ORGANIZATIONAL EXAMINATION

of the

ROAD CONTRACTORS MUTUAL INSURANCE COMPANY

213 FIFTH AVENUE NORTH
NASHVILLE, TENNESSEE 37219

as of

November 16, 2006

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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Nashville, Tennessee
December 6, 2006

Honorable Paula A. Flowers
Commissioner
State of Tennessee
Department of Commerce and Insurance
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-2-103, a financial examination was made of the condition and affairs of the

ROAD CONTRACTORS MUTUAL INSURANCE COMPANY
213 FIFTH AVENUE NORTH
NASHVILLE, TENNESSEE 37219

hereinafter and generally referred to as the "Company", and a report thereon is submitted as follows:

INTRODUCTION

This examination was called by the Commissioner of Commerce and Insurance of the State of Tennessee and commenced on November 21, 2006. The examination was the "Organizational Examination" and was conducted by a duly authorized representative of the Department of Commerce and Insurance, State of Tennessee.

SCOPE OF EXAMINATION

Upon payment by the Company of the application fee of $675 prescribed in Tenn. Code Ann. § 56-4-101, this examination was conducted as of November 16, 2006 to determine if the Company has complied with the statutory and regulatory requirements to be issued a Certificate of Authority to establish and operate a mutual property and casualty insurance company according to the provisions of Title 56, Chapter 2, Part 1 and Title 56, Chapter 19 of the Tennessee Code Annotated.

COMPANY HISTORY AND ORGANIZATION

The Company was incorporated on February 21, 2006 under the Tennessee Mutual Insurance Company Act as a not for profit mutual benefit corporation authorized to transact business in the State of Tennessee and elsewhere. The Charter and Bylaws are discussed in detail in this report under the caption "CHARTER AND BYLAWS".

On July 12, 2006, the Board of Directors acted to approve the following actions:

- Ratify and affirm all acts of the incorporators
- Adopt the Bylaws
- Election of officers as follows:

Donald G. Chambers	Chairman and President
Johnny F. Coleman	Secretary and Treasurer

- The Company shall transact banking at such banks as the President and Secretary may from time to time determine. The President, Secretary and other officers designated by the Board are also empowered to execute and deliver the customary form of corporate banking resolutions.
- The fiscal year of the Company shall end on the 31st day of December in each year.
- Appoint Bass, Berry & Sims PLC as legal counsel
- Appoint Faulkner, Mackie & Cochran, PC to serve as accountants and tax preparers
- Appoint the Commissioner and Deputy Commissioner of the Department of Commerce and Insurance, State of Tennessee to acknowledge service of all legal process
- Proper officers are directed to make legally required regulatory filings to obtain a Certificate of Authority to transact business as a mutual insurance company in the State of Tennessee.
- Proper officers are authorized and empowered to pay all fees and expenses incident to or arising from the organization of the Company, and reimburse any person who has made reasonable disbursements therefore.
- Proper officers are authorized to take all such further action, and to execute and

deliver all such further instruments and documents in the name and on behalf of the Company and to pay all such fees and expenses, which shall in their judgment be necessary, proper or advisable.

The plan of operation for the Company is discussed under separate heading in the report.

Funding of the Company was completed on November 16, 2006.

CHARTER AND BYLAWS

Charter:

The Charter of the Company was filed and recorded with the Secretary of State, State of Tennessee on February 21, 2006 after having been approved by the Department of Commerce and Insurance, State of Tennessee on February 16, 2006. Said Charter establishes and sets forth the following:

1. The name of the corporation is Road Contractors Mutual Insurance Company.

2. The corporation is a mutual benefit corporation.

3. The duration of the corporation is perpetual.

4. (a) The street address of the corporation's initial registered office is

   213 Fifth Avenue North
   Nashville, Tennessee 37219
   County of Davidson

   (b) The name of the corporation's initial registered agent is

   Kent Starwalt

5. The purpose or purposes for which the corporation is organized are:

   (a) To engage as a principal in the insurance business in the State of Tennessee and elsewhere as a mutual insurance company;

   (b) To make insurance and reinsurance both in the State of Tennessee and elsewhere to protect against professional liability, casualty including

workers' compensation, errors and omissions and comprehensive general liability pursuant to said "Tennessee Mutual Insurance Company Act";

(c) To do all things which the Board determines to be necessary or appropriate in connection or associated therewith; and

(d) To engage in any other lawful business.

