

**NEVADA DOCS MEDICAL RISK RETENTION GROUP, INC.**

Information Circular

Dated: November 7, 2011

NOTICE TO POTENTIAL INVESTORS/INSUREDS:

THE PURPOSE OF THIS INFORMATION CIRCULAR IS TO PROVIDE BACKGROUND INFORMATION TO PROSPECTIVE INSUREDS REGARDING THE ORGANIZATION, CAPITALIZATION AND OPERATION OF THE NEVADA DOCS MEDICAL RISK RETENTION GROUP, INC. (also referred to as “NDM RRG” or “Company”). THE EXECUTION AND SUBMISSION OF AN APPLICATION FOR INSURANCE AND A SUBSCRIPTION AND SHAREHOLDER AGREEMENT, THE PURCHASE OF STOCK, AND THE PAYMENT OF THE INSURANCE PREMIUM WHEN DUE, SHALL CONSTITUTE AN ACKNOWLEDGEMENT THAT A PROSPECTIVE INSURED HAS REVIEWED THIS INFORMATION CIRCULAR AND THE EXHIBITS HERETO, INCLUDING THE ARTICLES OF INCORPORATION AND BYLAWS; AND SHALL EVIDENCE THE AGREEMENT OF THE PROSPECTIVE INSURED TO BE BOUND BY THE TERMS AND CONDITIONS FOR THE NDM RRG INSURANCE PROGRAM ESTABLISHED BY THESE DOCUMENTS.

NOTICE TO BROKERS AND AGENTS:

EACH POTENTIAL INSURED CONTACTED REGARDING PARTICIPATION IN THE NDM RRG PROGRAM MUST RECEIVE A COPY OF THE NDM RRG INFORMATION CIRCULAR. THE RISK RETENTION ACT SPECIFICALLY STATES THAT OWNERSHIP INTERESTS IN A RISK RETENTION GROUP ARE SECURITIES FOR THE PURPOSE OF THE ANTIFRAUD PROVISIONS OF SECTION 17 OF THE SECURITIES ACT OF 1933 AND SECTION 10 OF THE SECURITIES EXCHANGE ACT OF 1934. THE POTENTIAL FOR LIABILITY UNDER THESE ANTI-FRAUD PROVISIONS FOR ALL CONCERNED MANDATES THAT NO POTENTIAL INSURED SHOULD BE GIVEN AN APPLICATION FOR INSURANCE UNLESS PRECEDED OR ACCOMPANIED BY A COPY OF THE INFORMATION CIRCULAR.

NEVADA DOCS MEDICAL RISK RETENTION GROUP, INC.

# INFORMATION CIRCULAR

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**NEVADA DOCS MEDICAL RISK RETENTION GROUP, INC.**  
**(also referred to as “NDM RRG” or “Company”)**

**SUMMARY**

The summary of certain information is intended for convenience of reference only and is qualified in its entirety by reference to the more detailed information set forth herein and in the Attachments herein. Each prospective investor/insured should review all such materials in their entirety.

The Company

Nevada Docs Medical Risk Retention Group, Inc. (“NDM RRG” or the “Company”), is an insurance company organized under the laws of Nevada which operates as a risk retention group under the Liability Risk Retention Act of 1981, as amended by the Risk Retention Act Amendments of 1986 (“the Risk Retention Act”). The Company provides Medical Professional Liability insurance and related coverage, to health care providers or other person or entities with an insurable interest in such entities that are engaged in providing non-surgical health services, who are licensed by a relevant Medical or Osteopathic Medical Board and are admitted members of the Nevada Docs Support Association.

Only individual entities that purchase stock in NDM RRG and meet NDM RRG’s underwriting and loss control standards may purchase insurance from the Company. NDM RRG’s Articles of Incorporation are contained herein as Attachment A and the Company’s Bylaws are contained herein as Attachment B. NDM RRG will operate pursuant to a Certificate of Authority hereto issued by the Nevada Insurance Commissioner contained herein as Attachment C.

Management and Support Services

NDM RRG is managed by its Board of Directors, which is composed of at least three and no more than five directors, and its officers, all of whom are elected as provided for in the Company’s Bylaws. The Bylaws require that a Nevada resident Director be included on the Board.

NDM RRG does not have any regular employees, but rather it contracts with independent service providers to obtain all necessary services.

