SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 16, 1999 (June 24, 1999)

ATLANTIC AMERICAN CORPORATION
(Exact name of registrant as specified in its charter)

Georgia	0-3722	58-1027114
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

4370 PEACHTREE ROAD, N.E., ATLANTA, GEORGIA 30319 (Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (404) 266-5500

None
(Former name, former address and former fiscal year, if changed since last report)

Item 2. Acquisition or Disposition of Assets

On July 1,1999, Atlantic American Corporation ("the Company") acquired 100% of the outstanding stock of Association Casualty Insurance Company ("ACIC") and Association Risk Management General Agency, Inc. ("ARMGA", and collectively with ACIC, the "Acquired Companies"). The Acquired Companies were acquired for a combination of cash and common stock of the Company totaling $32.5 million. The cost of the acquisition in millions is summarized as follows:

	Cash Consideration	Common Stock of Company	Total Consideration Consideration
ACIC	$15.6	$5.5	$21.1
ARMGA	8.4	$3.0	$11.4
Total	$24.0	$8.5	$32.5

ACIC is a Texas domiciled insurance company that specializes in underwriting workers' compensation insurance in the state of Texas. ARMGA is a Texas

domiciled general agency. The cash used to finance the transaction was obtained from the proceeds of issuing $25.0 million of Variable Rate Demand Bonds and a new $30.0 million revolving credit facility with Wachovia Bank, N.A., each is decribed below.

Item 5. Other Events

On June 24, 1999 the Company issued $25.0 million in Taxable Variable Rate Demand Bonds, Series 1999. The proceeds from this issuance were used to retire $25.0 million of the $26.0 million outstanding on the Company's existing term loan. The bonds are rated AA/A-1+ by Standard & Poor's and will mature July 1, 2009. The interest rate on the bonds is variable and approximates 30-day LIBOR. The bonds are backed by a letter of credit issued by Wachovia Bank, N.A. The cost of the letter of credit and its associated fees will be 180 basis points.

On July 1, 1999 the Company entered into a $30.0 million revolving credit facility with Wachovia Bank, N.A. The facility allows the Company to draw up to $30.0 million for the acquisition of ACIC and ARMGA as well as for other corporate needs. Immediately upon closing the facility the Company borrowed $20.0 million on the facility to fund a portion of the acquisition of ACIC and ARMGA, see Item 2 above. The interest rate on the facility is 30-day LIBOR plus 200 basis points.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

Financial Statements of Business Acquired.

It is impracticable to provide the required financial statements for the acquired business at the date of filing of this Form 8-K. Such financial statements will be filed by admendmet as soon as practicable, but no later than 60-days following the date this Form 8-K is required to be filed.

Pro Forma Financial Information.

It is impracticable to provide the required pro forma financial information for the acquired business at the date of filing of this form 8-K. Such pro forma financial information will be filed as soon as practicable, but no later than 60-days following the date this Form 8-K is required to be filed.

Exhibits

(2.1) Acquisition Agreement by and among Atlantic American Corporation, and Association Casualty Insurance Corporation, Association Risk Management General Agency, Inc., and Harold K. Fischer, dated as of April 21, 1999.

(10.1) Indenture of Trust, dated as of June 24, 1999, by and between Atlantic American Corporation and The Bank of New York, as Trustee.

(10.2) Reimbursement and Security Agreement, dated as of June 24, 1999, between Atlantic American Corporation and Wachovia Bank of Georgia, NA.

(10.3) Revolving Credit Facility, dated as of July 1, 1999 between Atlantic American Corporation and Wachovia Bank of Georgia, N.A.

(99.1) Press Release dated June 24, 1999

(99.2) Press Release dated July 6, 1999

SIGNATURE
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Pursuant to the requirements of the Security Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ATLANTIC AMERICAN CORPORATION
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(Registrant)

Date: July ____, 1999

By: _____/s/_____
Edward L. Rand, Jr.
Vice President-Treasurer
(Principal Financial Officer)

ACQUISITION AGREEMENT

THIS ACQUISITION AGREEMENT, made this 21st day of April, 1999, by and among ATLANTIC AMERICAN CORPORATION, a Georgia corporation ("Atlantic"), ASSOCIATION CASUALTY INSURANCE COMPANY, a Texas corporation ("ACIC"), and ASSOCIATION RISK MANAGEMENT GENERAL AGENCY, INC. ("ARMGA"), a Texas corporation (ACIC and ARMGA hereinafter collectively referred to as the "Acquired Companies") and HAROLD K. FISCHER, the sole shareholder of ARMGA (the "Sole Shareholder").

