



## STOCK SUBSCRIPTION AND SHAREHOLDER AGREEMENT

Doctors Professionals Liability Risk Retention Group is a “C” Corporation domiciled in North Carolina (DPL) and licensed to write policies in the following seventeen states: AZ , CA, CO, CT , FL , GA, HI, IL , MD, MI, MO , NC, NJ, NV, NY, OH, PA, SC, TN, TX , WA.

DPL will only issue a medical malpractice liability policy to shareholders. Shareholders of DPL policies are non-assessable as mandated by DPL charter

The Primary insured will receive stock in DPL per subscription agreement. As a shareholder , **the execution of the subscription agreement will not create liability to you.**

## STOCK SUBSCRIPTION AND SHAREHOLDER AGREEMENT

THIS STOCK SUBSCRIPTION AND SHAREHOLDER AGREEMENT (the “Agreement”) is entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between DOCTORS PROFESSIONAL LIABILITY RISK RETENTION GROUP, INC., a North Carolina corporation (the “Company”) and the entities subscribing for and/or owning all of the outstanding shares of Common Stock of the Company (the “Shares”), whose names appear on each counterpart signature page hereto (each, a “Shareholder” and collectively, the “Shareholders”).

WHEREAS, the Company is a company with limited liability, duly organized and existing under the laws of the State of North Carolina and the Federal Product Liability Risk Retention Act of 1981, as amended by the Risk Retention Amendments of 1986. The Company intends to obtain a captive insurance license from the State of North Carolina.

WHEREAS, the Company plans to engage in the business of insuring the liability and related risks of its Shareholders arising out of policyholder involvement in the provision of medical care;

WHEREAS, the Federal Product Liability Risk Retention Act of 1981, as amended by the Risk Retention Amendments of 1986 and applicable state law require that each insured policyholder of the Company be a Shareholder of the Company and each Shareholder of the Company be an insured policyholder of the Company; and therefore, each prospective insured policyholder of the Company will be required to purchase Shares of the Company’s stock upon the Company’s acceptance of the applicant as an insured policyholder;

WHEREAS, an application has been made to obtain insurance from the Company and upon acceptance the insured policyholder will be required to purchase Shares; and

WHEREAS, the Company and the Shareholders believe that the growth and success of the Company requires an agreement imposing restrictions, obligations and undertakings with regard to the acquisition and transfer of Shares to guard against Shares being owned by persons who are unwilling or unable to contribute to the success of the Company.

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

### 1. SUBSCRIPTION FOR SHARES

Upon acceptance by the Company of an application for insurance, each insured policyholder hereby agrees to purchase Shares from the Company, and the Company hereby agrees to sell Shares to the insured policyholder, pursuant to the terms and conditions set forth herein and in the Company's Certificate of Incorporation and Bylaws. The insured policyholder agrees to purchase Shares at a price determined by Section 3.01 of this Agreement concurrently with the initial premium payment for the Insured policyholder's policy. Failure to pay for Shares subscribed for herein in accordance with Section 3.01 of this Agreement, shall allow the Company to cancel the insured policyholder's policy, pursuant to Section 4.03(c) of the Company's Bylaws.

## **2. ELIGIBLE SHAREHOLDERS**

2.01 Insured policyholders may include persons or entities involved in the provision of medical care.

2.02 To become an insured policyholder with the Company, the potential insured policyholder must meet and satisfy all of the following conditions: (a) each insured policyholder must be a Shareholder of the Company; (b) each insured policyholder must be engaged in an activity similar or related to the provision of medical care; (c) each insured policyholder must be exposed to liabilities similar to those of other insured policyholders of the Company by virtue of being in a related, similar or common service, or operations; (d) each insured policyholder must qualify under the underwriting criteria of the Company for the issuance of a policy of insurance by the Company; (e) each insured policyholder must be approved by the Board of Directors of the Company (the "Board") in its sole discretion or the Board's designate and (g) each insured policyholder must meet such other conditions as prescribed by the Board not in conflict with Section 3901(D) of the federal Liability Risk Retention Act as amended.

2.03 No insurance coverage shall be provided that is not permissible under the Product Liability Risk Retention Act of 1981, (the "Act"), as amended, 15 U.S.C. Section 3901 *et seq.* As required by the Act, all the Shareholders of the Company must be provided insurance by the Company and all insured policyholders of the Company must be owners.

2.04 In the event that any Shareholder does not purchase liability insurance from the Company within 30 days from the date of its purchase of shares, or at any time loses its designation as an eligible Shareholder, the shares of such Shareholder shall be subject to repurchase as set forth in Section 6 hereof.