Captive management services including financial reporting, regulatory compliance, and related home office services for the Company is provided by Risk Services-Nevada, Inc. a member of the Risk Services group of companies, providing management services to captives in domiciles both in the United States and offshore.

S&C Claims Services Inc., a regional Third Party Administrator provides policyholder services including claims handling, adjustment & claims payments.

The independent actuarial services are being provided by Milliman, Inc.

Nevada Docs Care, LLC provides underwriting, policyholder services, risk management and loss control services.

Nevada Docs Agency provides marketing and promotional services.

Shores, Tagman, Butler and Company, an experienced firm providing audit and taxation advisory services for the alternative insurance market, is the Company's auditor.

### Insurance Policy

NDM RRG writes Medical Professional Liability insurance on a claims-made policy form, with limits of \$1,000,000 per occurrence and \$3,000,000 in annual aggregate. As required per the Federal Product Liability Risk Retention Act of 1981, as amended by the Risk Retention Amendments of 1986, and the Nevada Division of Insurance, all policies used by NDM RRG will display the following on the declarations page and the first page of the policy:

#### 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.

Premium rates have been developed by Milliman, Inc., and are anticipated to be sufficient to cover cost of operations, losses and loss adjustment expenses and include a contingency margin to protect the Company against unanticipated claims or other expenses.

Limits offered by the Company in excess of those stated above will be subject to reinsurance availability. See Risk Factors - Availability of Reinsurance, page 5.

NDM RRG offers insurance on a claims made policy form (see attachment F). Each participant is underwritten on its own merits; therefore there may be some additional endorsements and or exclusions addressing any unique exposures related to that participant's operations.

Premium rates are variable for each insured and are underwritten based on a number of factors including, but not limited to nature of the insured's medical practice, loss history, and self insured retention.

### Stock

NDM RRG's authorized common stock consists of 1,000,000 shares, One Dollar (\$1.00) par value (the "Stock"). Prospective insureds are required to purchase Stock having an aggregate Subscription Price equal to 50% of participant's insurance premium payable before coverage is bound. The insurance premium is defined as the premium attributable to the first \$1,000,000 of Professional Medical Liability coverage.

Shares were sold at \$1.00 per share to those members who placed funds on deposit in an escrow account in advance of State of Nevada approval of the State of Nevada Application for Admission, \$2.50 per share if purchased within 30 days after NDM RRG issues its first policy and thereafter through December 31, 2008 the greater of \$5.00 per share or book value of the Company. After December 31, 2008 the share price is the greater of \$7.00 per share or book value of the Company.

Since July 5, 2007, new shareholders have been permitted to make the required capital contribution in three installments, with 16.5% of the total required capital contribution to be paid by new

insured prior to the issuance of shareholder's first insurance policy by Company; 33.5% of the total required capital contribution payable by insured prior to the issuance of the first renewal of insured's insurance policy by Company; and the remaining 50% of the total required capital contribution payable by insured prior to the issuance of the second renewal of insured's policy by Company. Insureds seeking to finance their capital contribution in this fashion shall be obligated to execute a promissory note to Company securing the final two installment payments with said promissory note requiring the insured shareholder to pay interest to the Company at a rate of 0.5% below prime for the unpaid balance; to be paid annually with the insured's next installment payment of capital contribution due. Subject to the approval of the Company's Board, the price per share may be modified by the Company prospectively between installment payments made by new shareholders, although the total capital contributions initially required by Company from new shareholders shall remain the same.

NDM RRG Stock or any interest therein may not be transferred, pledged or otherwise encumbered. There will be no market for the shares and stockholders who cease to be insured by NDM RRG for any reason whatsoever will be required to sell their shares to NDM RRG in accordance with the requirements for Transfer of Shares as set forth in 5.09 and 5.10 of the Bylaws. Under certain circumstances there is a possibility that no compensation will be paid for Stock repurchased by NDM RRG.

#### Application for Insurance

Each prospective insured is required to submit a completed copy of the Application for Insurance which shall be provided to the potential subscriber along with historical loss runs (preferably at least six years), financial statements, brochures, and any other general information about the firm relevant to NDM RRG and its underwriters. If the risks are deemed suitable for NDM RRG, the Company will communicate to the applicant the premium required to purchase a twelve (12) month policy insuring the risks accepted for coverage. This annual premium figure becomes the basis for determining the number of shares of Stock that the applicant will be required to purchase. If the risks are not deemed suitable for insurance by NDM RRG, the applicant will be so informed.