W I T N E S S E T H:

WHEREAS, the parties hereto desire to enter into this Acquisition Agreement pursuant to which, subject to any required Texas Department of Insurance approvals, there will be a statutory share exchange under Article 5.02 of the Texas Business Corporation Act (hereinafter referred to as the "TBCA") of all of the issued and outstanding shares of capital stock of ACIC, immediately followed by the purchase of all of the issued and outstanding shares of capital stock of ARMGA from the Sole Shareholder by ACIC, with the exchange and the purchase to be completed each in accordance with the terms and subject to the conditions set forth herein; and

WHEREAS, upon the effective date of the share exchange, all of the shares of common stock of ACIC issued and outstanding immediately prior thereto will be exchanged for shares of common stock of Atlantic and certain cash consideration as described below;

NOW, THEREFORE, for and in consideration of the premises and the mutual promises, agreements, representations, warranties and covenants hereinafter set forth, and the sum of ten dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby specifically agreed to and acknowledged, the parties hereto agree as follows:

1. DEFINITIONS.

As used herein, the following terms shall have the following meanings unless the context otherwise requires:

1.1 "ACIC" shall mean Association Casualty Insurance Company, a Texas corporation.

1.2 "ACIC Cash Consideration" shall have the meaning set forth in Section 2.1.3.2.

1.3 "ACIC Option Shares" shall have the meaning as set forth in Section 2.1.3.1.

1.4 "ACIC Stock Consideration" shall have the meaning set forth in 2.1.3.2.

1.5 "Acquired Companies" shall mean ACIC and ARMGA, each of which may be individually referred to as an "Acquired Company."

1.6 "Acquired Companies Software" shall have the meaning set forth in Section 3.15.2.

1.7 "Acquisition Proposal" shall have the meaning set forth in Article X.

1.8 "Agreement" shall mean this Acquisition Agreement.

1.9 "Antitrust Division" shall mean the Antitrust Division of the United States Department of Justice.

1.10 "ARMGA" shall mean Association Risk Management General Agency, Inc., a Texas corporation.

1.11 "ARMGA Cash Consideration" shall have the meaning set forth in Section 2.1.5.

1.12 "ARMGA Purchase Price" shall have the meaning set forth in Section 2.1.5.

1.13 "ARMGA Stock Consideration" shall have the meaning set forth in Section 2.1.5.

1.14 "Association" shall mean the American Arbitration Association.

1.15 "Atlantic" shall mean Atlantic American Corporation, a Georgia corporation.

1.16 "Atlantic American Stock" shall mean the common stock, $1.00 par value per share, of Atlantic.

1.17 "Benefit Plans" shall have the meaning set forth in Section 3.17.

1.18 "Businesses" shall mean the operations currently conducted by ACIC as a property and casualty insurance carrier operating predominately as a monoline carrier of workers compensation insurance products and by ARMGA as an insurance management company with a Managing General Agency License, a Texas licensed local recording insurance agency and a Texas licensed third party administrator.

1.19 "Cash Consideration" shall mean the ACIC Cash Consideration and the ARMGA Cash Consideration.

1.20 "CERCLA" shall have the meaning set forth in Section 3.19.

1.21 "Certificate" shall have the meaning set forth in Section 2.1.12.

1.22 "Closing" shall mean the consummation of the transactions provided for in this Agreement.

1.23 "Closing Date" shall mean the date on which the Closing occurs pursuant to Section 8.1.1 hereof.

1.24 "Closing Date Capital and Surplus" shall have the meaning set forth in Section 2.1.9.

1.25 "Closing Date Net Worth" shall have the meaning set forth in Section 2.1.9.

1.26 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.27 "Covenants Not To Compete" shall mean the Covenant Not to Compete among Atlantic and the Sole Shareholder, substantially in the form attached as Exhibit 2.11(b).

1.28 "Demanding Shareholder" shall have the meaning set forth in Section 2.1.8.3.1.

1.29 "Direct Claim" shall have the meaning set forth in Section 9.5.2.

1.30 "Dispute" shall have the meaning set forth in Section 9.5.3.