6. "The names and addresses of the incorporators are:

Williamson County Ready Mix
515 Downs Boulevard
Franklin, Tennessee 37064

Cumberland Valley Construction Company, Inc.
515 Downs Boulevard
Franklin, Tennessee 37064

Highways, Inc.
1623 Galleria Boulevard
Brentwood, Tennessee 37027

Highway Materials, Inc.
1623 Galleria Boulevard
Brentwood, Tennessee 37027

LoJac Enterprises, Inc.
1401 Toshiba Drive
Lebanon, Tennessee 37087

LoJac, Inc.
1401 Toshiba Drive
Lebanon, Tennessee 37087

LoJac Materials, Inc.
1401 Toshiba Drive
Lebanon, Tennessee 37087

LoJac Safety, Inc.
1401 Toshiba Drive
Lebanon, Tennessee 37087

Sessions Paving Company, Inc.
6535 Robertson Avenue
Nashville, Tennessee 37209

Mid-Tenn Paving, Inc.
6535 Robertson Avenue
Nashville, Tennessee 37209

Wright Brothers Construction Company, Inc.
1500 Lauderdale Memorial Highway
Charleston, Tennessee 37310

Charleston Construction Co.
1500 Lauderdale Memorial Highway
Charleston, Tennessee 37310

T. C. Stone, Inc.
1500 Lauderdale Memorial Highway
Charleston, Tennessee 37310

Mid-State Construction Company, Inc.
1090Bradford Hicks Drive
Livingston, Tennessee 38570

Mid-State Drilling Co., LLC
1090 Bradford Hicks Drive
Livingston, Tennessee 38570

Thomas General Construction, LLC
7849 Dayton Boulevard
Chattanooga, Tennessee 37343

Thomas Brothers Construction Company, Inc.
7849 Dayton Boulevard
Chattanooga, Tennessee 37343

J.W.T., Inc.
7849 Dayton Boulevard
Chattanooga, Tennessee 37343

Dunlap Stone, Inc.
5139 West Valley Road
Dunlap, Tennessee 37327

J & M Incorporated
511 East Monticello Pike
Huntsville, Tennessee 37756

Jenkins & Jenkins, Inc.
171 West Swan Street
Centerville, Tennessee 37033

Explosives Engineering Service, Inc.
2629 Locust Street
Nashville, Tennessee 37207

Roy T. Goodwin Contractors, Inc.
1410 Third Avenue North
Nashville, Tennessee 37208"

7. The street address of the corporation's principal office is

213 Fifth Avenue North
Nashville, Tennessee 37219
County of Davidson

8. The corporation is a not for profit mutual insurer. The corporation has authority to issue paid-up guaranty capital certificates.

9. The corporation will have members. The corporation's members shall be its policyholders.

10. The names and addresses of the corporation's initial Board of Directors, who shall server until the first meeting of members, shall be:

Mr. Don Chambers	of LoJac Enterprises, Inc.
Mr. Bill Hardison	of Highways, Inc.
Mr. Johnny Coleman	of Mid-State Construction Company, Inc.
Mr. Robert Hutcheson	of Sessions Paving Company, Inc.
Mr. Steve Wright	of Wright Brothers Construction Company, Inc.

11. The corporation will not do any business unless it is possessed of a guaranty capital surplus of not less that two million dollars ($2,000,000).

12. The Corporation may adopt Bylaws, which may be altered, amended, restated or repealed.

13. "To the fullest extent permitted by the Tennessee Nonprofit Business Corporation Act as in effect on the date hereof and as hereafter amended from time to time, a director of the corporation shall not be liable to the corporation or its members for monetary damages for breach of fiduciary duty as a director; provided however, that this provision shall not eliminate or limit the liability of a director of the corporation for violation of Title 56 of the Tennessee Code Annotated. Any repeal or modification of this Paragraph 12 by the members of the corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification or with respect to events occurring prior to such time."

Bylaws:

The Bylaws of the Company in effect at November 16, 2006 were adopted by the Board on July 12, 2006 and have not been amended or changed during the period covered by this examination. Said bylaws are such as those generally found in corporations of this type and contain no unusual provisions.