#### Subscription and Shareholder Agreement

Each prospective insured must also execute and submit, along with its Application for Insurance, the Subscription and Shareholder Agreement contained herein as Attachment D.

#### Financial Projections

A feasibility study and pro-forma financial statements were provided to the State of Nevada by the Company as part of its application. The projected financial statements filed with the State are not a guaranty of future results. The financial structure of the Company may change substantially from that underlying the feasibility study.

#### Risk Factors

Purchase of insurance and Stock involves certain risks. Before submitting an Application for Insurance and Subscription and Shareholder Agreement, purchasing Stock, or paying the insurance premium, each prospective insured should review this Information Circular and the Attachments contained herein in their entirety.

## RISK FACTORS

Ownership of stock in NDM RRG may involve a high degree of risk. The total resources of NDMRRG will depend on the Capital and Surplus obtained from the stockholders and the premiums paid to the Company by such stockholders as insureds. Potential purchasers of the Company's stock should consider the following factors since they may have a material impact upon the long-term prospects of the Company:

#### Limited Operating History

NDM RRG began operations in 2006. It relies largely on outside advisors for management of day-to-day operations.

#### Limited Experience of the Board of Directors

The management of the Company ultimately rests with its Board of Directors, which may consist, in the main, of individuals who have limited experience in the operations of an insurance company. One of NDMRRG's board members is a representative of NDMRRG's Captive Manager as described in our Bylaws. The Captive Manager has many years of experience in the operations of an insurance company. James G. Marx, M.D., President of NDM RRG, has been involved in day to day operations since day one, becoming more experienced every year. Moreover, NDM RRG does not have, and presently is not expected to employ, any officers or employees who are experienced in managing an insurance company.

Rather, NDMRRG relies on the services of experienced consultants who will provide their advisory services as independent contractors.

#### Limited Predictability of Loss Experience

NDM RRG has been established to help provide a long-term solution to the cyclical "liability crisis" faced by its members. As a privately owned insurance company, NDM RRG only has available to it the limited financial resources that are contributed by participants in the program, or that are earned by the Company. NDM RRG does have reinsurance, which enables the company to expand its capacity and limits its risk. As with any such insurance company, the possibility exists that there will be insufficient financial resources, together with reinsurance, to cover all the claims that may be made. In the event that there are a number of large claims, it is possible NDM RRG will be unable to pay all claims made under its policies and the participants may lose their capital contributions.

#### Dividend Policy

The Company expects to retain profits, if any, to augment surplus, reduce premiums, and increase coverage's. At least for the foreseeable future, the Company does not expect to provide any cash return to its shareholders, to pay dividends, or to make other distributions to holders of its stock.

The payment and amount of any such dividends, cash return, or other distribution are subject to the discretion of the Board of Directors, the prior approval of the Nevada Division of Insurance, Section 7.02 of the NDM RRG Bylaws, and the legality of such payments under the laws of Nevada.

#### Lack of Liquidity

The shares are transferable only in limited circumstances, and NDM RRG stock may be owned only by insureds. Accordingly, no public or any other market will develop for NDM RRG stock. Prospective purchasers must assume that they will bear the economic risk of an investment in the Company stock for an indefinite period of time.

Upon termination of its insurance coverage with the Company, a stockholder's shares shall be subject to repurchase by the Company in accordance with the terms and conditions contained in Section 5.10 of NDM RRG's Bylaws and Section 6.01 of the Subscription and Shareholder Agreement. There is a possibility that no compensation will be paid for stock repurchased by NDM RRG.

#### Investments

As a captive insurance company, NDM RRG is not subject to the restrictions on allowable investments which apply to certain other insurance companies under Nevada Law. Its investment policy and strategy are developed by the Board of Directors with advice from one or more investment advisors. It is expected that investment guidelines will stress diversification of risks, conservation of principal, and liquidity.

#### Availability of Additional Capital

Although it is anticipated that the net proceeds from this offering, together with premiums, interest, and other income, will be sufficient to cover the liabilities of NDM RRG, there can be no assurance that additional funds will not be required. Should NDM RRG need additional funds, there can be no assurance that such additional funds will be available or that they will be available on acceptable terms.