1.31 "Dissenters Shortfall Amount" shall have the meaning set forth in Section 2.1.8.3.1.

1.32 "Effective Time" shall have the meaning set forth in Section 2.1.2.

1.33 "Employment Agreement" shall mean the employment agreement between the Sole Shareholder and ARMGA, substantially in the form attached as Exhibit 2.10.

1.34 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.35 "ERISA Plan" shall have the meaning as set forth in Section 3.17.1.

1.36 "Escrow Agent" shall mean Wachovia Bank, N.A., as escrow agent under the Escrow Agreement.

1.37 "Escrow Agreement" shall mean the Escrow Agreement attached hereto as Exhibit 2.1.8.1.

1.38 "Escrowed ACIC Cash" shall have the meaning set forth in Section 2.1.8.2.

1.39 "Escrowed ACIC Shares" shall have the meaning set forth in Section 2.1.8.1.

1.40 "Escrowed ARMGA Cash" shall have the meaning set forth in Section 2.1.8.2.

1.41 "Escrowed ARMGA Shares" shall have the meaning set forth in Section 2.1.8.1.

1.42 "Escrowed Cash" shall have the meaning set forth in Section 2.1.8.2.

1.43 "Escrowed Shares" shall have the meaning set forth in Section 2.1.8.1.

1.44 "Excess Escrowed Amount" shall have the meaning set forth in Section 2.1.10.

1.45 "Exchange Consideration" shall have the meaning set forth in Section 2.1.3.2.

1.46 "Form 10-K" shall have the meaning set forth in Section 5.7.

1.47 "Forms 10-Q" shall have the meaning set forth in Section 5.7.

1.48 "FTC" shall mean the Federal Trade Commission.

1.49 "GAAP" shall mean generally accepted accounting principles.

1.50 "Hazardous Substance" shall have the meaning set forth in Section 3.19.

1.51 "HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

1.52 "Improvements" shall mean, collectively, any and all improvements located on the Real Property.

1.53 "Indemnifying Party" shall have the meaning set forth in Section 9.5.1.1.

1.54 "Indemnitee" shall have the meaning set forth in Section 9.5.1.1.

1.55 "Licensed Software" shall have the meaning set forth in Section 3.15.2.

1.56 "Loss" shall have the meaning set forth in Section 9.1.

1.57 "Minimum Aggregate Liability Amount" shall have the meaning set forth in Section 9.3.

1.58 "Morgan Keegan" shall mean Morgan Keegan & Company, Inc.

1.59 "Net Worth" shall have the meaning set forth in Section 2.1.9.

1.60 "1997 and 1998 Financial Statements" shall have the meaning set forth in Section 3.5.2.

1.61 "1997 and 1998 Statutory Financial Statements" shall have the meaning set forth in Section 3.5.1.

1.62 "1933 Act" shall mean the Securities Act of 1933, as amended.

1.63 "Non-Solicitation and Confidentiality Agreement" shall mean the Non-Solicitation and Confidentiality Agreement among Atlantic, ACIC, ARMGA and the persons listed on Exhibit 2.11.

1.64 "Notice of Settlement" shall have the meaning set forth in Section 9.5.1.2. (iii)

1.65 "Notice to Contest" shall have the meaning set forth in Section 9.5.1.2. (iv)

1.66 "Notice to Defend" shall have the meaning set forth in Section 9.5.1.1. (iii).

1.67 "Option Plan" shall mean the Association Casualty Insurance Company Stock Option Plan, attached hereto as Exhibit 2.1.3.1.

1.68 "Owned Software" shall have the meaning set forth in Section 3.15.2.

1.69 "PCBs" shall have the meaning as set forth in Section 3.19.

1.70 "Per Share Closing Price" shall have the meaning set forth in Section 2.1.3.2.

1.71 "Permits" shall mean all licenses, registrations, certificates, approvals, and permits issued by governmental authorities and quasi-governmental authorities in regard to the Real Property, the Improvements, or any portion or component of either of them.

1.72 "Plan of Exchange" shall mean the Plan of Exchange attached hereto as Exhibit 2.1.1.

1.73 "Property" shall have the meaning set forth in Section 3.19.

1.74 "RCRA" shall have the meaning as set forth in Section 3.19.

1.75 "Real Property" shall mean that certain tract of land described on Exhibit 3.7.2.2.