## **3. PURCHASE OF SHARES**

3.01(a) Shares may only be issued in exchange for cash or, to the extent permitted under North Carolina law, letter of credit. Prior to the issuance of the first insurance policy by the Company, Common Stock shall be issued at \$1.00 per share. After the Company begins issuing insurance policies, Common Stock shall be issued for \$10.00 per share.

(b) At Shareholder's election, in lieu of making a single payment for said Shares in the amount of at least 75% of Shareholder's first year annual insurance premium with Company, it may make installment payments for said Shares in the amount of 15% of each year's annual premium for five consecutive years following the execution of this Stock Subscription and Shareholder Agreement.

#### **4. SHAREHOLDER REPRESENTATIONS**

The Shareholder represents and warrants that:

(a) the Shareholder or its advisor has carefully reviewed the Company's insurance program materials and other information which Shareholder considers necessary or appropriate to evaluate the Company's insurance program and operations as well as the merits and risks of a purchase of the Company's Shares, and 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;

(b) the Shareholder has substantial business experience and is capable of evaluating the Company's insurance program and operations as well as the merits and risks of an acquisition of the Shares;

(c) the Shareholder has made application to obtain insurance from the Company;

(d) the Shareholder has full power, capacity and authority to execute, deliver and perform this Agreement and that this Agreement has been duly authorized, executed and delivered by the Shareholder and evidences a valid and binding obligation of the Shareholder enforceable in accordance with its terms;

(e) the Shareholder understands that the purchase price for the Shares is not based upon any projected earnings of the Company and the Company does not represent that the Shares have market value equal to the purchase price;

(f) the Shareholder is acquiring the Shares for the Shareholder's own account and not with a view to the sale or transfer thereof, and that transfer of the Shares is restricted as provided herein;

(g) the Shareholder understands that the Federal Liability Risk Retention Act provides for certain exemption from registration of the Company's Shares as securities for purposes of the registration provisions of the federal and state securities laws and such Shares have not been registered under the Securities Act of 1933 or any state securities law; and

(h) the Shareholder understands that there is no guaranty of a return on the Shareholder's purchase of Shares and that, although the Company may be obligated to redeem the Shareholder's Shares under circumstances described herein, there is no guaranty that the Company will have the financial resources to pay for such shares in the near future or at all, and that the Shareholder therefore must be prepared to hold the Shares for an indefinite period of time, or if said Shareholder is no longer insured by Company, to await payment for shares redeemed by Company for an indefinite period of time.

## **5. SHARE TRANSFER RESTRICTIONS**

5.01 No Shareholder shall sell, transfer, assign or make any other disposition of its shares, except pursuant to the provisions of Section 4.02 of the Company's Bylaws. Any purported transfer not in compliance with the terms and conditions of Section 4.02 of the Company's Bylaws shall be void *ab initio* and of no force and effect.

## **6. REPURCHASE OF SHARES OF NONQUALIFIED SHAREHOLDERS**

6.01 A Shareholder becomes a nonqualified Shareholder upon the occurrence of any one of the following circumstances:

- (a) the insurance policy of the Shareholder is canceled or not renewed; or
- (b) premium payments on policies relating to Shareholder insureds written or reinsured by the Company are more than 30 days past due (in which case the Company has a right to offset the delinquent amounts and any other amounts owed by the Shareholder to the Company against the book value due the Shareholder insured);  
or

- (c) the Shareholder, at any time, admits in writing its inability to pay its debts as they become due, files a voluntary petition in bankruptcy, becomes insolvent, files any petition or answer seeking for himself, herself or itself any reorganization, arrangement, composition, readjustment of debt, liquidation, dissolution or similar relief under any present or future statute, law or regulation of any jurisdiction, or is the subject of any such proceeding filed against such Shareholder which remains undismissed for a period of 60 days.

6.02 (a) In the event a Shareholder becomes a nonqualified Shareholder, such nonqualified Shareholder and its Shares shall be subject to the provisions of Section 4.03 of the Company's Bylaws ("Payment for Shares of Withdrawing Shareholder"), including, without limitation, payment for such Shares subject to redemption by Company, and subject to any required approval of the North Carolina Insurance Department and the Company's Board of Directors. Only those withdrawing Shareholders insured by the Company for at least five full consecutive years, beginning with the effective date of the nonqualified/withdrawing Shareholder's initial insurance policy issued by the Company, until the date of termination, non-renewal, or cancellation of said insurance policy, shall be eligible for payment for Shares so redeemed by the Company.