NDM RRG is not assessable, meaning that its shareholders are under no obligation to NDM RRG to infuse additional capital into the Company. However, it is possible in the event the Company experiences adverse underwriting results that NDM RRG may seek additional capital from its shareholders. Should the shareholders of NDM RRG refuse to provide additional capital contributions to Company, there may be insufficient funds to pay claims, and policyholders of the Company would be responsible for their own indemnification and defense of claims against them, and would not be able to access state guaranty funds which are not available to risk retention groups, under applicable federal and state law.

#### Availability of Insurance to Shareholders; Premium Stability; Policy Renewal and Stock Repurchase

There can be no assurance that NDM RRG will offer to insure a risk for which an insurance application has been submitted, or that, if coverage is written, the policy will be renewed or not canceled. Each member whose application is approved will receive a quotation letter stating the premium for the first year of coverage. There can be no assurance that premiums will be consistent from year to year. Future premiums are dependent, in part, on claims experience and the financial performance of NDM RRG, as well as available reinsurance. Under certain limited circumstances, NDM RRG may accept reinsurance cessions from primary insurance carriers on insurance policies covering NDM RRG members for Professional Medical Liability insurance.

NDM RRG is under no obligation to continue to provide insurance to any stockholder of NDM RRG based on such stockholder's ownership of Stock. Stockholders of the Company who are determined in the future to be unacceptable underwriting risks due to claims and loss experience, financial condition or other factors, may not continue to receive insurance from NDM RRG, and will become subject to the Company's right to repurchase Stocks provided in the Subscription and Shareholder Agreement.

#### Availability of Reinsurance

The Company is reinsured to enable it to expand its capacity and limit its risks. Reinsurance is

provided by certain Lloyd's of London's syndicates and/or domestic carriers rated A- or better by AM Best and acceptable to the Nevada Department of Insurance. Reinsurance is on a claims made basis for the layer of \$750,000 excess of \$250,000 per claim. The coverage provided by the reinsurance participants is limited to 200% of annual reinsurance premiums paid, and NDM RRG retains as a reinsurance deductible, excess claims in the reinsurance layer up to 20% of their written premium, before the reinsurance coverage attaches.

The possible unavailability of reinsurance in the future will affect the policy limits and coverage that NDM RRG can offer. Also, there can be no assurance that such reinsurance will be available now or in the future, or if available, that the terms will be acceptable to NDM RRG.

#### Changes in Law

The operation of NDM RRG will be affected by changes in applicable law, whether statutory or otherwise. There can be no assurances that the Risk Retention Act will not be amended in the future.

#### Projected Financial Statements Filed With State Are Not a Guaranty of Future Results

Projections as to the future performance of the Company, including the pro-forma financial statements filed with the State of Nevada, are based upon assumptions that may not correspond with actual experience. Moreover, the financial structure of the Company may change substantially from that underlying the feasibility study. Certain of these assumptions, including assumptions about loss experience and the return on the invested assets, are based on factors with a history of volatility. To the extent that the assumptions made regarding these factors are more optimistic than actual experience, the Company could be less profitable than projected.

#### Unavailability of State Insolvency Guaranty Funds

Under the Risk Retention Act, states may neither require nor permit a risk retention group to participate in an insurance insolvency guaranty association. Accordingly, the benefits of the funds of such an association will not be available to the insureds of NDM RRG in the event of its insolvency.

## LIABILITY RISK RETENTION ACT OF 1986

The Risk Retention Act amends and significantly expands the scope and coverage of legislation originally enacted by Congress in 1981 to deal with the high cost of product liability insurance. It is intended to encourage alternatives to the traditional liability insurance markets. Significant obstacles to many such alternatives presented by state insurance laws and regulations and state and certain federal securities law requirements are removed by the Risk Retention Act, thus facilitating the formation of risk retention groups.

A risk retention group, formed under the Risk Retention Act, is a state chartered and licensed liability insurance company organized for the primary purpose of assuming and spreading the liability exposures of its group members. In order for NDM RRG to meet the requirements of the Risk Retention Act, (i) each insured must be a stockholder of the Company, (ii) each stockholder must purchase insurance from the Company, and (iii) all insureds must, through their businesses or activities, be exposed to similar or related liability exposures. As a risk retention group, the

Company will benefit from the Risk Retention Act's provisions limiting insurance regulation by states other than its state of domicile and provisions granting exemptions from regulation under state and certain federal securities laws.