1.76 "Representative" shall mean Kenneth Peeler, or in the event that Kenneth Peeler resigns, dies or is physically unable to act as the "Representative," then the "Representative" shall mean Herbert S. Harris, III. In the event that Herbert S. Harris, III resigns, dies or is physically unable to act as the "Representative," then the "Representative" shall mean that individual selected by Kenneth Peeler, or his guardian if one has been appointed, or the executor or his administrator of his estate if he has died.

1.77 "SEC" shall mean the United States Securities and Exchange Commission.

1.78 "SEC Documents" shall have the meaning set forth in Section 5.7.

1.79 "Share Exchange" shall mean the exchange of the shares of ACIC pursuant to the Plan of Exchange.

1.80 "Shareholders" shall mean the shareholders of ACIC and the Sole Shareholder, each of whom may be individually referred to as a "Shareholder."

1.81 "Sole Shareholder" shall mean Harold K. Fischer, the sole shareholder of ARMGA.

1.82 "Stock Consideration" shall mean the ACIC Stock Consideration and the ARMGA Stock Consideration.

1.83 "Subsequent Event" shall have the meaning set forth in the prefatory language to Article VI.

1.84 "TBCA" shall mean the Texas Business Corporation Act.

1.85 "Third Party Claim" shall have the meaning set forth in Section 9.5.1.1.

1.86 "Transmittal Letter" shall have the meaning set forth in Section 2.1.12.

1.87 "Year 2000 Defect" shall have the meaning set froth in Section 3.15.2.2.

1.88 "to the best knowledge," "aware of," "has reason to believe," "has any knowledge" and similar phrases when used with regard to the Acquired Companies shall mean (a) actual knowledge and (b) such level of knowledge or awareness as would be obtained (1) by a reasonably prudent business person under substantially similar circumstances after inquiry reasonable under the circumstances then existing (which circumstances in each case shall be deemed to include the position of the person with the Acquired Companies and whether such person could reasonably be expected because of such position to have such knowledge or awareness), and (2) from appropriate discussions with such personnel of the Acquired Companies who may reasonably be believed to have actual knowledge of the relevant matter.

2. COVENANTS AND UNDERTAKINGS.

2.1 Agreement to Exchange; Agreement to Purchase and Sell ARMGA Stock

2.1.1 Exchange. Subject to the terms and conditions hereinafter set forth and in accordance with the applicable laws of the State of Texas and the State of Georgia, the parties to this Agreement agree to effect a share exchange of the shares of ACIC for shares of Atlantic American Stock and certain cash consideration, in accordance with the Plan of Exchange attached hereto as Exhibit 2.1.1.

2.1.2 Effective Time of Exchange. The Share Exchange shall become effective as provided under the applicable provisions of the TBCA and the Texas Insurance Code (and related rules) upon the time of the filing of Articles of Exchange and/or such other documents as may be required by applicable law and the payment of all fees therefor and the issuance by the Texas Commissioner of Insurance and the Secretary of State of Georgia of certificates of exchange and/or such other evidence of approval as may be required or permitted in accordance with applicable law, (the time when such exchange becomes effective being referred to herein as the "Effective Time"). To the extent permitted by applicable law, such filing and payment of fees shall take place on the Closing Date.

2.1.3 Effect of Exchange.

2.1.3.1 Immediately prior to the Effective Time, (i) any option, or part of any option, to purchase common stock of ACIC, as set forth on Exhibit 3.3(b) attached hereto, under the Option Plan, a copy of which is attached hereto as Exhibit 2.1.3.1, shall become immediately exercisable and vested and (ii) such options shall be deemed to have been fully exercised and converted, in accordance with the terms of the Option Plan, into the number of shares of common stock of ACIC that represents the aggregate number of shares issuable pursuant to such outstanding options and the $2.00 per share exercise price for such options shall, in lieu of being paid to the Shareholders listed on Exhibit 3.3(b), be paid to ACIC and shall be included in the determination of the Closing Date Capital and Surplus pursuant to Section 2.9 hereof. 1.1.1.1