An annual meeting of the members of the Company shall be held at such time and place, either within or without this State, as may be designated from time to time by the Board. Special meetings of the members may be called by the Board or by at least twenty percent (20%) of the members of the Company entitled to vote at such meeting. The said members must sign, date and deliver to the Company's Secretary one (1) or more written demands for the meeting describing the purpose or purposes for which such special meeting is to be held. The place of such annual and special meetings shall be designated by the Board. If no place is fixed by the Board, the meeting shall be held at the principal office of the Company.

A majority of votes entitled to be cast on a matter by members constitutes a quorum for action on that matter.

The business and affairs of the Company shall be managed under the direction of the "Board of Directors." The number of directors shall be not less than three (3) persons nor more than fifteen (15) persons. The Board may hold regular or special meetings either within or without the State of Tennessee. A majority of the directors shall constitute a quorum. All directors shall be employees, officers or directors of members of the Company.

The Board may delegate the management of the day-to-day operation of the business of the Company to a management company or other person provided that the business and affairs of the Company shall be managed, and all corporate power shall be exercised, under the ultimate direction of the Board.

The officers for the corporation shall be a Chairman of the Board, a President, a Secretary, a Treasurer and such other officers as the Board shall from time to time appoint. One (1) person may simultaneously hold more than one (1) office except the President may not simultaneously hold the office of Secretary.

MANAGEMENT AND CONTROL

Management:

Board members are elected by the members of the Company. As of November 16, 2006, the "Board of Directors" of the Company was composed of the following:

Donald Glenn Chambers
Johnny Fred Coleman
Stephen Daryl Wright
Robert Neil Hutcheson

As of November 16, 2006, the Officers of the Company were the same as those elected at the initial board meeting on July 12, 2006 and referenced in the "HISTORY" caption of this report.

Control:

The Company is to be operated as a mutual company; therefore, ultimate control will be vested in the members.

PROPOSED PLAN OF OPERATION

The Company's plan of operation is to initially offer workers' compensation insurance to employers within the road building and general contracting industries. The Company plans to assume all of the workers' compensation insurance liabilities of Tennessee Road Builders Association Self Insured Trust through a loss portfolio transfer and then continue the current book of business with those employers and their sponsoring organizations. At December 31, 2005, Tennessee Road Builders Association Self Insured Trust had assets in excess of seven million five hundred thousand dollars ($7,500,000) and member equity in excess of three million five hundred thousand dollars ($3,500,000). The Trust has been in existence since 1994.

It is anticipated that premiums will be generated from workers' compensation insurance written within the State of Tennessee. The Company estimates written premium in excess of three million dollars ($3,000,000) in year one.

The Company will contract its underwriting and administration functions to be performed by Brentwood Services Administrators, Inc. (BSA). Its claims handling and loss control operations functions will also to be performed by BSA. BSA is licensed as a Third Party Administrator in Tennessee and is located in Brentwood, Tennessee. The firm currently performs the same type of services for Tennessee Road Builders Association Self Insured Trust and has over fifteen (15) years experience is administering this type of business.

Brentwood Reinsurance Intermediaries, Inc. will provide reinsurance intermediary brokerage services to the Company. The referenced broker is a subsidiary of Brentwood Services, Inc. and is an affiliate of BSA.

The Company proposes to retain the first five hundred thousand dollars ($500,000) of ultimate net loss on all Workers Compensation policies. It additionally intends to retain the first five hundred thousand dollars ($500,000) on all Employers' Liability policies. The Company will in effect purchase specific excess insurance for claims cost excess of five hundred thousand dollars ($500,000) per claim retention. Arrangements for the reinsurance program have been discussed with Midwest Employers Casualty Company which is licensed in the State of Tennessee as a Foreign Property and Casualty Insurer.

Solicitation of business will be through independent agents.

Casualty Actuarial Consultants, Inc. has been retained to provide actuarial services.