Pursuant to the provisions of the Risk Retention Act, the Company will be exempt from the insurance regulatory jurisdiction of states other than Nevada to the extent that the laws, rules, regulations or orders of such states would make unlawful, or regulate, directly or indirectly, the operations of the Company. Thus, the Company will not be required to be admitted as an insurer in a particular state in order to issue insurance on sites or to insureds within the state.

However, risk retention groups are subject to certain requirements of state regulation. A risk retention group must provide the insurance commissioner in each state where it is doing business with a plan of operation or feasibility study, which includes coverage, deductibles, limits, rates and rating classification systems. A state insurance commissioner is permitted to require NDM RRG to submit to a financial examination in the unlikely event that the Nevada Insurance Department has not examined or refuses to examine the Company, but such examinations must be coordinated to avoid unnecessary duplication. Similarly, the Company must comply with a lawful order of a state insurance commissioner in a state delinquency proceeding where financial impairment of the Company has been shown or such an order in a voluntary dissolution proceeding or an injunction issued by a court of competent jurisdiction upon a petition by a state insurance commissioner alleging financial impairment or hazardous financial condition.

Risk retention groups may be required to comply with other types of state regulation such as unfair claims practice laws and laws regarding deceptive, false or fraudulent acts or practices. In addition, they may also be required to comply with nondiscriminatory regulations such as the payment of premium taxes levied on all insurers, brokers or policyholders or to participate in state mechanisms, such as assigned risk pools, for the equitable apportionment among insurers of liability insurance losses and expenses incurred on policies written through such mechanisms. Risk retention groups may also be required to appoint state insurance commissioners as their agents for service of process in that state. However, under the Risk Retention Act, neither Nevada nor any other state may require or permit a risk retention group to participate in any insurance insolvency guaranty association, or require any insurance policy issued to a participant to be counter-signed by an insurance agent or broker residing in the state.

The Risk Retention Act and the Nevada Division of Insurance require the following notice to appear on the Policy in ten point type:

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.

The Risk Retention Act confers broad exemptions from federal and state securities laws on the ownership interests in risk retention groups. Under the Risk Retention Act, shares of NDM RRG stock are considered to be exempt securities for purposes of the registration provisions of section 5 of the Securities Act of 1933 (the "1933 Act") and exempt securities for purposes of any state securities laws. In addition, a risk retention group is not considered to be an investment company for purposes of the Investment Company Act of 1940. However, the Risk Retention Act expressly provides that the ownership interests in a risk retention group shall be considered securities for

purposes of the anti-fraud provisions of Section 17 of the 1933 Act and Section 10 of the 1934 Act.

## NEVADA DOCS MEDICAL RISK RETENTION GROUP, INC.

In recent years physicians and health care providers have faced an unstable liability insurance marketplace, with many physicians and health care providers unable to purchase coverage at reasonable rates. Others have obtained coverage, but with substantial restrictions and at significant premium increases.

Entities affected by this unstable marketplace are often too small to viably self-insure, and, prior to the passage of the Risk Retention Act, state regulations often eliminated other pooling options. NDM RRG has been formed to stabilize its members' insurance programs and make coverage available at competitive rates for its medical industry members.

### Organization

NDM RRG has been organized as a captive insurance company under Chapter 694C, Nevada Revised Statutes, and will operate as a Risk Retention Group under the Federal Liability Risk Retention Act of 1981, as amended, 15 U.S.C. Section 3901 et seq. A copy of the Company's Articles of Incorporation is contained herein as Attachment A. A copy of the Company's Bylaws is contained herein as Attachment B.

### Ownership

As required by the Risk Retention Act, NDM RRG is owned by eligible individuals or entities that purchase insurance from the Company. To be eligible to purchase stock and be Insured by NDM RRG, a prospective insured must (1) meet NDM RRG's underwriting and loss control standards; (2) be engaged in activities related to the provision of health care services; (3) have professional medical liability risks as a result of such activities; and, (4) be a member of the Nevada Docs Support Association.

### Management and Support Services

#### Directors and Officers

NDM RRG's Bylaws provide that the Board of Directors be composed of not less than three (3), nor more than five (5) directors. The Board shall include a Nevada resident Director as required by Nevada's captive insurance laws. There are presently five directors whose names and addresses are set forth in Attachment E. Subsequently, directors will be elected annually by the stockholders at their annual meeting. The Board of Directors will manage the affairs of NDM RRG, and may, in its discretion, designate an Executive Committee, and other committees from members of the whole Board.