2.1.3.2 At the Effective Time, all of the shares of common stock of ACIC then issued and outstanding shall, in accordance with the Plan of Exchange, be automatically converted into an aggregate of (i) Five Million Five Hundred Twenty Five Thousand Dollars ($5,525,000.00) of Atlantic American Stock (the "ACIC Stock Consideration"), valued at a per share price equal to the average closing price of Atlantic American Stock on the Nasdaq National Market for the ten consecutive trading day period ending on the trading day immediately prior to the Closing Date (the "Per Share Closing Price") and (ii) Fifteen Million Six Hundred Thousand Dollars ($15,600,000.000) by wire transfer (the "ACIC Cash Consideration"; the ACIC Cash Consideration and the ACIC Stock Consideration referred to together as the "Exchange Consideration") with such Exchange Consideration being allocated among the Shareholders of ACIC in accordance with the Plan of Exchange, which shall provide that (a) any Shareholder of ACIC who owns seven hundred fifty (750) or fewer shares of common stock of ACIC shall only be entitled to receive cash in consideration for such Shareholder's shares of common stock of ACIC, at a price of $37.4664 per share, and (b) all other Shareholders of ACIC shall receive, in consideration for their shares of common stock of ACIC, the ACIC Stock Consideration and the remaining amount of the ACIC Cash Consideration in proportion to such Shareholder's ownership interest in such shares of common stock of ACIC; provided, however, that from the amount of the ACIC Cash Consideration to be received by the Shareholders listed on Exhibit 3.3(b) shall be reduced by $2.00 per share of common stock of ACIC for the shares received by such Shareholder by the exercise of the options described in Section 2.1.3.1. Notwithstanding the foregoing, if the Per Share Closing Price as so determined is greater than $5.50, the Per Share Closing Price will be deemed to be $5.50, and if the Per Share Closing Price as so determined is less than $3.75, the Per Share Closing Price will be deemed to be $3.75. All treasury shares of ACIC, if any, shall be canceled and cease to exist as of the Effective Time.

2.1.3.3 Purchases of Atlantic American Stock. Atlantic covenants not to make any open market purchases of Atlantic American Stock during the ten (10) consecutive trading day period ending on the trading day immediately prior to the Closing Date. Atlantic further covenants not to make any open market purchases of Atlantic American Stock solely for the purpose of influencing the calculation of the Per Share Closing Price from the date hereof until the commencement of the ten (10) consecutive trading day period described in the preceding sentence; provided, however, that Atlantic shall not be restricted in any manner from making purchases of Atlantic American Stock during such time period for any other reason.

2.1.4 Purchase and Sale of ARMGA Stock. In accordance with the terms and subject to the conditions set forth herein, immediately following the exchange as described in Section 2.1.1, at the Closing the parties to this agreement will cause ACIC to buy all of the issued and outstanding shares of capital stock of ARMGA from the Sole Shareholder, and the Sole Shareholder hereby covenants and agrees to sell, assign, transfer, convey and deliver to ACIC, free and clear of all liens, claims, charges, security interests and other encumbrances of any nature whatsoever, all of the issued and outstanding shares of capital stock of ARMGA owned by him. Atlantic agrees to contribute the aggregate amount of consideration to be paid for such purchase in stock and cash to ACIC. Such sale, transfer, conveyance and delivery shall be evidenced by the delivery by the Sole Shareholder to ACIC of stock certificates representing all of the issued and outstanding shares of capital stock of ARMGA, duly endorsed in blank or accompanied by duly executed stock powers (in either case, with all necessary transfer taxes, if any, paid or other revenue stamps affixed thereto). 1.1.1

2.1.5 ARMGA Purchase Price. In full payment for the shares of capital stock of ARMGA, ACIC shall pay to the Sole Shareholder Eleven Million Three Hundred Seventy-Five Thousand Dollars ($11,375,000.00) as follows: (i) Two Million Nine Hundred Seventy-Five Thousand Dollars ($2,975,000.00) of Atlantic American Stock (the "ARMGA Stock Consideration") valued at the Per Share Closing Price and (ii) Eight Million Four Hundred Thousand Dollars ($8,400,000.00) in cash by wire transfer at Closing (the "ARMGA Cash Consideration")(the ARMGA Cash Consideration and the ARMGA Stock Consideration referred to together as the "ARMGA Purchase Price.")