(b) To the extent a nonqualified Shareholder has an unpaid balance for the purchase of its Shares pursuant to Section 3.01 (b) of this Agreement, such unpaid balance shall remain the obligation of the nonqualified Shareholder to Company and Company may offset any obligations it may have to nonqualified Shareholder. For the purpose of calculating the unpaid balance owed by nonqualified Shareholder, it shall be 75% of its first year's annual premium with Company less any installment payments previously made for Share purchase under this Agreement

## **7. REIMBURSEMENT OF EXPENSES**

7.01 It is agreed that expenses in connection with the organization and licensing of the Company in North Carolina and any other related expenses shall be the responsibility of the Company.

## **8. MISCELLANEOUS PROVISIONS**

8.01 Any certificates of stock of the Company issued to the Shareholders shall bear a legend in substantially the following form:

**THE SHARES REPRESENTED BY THIS CERTIFICATE ARE ISSUED TO AN INSURED POLICYHOLDER OF THE COMPANY AND ARE SUBJECT TO THE TERMS AND CONDITIONS OF THE COMPANY'S BYLAWS AND A STOCK SUBSCRIPTION AND SHAREHOLDER AGREEMENT. COPIES OF THE BYLAWS AND THE STOCK SUBSCRIPTION AND SHAREHOLDER AGREEMENT WILL BE FURNISHED BY THE**

**COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE.**

**PURSUANT TO THE FEDERAL PRODUCT LIABILITY RISK RETENTION ACT OF 1981, AS AMENDED BY THE RISK RETENTION AMENDMENTS OF 1986, THE SHARES REPRESENTED BY THIS CERTIFICATE ARE EXEMPTED FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") AND STATE SECURITIES LAWS. ACCORDINGLY, THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE ACT, OR ANY STATE SECURITIES LAW. NO TRANSFER OF THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE MADE (A) EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND UNDER APPLICABLE STATE SECURITIES LAW OR (B) UNTIL THE COMPANY HAS BEEN FURNISHED WITH AN OPINION OF COUNSEL FOR THE HOLDER, WHICH OPINION SHALL BE IN FORM AND SUBSTANCE AND FROM COUNSEL SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT SUCH TRANSFER IS EXEMPT FROM THE REGISTRATION PROVISIONS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.**

8.02 This Agreement may be amended at any time upon the express written agreement of the Company and the holders of a majority of outstanding Shares.

8.03 This Agreement shall terminate upon the express written agreement of the Company and the holders of a majority of its then outstanding Shares.

8.04. Subject to the terms and conditions hereof, this Agreement shall bind and inure to the benefit of the successors, assigns, personal representatives, heirs and legatees of the parties hereto.

8.05 The parties hereto agree that this Agreement shall be construed, enforced and governed by the laws of North Carolina, without regard to its conflicts of laws principles.

8.06 This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts together shall constitute one and the same instrument.

8.07 The Company may combine or offset any balances or funds owed by the Shareholder to the Company against any balances or funds owed to the Shareholder by the Company under this Agreement or any other agreement between the parties.

8.08 In the event of any action, suit or proceeding brought under or in connection with this Agreement, the prevailing party therein shall be entitled to recover, and the losing party or parties hereby agree to pay, the prevailing party's costs and expenses in connection therewith, including reasonable attorneys' fees.

8.09 Any notice or demand required or permitted to be given hereunder shall be in writing and shall be deemed effective when personally delivered to the party entitled to receive notice, if an individual, or when personally delivered to an officer or authorized agent of the party entitled to receive notice, if not an individual. The notice or demand shall be deemed to be effectively given seven days after the notice or demand is sent, by registered or certified airmail, and addressed in the following manner:

If to Shareholder: See Shareholder's address set forth below its name on its respective counterpart signature page.

If to the Company: Doctors Professional Liability Risk Retention Group, Inc.  
P.O. Box 3199  
Winston Salem, NC 27102-3199

Any party may change the address to which such notices are to be given by providing all other parties notice in the manner set forth herein.

[Remainder of Page left blank intentionally. Signature Page Follows]



IN WITNESS WHEREOF, the parties hereto have executed this Stock Subscription and Shareholder Agreement as of the day and year first set forth above.

The Company: DOCTORS PROFESSIONAL LIABILITY RISK  
RETENTION GROUP, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Shareholder:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Shareholders' Mailing Address for Notice  
Purposes:

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