The officers of the Company shall be elected by the Board of Directors and shall consist of a President, Vice President(s), Secretary, and Treasurer, with other officers as the Board sees fit.

As some of the Directors and Officers may have no prior experience managing a captive insurance company, they will not be engaged in NDM RRG's management on a full time basis. NDM RRG does not anticipate having any regular employees, but will contract with independent service providers to obtain all necessary services.

### Claims Administration

S&C Claims Services, Inc. (S&C) is NDM RRG's third party administrator (TPA) for claims administration. S&C is licensed as a TPA to provide both insured and self-insured claims administration.

### Captive Manager

The Company's Captive Manager, Risk Services-Nevada, Inc., provides professional management services on behalf of the Company pursuant to a Management Agreement entered into between the Company and the Manager. The Board of Directors has fixed the terms of compensation of the Manager under a written agreement.

The services performed for the Company by the Manager include, among other things, the following: banking arrangements, maintenance of books and records, preparation of financial statements, compliance with the laws and regulations of Nevada and assisting the Company's designated counsel with any multi-state regulatory compliance functions not preempted by the Risk Retention Act.

### Reinsurance Intermediary

Guy Carpenter & Company, LLC shall act as reinsurance intermediary for NDM RRG.

### Bank

The Company's bank will be either a Nevada chartered bank or a bank that is a member of the United States Federal Reserve System which has been approved by the Nevada Commissioner of Insurance.

### Underwriting and Risk Management

Nevada Docs Care, LLC provides underwriting services, which includes an onsite assessment of all prospective insureds. Applications for prospective insureds meeting the underwriting guidelines of NDM RRG and who passed the underwriting assessment by Nevada Docs Care, LLC become eligible insureds.

### Policyholder Services

Effective March 1, 2011 policyholder services were taken in-house. Prior to March 1, 2011, Physicians Insurance Company, a subsidiary of Managed Insurance Services, Inc., was responsible for policy issuance, certificates of insurance, and premium reporting.

### Audit and Tax Services

Shores, Tagman, Butler & Company, CPA acts as the independent Certified Public Accountant for NDM RRG, providing audit and federal tax services.

### Actuary

The Company's actuary is Milliman, Inc. who provides annual an actuarial analysis of the Company's reserves. Additional services include recommendations on the premium rates to be charged and recommend changes in premium rates.

## INSURANCE POLICIES

NDM RRG writes Medical Professional Liability insurance on a claims-made policy form, with limits of \$1,000,000 per occurrence and \$3,000,000 in annual aggregate. As required per the Federal Product Liability Risk Retention Act of 1981, as amended by the Risk Retention Amendments of 1986, and by the Nevada Division of Insurance, all policies used by NDM RRG display the following on the declarations page and the first page of the policy:

### 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.

All members of NDM RRG are required to join the Nevada Docs Support Association, which was formed to provide education related to risk management and loss control for NDM RRG members. NDM RRG has the sole right to investigate incidents and to settle claims/up to policy limits but will consult with insureds with respect to settlement.

### Premium Rates

For each applicant, there will be an individual detailed review of the information provided in the insurance application, the nature and scope of the prospective insured's operations and premises, and other specific risk factors relevant in the judgment of NDM RRG and its underwriters.

Premium rates have been developed by Milliman, Inc. and are anticipated to be sufficient to cover cost of operations, losses and loss adjustment expenses and include a contingency margin to protect the Company against unanticipated claims or other expenses. It is anticipated that the premiums charged will result in underwriting profits that will increase capital and surplus.

Premium rates will be variable for each insured, and will be underwritten based on medical specialty, region of practice, claims history, deductibles/self insured retentions, and other factors.

### Availability of Reinsurance

The Company is reinsured to enable it to expand its capacity and limit its risks. Reinsurance is provided by certain Lloyd's of London's syndicates and/or domestic carriers rated A – or better by AM Best and acceptable to the Nevada Department of Insurance. Reinsurance is on a claims made basis for the layer of \$750,000 excess of \$250,000 per claim. The coverage provided by the reinsurance participants is limited based on excess losses and annual reinsurance premiums.

The possible unavailability of reinsurance in the future will affect the policy limits and coverage that NDM RRG can offer. Also, there can be no assurance that such reinsurance will be available now or in the future, or if available, that the terms will be acceptable to NDM RRG.