2.1.6 Antidilution. In the event that, subsequent to the date of this Agreement, the outstanding shares of Atlantic American Stock shall have been, without consideration, increased, decreased, changed into, or exchanged for a different number or kind of shares of securities through recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other like changes in Atlantic's capitalization, then an appropriate and proportionate adjustment shall be made (i) in the number and kind of securities to be received by the Shareholders pursuant to the exchange contemplated by Section 2.1.3 of this Agreement, (ii) in the number and kind of securities to be received by the Shareholders pursuant to the purchase contemplated by Section 2.1.5, (iii) to the Escrowed Shares described in Section 2.1.8 of this Agreement, and (iv) to the Per Share Closing Price described in Section 2.1.3.2 of this Agreement.

2.1.7 Shareholder Meeting. As soon as practicable following the execution of this Agreement, ACIC will duly give notice of, convene and hold a meeting of its shareholders in accordance with the TBCA and will submit the Plan of Exchange, this Agreement and such other agreements, documents and instruments evidencing the transactions contemplated hereby and thereby as may be necessary or appropriate, to a special meeting of its shareholders. Subject to the good faith exercise of their fiduciary duties under applicable law, the board of directors of ACIC will unanimously recommend that the Shareholders of ACIC approve and adopt this Agreement, the Plan of Exchange and the other transactions contemplated hereby and thereby, and will use its best efforts to obtain such approval. Any board of directors, or shareholders', action contemplated above may be taken by unanimous written consent in lieu of a meeting.

2.1.8 Retention of Exchange Consideration and ARMGA Purchase Price.

2.1.8.1 Escrow of Shares. The parties hereto agree that, at the Closing, Atlantic, the Representative and the Escrow Agent will enter into an Escrow Agreement substantially in the form attached hereto as Exhibit 2.1.8.1. Atlantic shall deliver to the Escrow Agent (i) a certificate or certificates representing all of the ACIC Stock Consideration (the "Escrowed ACIC Shares") and (ii) a certificate or certificates representing all of the ARMGA Stock Consideration (the "Escrowed ARMGA Shares"; the Escrowed ACIC Shares and the Escrowed ARMGA Shares referred to together as the "Escrowed Shares"), calculated using the Per Share Closing Price, which Escrowed Shares may be offset to satisfy claims for indemnification by Atlantic as provided in Article IX hereof, such Escrowed Shares to be allocated among the Shareholders in proportion to their respective Stock Consideration to be received under the Plan of Exchange and the purchase of ARMGA stock as described in Section 2.1.4. The Escrowed Shares will be held by the Escrow Agent and distributed pursuant to the terms of the Escrow Agreement.

2.1.8.2 Escrow of Cash Consideration. The parties hereto agree that, at the Closing, Atlantic will deliver to the Escrow Agent (i) One Million Five Hundred Sixteen Thousand Six Hundred Sixty Six Dollars ($1,516,666.00), which shall be deducted from the ACIC Cash Consideration (the "Escrowed ACIC Cash") and (ii) Eight Hundred Sixteen Thousand Six Hundred Sixty Six Dollars ($816,666.00), which shall be deducted from the ARMGA Cash Consideration (the "Escrowed ARMGA Cash"; the Escrowed ACIC Cash and the Escrowed ARMGA Cash referred to together as the "Escrowed Cash"), which Escrowed Cash may be used by Atlantic solely to satisfy claims under Section 2.1.9, such Escrowed Cash to be allocated among the Shareholders in proportion to their respective amounts of Cash Consideration to be received under the Plan of Exchange and the purchase of ARMGA stock as described in Section 2.1.4. The Escrowed Cash will be held by the Escrow Agent and invested and distributed pursuant to the terms of the Escrow Agreement. After the determinations described in Section 2.1.9, the Escrowed Cash shall be released by the Escrow Agent pursuant to the terms of Section 2.1.10.

2.1.8.3 Retention of Exchange Consideration Related to Dissenters' Rights. To the extent that any shareholder of ACIC has properly demanded dissenters' rights under the TBCA (a "Demanding Shareholder"), the parties hereto agree that Atlantic shall withhold from the ACIC Exchange Consideration the amount of the ACIC Exchange Consideration that would have been allocated to any such Demanding Shareholder. Atlantic, or ACIC as a subsidiary of Atlantic, shall bear any costs, including attorney fees, incurred by Atlantic or ACIC related to any actions respecting the demand of dissenters' rights under the TBCA by any Demanding Shareholder and (ii) any amounts paid to any Demanding Shareholder in excess of the amount of the ACIC Exchange Consideration that would have been allocated to any such Demanding Shareholder pursuant to the terms of this Agreement. Atlantic shall have the sole right to control the defense of any actions in respect of dissenters' rights under the TBCA by any Demanding Shareholder; provided, however, that the Representative shall on behalf of the Shareholders cooperate to the extent reasonably necessary in the defense of any such actions.

