amendment and all documents relating thereto on the Purchaser's behalf. The Purchaser and the Purchaser's advisors have sufficient knowledge and experience in business and financial matters to evaluate the Company, to evaluate the risks and merits of an investment in the Company, to make an informed investment decision with respect thereto. The Purchaser acknowledges that he, she or it has substantial business experience and is capable of evaluating the Company's insurance program;

(e) that the Purchaser has submitted an application to obtain a new or renewal insurance policy from the Company and that all statements, representations and warranties contained in the application for the new or renewal insurance policy offered by the Company are true and correct;

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8. Status of Shareholder/Insured; Redemption. THIS PARAGRAPH CONTAINS IMPORTANT INFORMATION CONCERNING LIMITATIONS AND RESTRICTIONS REGARDING THE REDEMPTION OF THE COMPANY'S SHARES PURCHASED UNDER THE AGREEMENT – PLEASE READ IT CAREFULLY.

The Purchaser acknowledges that no assurance can be given and no representation has been or is hereby made by the Company that the Purchaser will be entitled to purchase new or renewal insurance policies from the Company, or the sale of any subsequent insurance policy, by virtue of the Purchaser's previous purchase of the Shares. The Purchaser acknowledges and agrees that, in the event the Purchaser ceases to be insured by the Company for any reason whatsoever, the Purchaser's Shares shall automatically be cancelled on the books of the Company effective on the date on which the policy issued by the Company to the Purchaser expired, was non-renewed, or was earlier cancelled or terminated (each of which is referred to herein as the Termination Date). The Purchaser hereby irrevocably constitutes and appoints the Secretary of the Company as the Purchaser's attorney in fact to cancel said Shares on the books of the Company as of the Termination Date. Within two years following the Termination Date, and subject to the other terms and conditions contained in this Amendment, the Company will, if such payment is approved by the Commissioner of Insurance for the District of Columbia and subject to the provisions and conditions below, pay to the Purchaser, as consideration for the cancellation and redemption of the Shares, none, all or a part of his, her or its investment in the shares, i.e., the number of shares x \$100.00 (see paragraph 5 above), calculated as follows (the "Redemption Payment").

(a) In the event that the Purchaser was a Company policyholder for a continuous period (prior to the Termination Date) of less than three (3) full and continuous years from the commencement date of coverage under the policy, the Redemption Payment shall be forfeited and the shares surrendered to the Company without any payment or compensation to the Purchaser;

(b) In the event that the Purchaser was a Company policyholder for a continuous period (prior to the Termination Date) of more than three (3) full and continuous years, the Redemption Payment will be fifty percent (50%) of the Purchaser's original investment in the purchase of the shares.

In the event (i) the Company is precluded by applicable law from redeeming the Purchaser's shares, or does not receive the authorization from the Commissioner of Insurance for the District of Columbia to redeem the Purchaser's Shares as described above or (ii) the Company determines in good faith that the Redemption Payment will place an unreasonable financial strain on the Company, the Company's failure to redeem such Shares shall not be deemed a breach of this Amendment, and the Company shall

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make the Redemption Payment required hereunder at such time as the Company receives the authorization from the Commissioner of Insurance for the District of Columbia and the Company reasonably and in good faith believes that making the Redemption payment to the Purchaser will not cause the Company to be in violation of applicable law or impose an unreasonable financial strain on the Company.

Notwithstanding anything in this Amendment to the contrary, in the event that the Purchaser owes any policy deductible amounts, premiums, including audit premiums, "Subscription Fee", "Subscription Fee Increases" or other fees or charges to the Company, any Redemption Payment owed by the Company hereunder will be offset against, and reduced by, all such amounts owed by the Purchaser to the Company.

9. Subsequent Policy Issuance Fee. If the Purchaser elects to obtain a subsequent insurance policy after the Purchaser has been a policyholder for the initial 12 consecutive months, and if the Company elects to issue a subsequent insurance policy to the Purchaser after the initial 12 consecutive months, then, as a condition to the Company issuing a subsequent insurance policy to the Purchaser, the Purchaser agrees to pay the Company a Subsequent Policy Issuance Fee equal to the lesser of \$250.00 or five percent (5%) of the insurance policy premium charged for the subsequent insurance policy. As this is a Subsequent Policy Issuance Fee, the Purchaser shall not be entitled to any shares of stock in the Company in exchange for the payment of each such Subsequent Policy Issuance Fee.

10. Indemnification and Liability of Directors and Officers; No Preemptive Rights. The Purchaser acknowledges that the Company's Articles of Incorporation and By-Laws contain indemnification provisions pursuant to which the Company will defend, indemnify and hold harmless the Company's directors, officers, employees, and agents, subject to the provisions of applicable law, as amended from time to time. The Purchaser further acknowledges and agrees that the Purchaser shall have no pre-emptive right to acquire any Shares subsequently issued or proposed to be issued by the Company.

11. Miscellaneous Provisions.

(a) This Amendment may not be amended except upon the written consent of the Purchaser and an authorized officer of the Company.

(b) All representations and warranties contained herein or made in writing by the Purchaser prior to the date of this Amendment, each of which are incorporated herein by this reference as though set forth in full at this point, will survive the termination of this Amendment. Except as set forth in the preceding sentence, the Agreement and this Amendment which amends the Agreement contains the entire agreement and understanding between the Purchaser and the Company.

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(c) The Purchaser shall not transfer or assign this Amendment or any of its interest herein. Subject to the foregoing and except as otherwise expressly provided herein, all covenants and agreements contained in this Amendment by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto.

(d) Whenever possible, each provision of this Amendment will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Amendment.

(e) This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument, and any party hereto may execute this instrument by signing any such counterpart.

(f) The descriptive paragraph headings of the Amendment are inserted for convenience only and do not constitute a part of this Amendment.

(g) This Amendment shall be governed by, and construed and enforced in accordance with, the laws of the District of Columbia, without regard to the conflicts of law rules thereof.

(h) All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Amendment must be in writing and will be deemed to have been given when delivered personally or mailed by United States mail sent by certified mail, return receipt requested and postage fully prepaid, to the recipient. Such notices, demands and other communications will be sent to the Purchaser at the address set forth below and to the Company at 130 South Chaparral Court, Suite 140, Anaheim Hills, California 92808, Attention President, or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party as specified in this Paragraph 12(h).

14. Grant of Proxy. In consideration of the issuance of the Company's Shares to the Purchaser under the Agreement, and for other good and valuable consideration, the receipt and adequacy of which is acknowledged by both the Purchaser and the Company, the Purchaser hereby constitutes and appoints the Chairman of the Board of Directors of the Company (or the President of the Company if the Chairman is either not available or not in attendance) as the Purchaser's proxy to attend all meetings of shareholders of the Company, with full power to vote as proxy for the Purchaser and act in the Purchaser's

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name, place and stead, in the same manner, to the same extent and with the same effect that the Purchaser might have if personally present, giving to said Chairman of the Board of the Company (or the President of the Company) full power of substitution. This grant of a proxy shall continue in force for such longer or shorter period as is permitted under applicable law.

IN WITNESS WHEREOF, the parties hereto acknowledge having read this Amendment and understand and consent to be bound by all its terms and conditions as evidenced by their signatures hereto.

PURCHASER:

NATIONAL CONTRACTORS
INSURANCE COMPANY, INC., a
Washington, District of Columbia
Risk Retention Group, a Washington,
District of Columbia Corporation

[Print Purchaser's Name]

[Signature]

[Print Title]

By: _____

Its: _____

Date: _____

[Insert Purchaser's Address]

Date: _____