### Application for Insurance

Each prospective insured is required to submit a completed copy of an Application for Insurance which shall be provided to the potential subscriber along with historical loss runs (preferably at least six years), financial statements, and any general information about the firm relevant to NDM RRG and its underwriters.

The insurance application must be signed by an authorized officer or principal of the applicant and should be sent to:

Nevada Docs Agency  
608 South Jones Boulevard  
Las Vegas, Nevada 89107  
Phone 702-215-4894

## THE STOCK

### Distribution

NDM RRG authorized common stock consists of 1,000,000 shares, one dollar (\$1.00) per value (the "Stock"). Prospective insureds will be required to purchase stock having an aggregate subscription price equal to 50% of participant's first year insurance (defined as the premium attributable to the first \$1,000,000 of Professional Medical Liability coverage), payable when coverage is bound by the Company.

Shares will be sold for \$1.00 per share to those members who place funds on deposit in an escrow account in advance of NDM RRG licensing by the Nevada Department of Insurance, \$2.50 per share to those members who purchase stock within thirty days after NDM RRG issues its first insurance policy, and thereafter through December 31, 2008 the purchase price for share shall be the greater of \$5.00 per share or book value of the Company. After December 31, 2008, the purchase price shall be the greater of \$7.00 per share or book value of the Company.

After July 5, 2007, new shareholders will be permitted to make the required capital contribution in three installments, with 16.5% of the total required capital contribution to be paid by new insured prior to the issuance of shareholder's first insurance policy by Company; 33.5% of the total required capital contribution payable by insured prior to the issuance of the first renewal of insured's insurance policy by Company; and the remaining 50% of the total required capital contribution payable by insured prior to the issuance of the second renewal of insured's policy by Company. Insureds seeking to finance their capital contribution in this fashion shall be obligated to execute a promissory note to Company securing the final two installment payments with said promissory note requiring the insured shareholder to pay interest to the Company at a rate of 0.5% below prime for the unpaid balance; to be paid annually with the insured's next installment payment of capital contribution due. Subject to the approval of the Company's Board, the price per share may be modified by the Company prospectively between installment payments made by new shareholders, although the total capital contributions initially required by Company from new shareholders shall remain the same.

After December 1, 2009 a shareholder, in lieu of the above may make an unredeemable/non transferable contribution to Corporation in the amount of \$500.00 (five hundred dollars). Within two years of making this election, such shareholders may further elect to make a full capital

contribution pursuant to the terms described above and subject to the terms of the Corporation's Shareholder Subscription Agreement, with rights of share redemption, if any, held by shareholders making a full capital contribution.

NDM RRG may authorize the sale of additional shares to Company insureds seeking to purchase shares in excess of their required capital contribution at the book value of the Company and defined in the subscription and Shareholder Agreement.

Consideration for the stock must be paid in cash or by a letter of credit acceptable to Company before insurance coverage will be provided.

#### Subscription and Shareholder Agreement

A prospective insured wishing to purchase Stock and insurance on the terms stated in this Information Circular must also complete and submit a copy of the Subscription and Shareholder Agreement contained herein as Attachment D. An applicant's obligation to purchase and NDM RRG's obligation to sell shares of NDM RRG's Stock under the Subscription and Shareholder Agreement are subject to the condition that NDM RRG and each applicant have agreed to all material terms and conditions of the insurance to be provided, including, without limitation, premiums, retentions, exclusions and per occurrence and aggregate liability coverage.

#### Purchaser Suitability

The Stock is being offered and sold under an exemption from the registration provisions of federal and state securities laws provided by the Risk Retention Act. Such Stock or any interest therein is not transferable, may not be pledged or encumbered, nor will it trade in any market. In light of the fact that an investment in Stock is not liquid, each potential participant should assure itself that it has no need for liquidity in the investment represented by its purchase of the NDM RRG Stock, and that its investment in the Stock is not disproportionate to its net worth.

Each applicant should also assure itself that it has been furnished with and has reviewed carefully this Information Circular (including the Attachments) and in evaluating the suitability of an investment in NDM RRG, the applicant has not relied upon any representations or information (whether oral or written) other than as set forth herein and in the attached Attachments or in answers furnished in writing by the NDM RRG to questions posed by the applicant.

NDM RRG shall be the sole judge of whether a potential participant meets the qualifications set forth above. In addition, NDM RRG or its agents will review each prospective insured's Application for Insurance, technical evaluation, and loss control report to determine whether NDM RRG desires to provide insurance coverage for the applicant's liability risks, and will offer insurance to applicants only upon completion of such review to its satisfaction. NDM RRG reserves the absolute right to reject any Application for Insurance.