STATUTORY DEPOSIT

In compliance with statutory requirements, the Company maintained the following deposits at November 16, 2006:

Where Deposited and Description	Par Value	Statement Value	Market Value
Tennessee			
KNOXVILLE TN GO 3.00%, due 5/01/13	$ 40,000	$ 37,886	$ 38,540
MIDDLE TN UTIL DIST REV AMBAC 4.60%, due 10/1/2011	50,000	50,953	50,880
MONTGOMERY CNTY TN GO AMBAC 4.00%, due 4/01/2014	50,000	50,260	50,930
TENNESSEE HSG DEV AGY MTG REV 4.00%, due 7/01/10	50,000	51,091	50,099
TENNESSEE ST LOC DEV AUTH REV 4.00%, due 3/01/2012	25,000	25,357	25,420
Total general deposits held for the benefit of all policyholders and creditors of the Company	**$215,000**	**$215,547**	**$215,869**
Total	**$215,000**	**$215,547**	**$215,869**

The above deposits were delivered to the Commissioner of Commerce and Insurance, State of Tennessee on November 15, 2006. The securities are held pursuant to a Depository Agreement with First Tennessee Bank National Association (165 Madison Avenue, Memphis, Tennessee 38103) signed by First Tennessee on November 13, 2006 and signed by the Company on November 14, 2006.

SUBSEQUENT EVENTS

None

FINANCIAL STATEMENT

There follows a statement of assets and liabilities at November 16, 2006, established by this examination:

ASSETS

	Ledger Assets 11/16/2006	Assets Not Admitted	Net Admitted Assets 11/16/2006
Bonds	$ 215,547		$ 215,547
Cash and short-term investments	3,284,453		3,284,453
Totals	$3,500,000		$3,500,000

LIABILITIES, SURPLUS, AND OTHER FUNDS

	11/16/2006
Liabilities	$ 0
Aggregate write-ins for other than special surplus funds (Permanent Guaranty Capital Certificate)	3,500,000
Surplus as regards policyholders	$3,500,000
Totals	$3,500,000

COMMENTS

- The Company has complied with Tenn. Code Ann. § 56-19-101 by having no less than twenty (20) incorporators. All were residents of the State of Tennessee.

- The Company signed an Investment Advisory Agreement with "Highland Capital Management Corp." on November 14, 2006. "Highland Capital Management Corp." is an affiliated company of First Tennessee Bank National Association.

- The Company adopted an Investment Policy on October 26, 2006.

- The Company adopted a Conflict of Interest Policy on August 30, 2006.

- The Company is not a member of a Holding Company as defined by Tenn. Code Ann. § 56-11-201.

RECOMMENDATIONS

- The Company is party to a Custodial Agreement signed November 14, 2006, with First Tennessee Bank National Association in order to hold cash equivalents in a Fidelity Government Money Market Account. The agreement had a clause indicating that it was to be construed according to the laws of the State of Tennessee; however, the Company asked for an amendment to make certain the agreement contained language which mirrored and complied with the language required pursuant to Tenn. Comp. R. and Regs. ch. 0780-1-46.

  A new custodial agreement made as of November 13, 2006, and signed December 1, 2006, complying with Tenn. Comp. R. and Regs. ch. 0780-1-46 was delivered to the examiner on December 1, 2006.

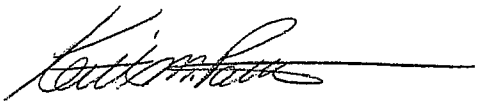
- The Company is aware that it must submit a copy of its proposed Workers' Compensation Anti-Fraud Plan as required by Tenn. Code Ann. § 56-47-112.

CONCLUSION

I have verified the foregoing financial statement as included in this examination report. In conjunction, I have inspected the following documents and records of the Company: Charter of Incorporation, Bylaws, minutes of the Board of Directors' meetings, biographical sketches of all directors and officers and the plan of operation.

It appears that the Company has fulfilled all necessary requirements to receive a Certificate of Authority to establish and operate a mutual property and casualty insurance company in the State of Tennessee. Therefore, I recommend that Road Contractors Mutual Insurance Company be issued a Certificate of Authority pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated to establish and operate such mutual property and casualty insurance company in Tennessee.

Respectfully submitted,



Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached Organizational Examination Report of Road Contractors Mutual Insurance Company dated December 6, 2006, and made as of November 16, 2006, on behalf of the Department of Commerce and Insurance, State of Tennessee. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me

this 6th day of

December, 2006

Notary Helen W. Dorsey

County Davidson

State Tennessee

Commission Expires 05/22/2010

HELEN W. DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires MAY 22, 2010