#### Stock Purchase Required for Insurance Coverage

Each prospective insured must purchase Stock before it may purchase insurance from NDM RRG. NDM RRG will issue a letter to each prospective insured stating the number of shares of Stock it will be required to purchase, based on the amount of the insured's first year premium.

#### Voting Rights

All NDM RRG stockholders are entitled to one vote per share held by the member on matters

submitted to stockholders as provided in Section 1.08 of NDM RRG's Bylaws.

#### Liquidation Rights

Upon liquidation, dissolution or winding up of NDM RRG, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of NDM RRG, the holders of shares of Stock will be entitled to share pro rata in the remaining assets of NDM RRG.

#### Restrictions on Transfer

The Stock, or any interest therein, may not be transferred, pledged or otherwise encumbered. The Stock will be subject to repurchase by NDM RRG as described in Sections 6.01 of the Subscription and Shareholder Agreement and 5.09 of the Company's Bylaws, should the shareholder no longer be an insured of the Company.

#### Repurchase of Shares

In order to protect its status as a risk retention group under the Risk Retention Act, NDM RRG will require a stockholder who ceases to be an insured, for any reason, to sell all of its Stock back to NDM RRG. Stockholders holding shares for less than five years and/or making a capital contribution of \$500.00 (five hundred dollars) or less shall receive no compensation for redeemed shares. Prices paid by Company for redeemed shares, governed by Section 5.09 of the Company's Bylaws, may be less than the purchase price of the shares, and subject to approval by the Nevada Department of Insurance before compensation can be paid.

#### Dividends

Although the Board of Directors may declare dividends on its stock, the Company, at least for the foreseeable future, expects to retain profits, if any, to augment surplus, reduce premiums, and increase coverage. Since the transfer of shares is restricted and a stockholder who ceases to be insured is obligated to sell its Stock back to NDM RRG subject to the terms set forth in the Bylaws for Repurchase of Stock, a stockholder, in the absence of dividends declared by the Company, will be able to recover a direct return on its investment only in the unlikely event the Company ceases to be a risk retention group and the Stock becomes freely transferable, or if NDM RRG is liquidated at a time when its assets exceed its liabilities. Subject to the provisions of Section 7.02 of the Bylaws and the prior approval of the Nevada Department of Insurance, the Board of Directors may determine the dividends, if any, to be paid to shareholders and such shareholders as may be entitled to receive such dividends.

### CERTAIN TAX CONSIDERATIONS

Prospective insureds and stockholders should consult with their tax advisors regarding tax considerations that may be relevant to the purchase or repurchase of NDM RRG Stock or the payment of insurance premiums to NDM RRG.

NDM RRG anticipates that it will be treated as an insurance company under the Internal Revenue Code. NDM RRG does not plan, however, to seek an advance ruling from the Internal Revenue Service to this effect, and can not guarantee this result. Assuming that NDM RRG is deemed to have adequate risk shifting and risk distribution, payment of premiums by insureds should be deductible as business expense.

The foregoing description is not intended to be a complete statement of the tax consequences of an investment in or payment of premiums to NDM RRG, nor does it address state or local income tax issues arising with respect to an investment in or the payment of premiums to NDM RRG. Each prospective purchaser of Stock should consult its own advisor as to the tax consequences of the purchase or repurchase of Stock and its payment of premiums to NDM RRG.

## REGULATION

### Nevada Insurance Regulation

As a captive insurance company organized under the Nevada Captive Insurance Laws, NDM RRG is subject to regulation and supervision by the Division of Insurance of the State of Nevada (the "Division"). The Division has broad administrative powers relating to the granting and revocation of licenses to transact business, the form and content of mandatory financial statements, reserve requirements, advertising, and the types and quality of investments which may be made. NDM RRG will be required to file annual reports with the Division in a form approved by the Division, NDM RRG will also have to file annual financial statements, which must contain an opinion of a certified public accountant, a report of evaluation of internal controls, a management comment letter and a certification of loss reserves and loss expense reserves. The Division has broad authority to examine the books and records of NDM RRG, and is required to perform an examination once every three years.

### Other Regulation

As discussed above, NDM RRG operates as a risk retention group pursuant to the Risk Retention Act and will be subject to certain limited regulations in states other than Nevada.