2.1.9 Closing Date Capital and Surplus; Closing Date Net Worth. As soon as practicable following the Closing, the management of ACIC and ARMGA, respectively, shall determine (i) the amount of ACIC's capital and surplus as of the Closing Date (the "Closing Date Capital and Surplus") and (ii) the amount of ARMGA's net worth as of the Closing Date (the "Closing Date Net Worth"). The amount of such Closing Date Capital and Surplus shall be calculated in accordance with generally accepted actuarial standards and statutory accounting principles required or permitted by the Texas Department of Insurance, consistently applied and fairly stated, and on the basis of assumptions consistent with those used in computing the corresponding items on ACIC's National Association of Insurance Commissioners' formal Annual Statement. Net worth (the "Net Worth") shall mean the total assets which have been historically classified on ARMGA's financial statements as "Current Assets," "Fixed Assets" and "Other Assets", less total liabilities as have been classified historically on ARMGA's financial statements under the categories "Current Liabilities" and "Long Term Debt". The Closing Date Net Worth shall be determined in accordance with GAAP (and in the event that the financial statements of ARMGA are not in accordance with GAAP, such financial statements shall include any items required by GAAP), applied in a manner consistent with the 1996 and 1997 financial statements of ARMGA to the extent they are in accordance with GAAP. The determination of the Closing Date Capital and Surplus and Closing Date Net Worth shall be delivered in writing to Atlantic and to the Representative as promptly as practicable following the determination thereof. Atlantic and the Representative shall each have five (5) business days from such delivery in which to review and notify the other of any disagreements with such determinations of the Closing Date Capital and Surplus and Closing Date Net Worth. At the end of such five (5) business day period, Atlantic and the Representative will provide joint written instructions to the Escrow Agent pursuant to Section 5 of the Escrow Agreement to immediately release to the Representative for distribution to the Shareholders any portion of the Escrowed Cash not in dispute. In the event that the Representative or Atlantic disagrees with the determinations, Atlantic and the Representative shall negotiate in good faith for at least ten (10) days to resolve the disputes. After such ten (10) day period either party may retain PriceWaterhouseCoopers to determine the Closing Date Capital and Surplus and/or the Closing Date Net Worth. If PriceWaterhouseCoopers is retained to resolve a dispute with respect to the Closing Date Capital and Surplus, the Representative, on behalf of the Shareholders, and Atlantic hereby agree to equally split the fee charged by PriceWaterhouseCoopers to make the above described determination. If PriceWaterhouseCoopers is retained to resolve a dispute with respect to the Closing Date Net Worth, the Sole Shareholder and Atlantic hereby agree to equally split the fee charged by PriceWaterhouseCoopers to make the above described determination, with the Shareholder's portion of such fee to be paid out of the Escrowed Cash. In the event that the Closing Date Capital and Surplus as determined above is less than Fifteen Million ($15,000,000.00), the Escrow Agent, subject to Section 2.1.10, shall deliver to Atlantic, upon receipt of a joint written instruction from Atlantic and the Representative pursuant to Section 5 of the Escrow Agreement an amount of the Escrowed Cash, which is equal in value to the amount by which the Closing Date Capital and Surplus is less than Fifteen Million ($15,000,000.00). In the event that the Closing Date Net Worth as determined above is less than One Hundred Fifty Thousand Dollars ($150,000.00), the Escrow Agent, subject to Section 2.1.10, shall deliver to Atlantic, upon receipt of a joint written instruction from Atlantic and the Representative pursuant to Section 5 of the Escrow Agreement, an amount of the Escrowed Cash, which is equal in value to the amount by which the Closing Date Net Worth is less than One Hundred Fifty Thousand Dollars ($150,000.00).

The parties acknowledge that ARMGA is obligated to make bonus payments pursuant to employment agreements with each of the individuals, and in the amounts, listed on Exhibit 2.1.9, upon the consummation of the transactions contemplated herein. Such bonus payments, adjusted for any associated tax effects, (i) if paid prior to Closing from internal sources shall reduce the Closing Date Net Worth, (ii) if paid prior to Closing from borrowed sources, such borrowings shall be treated as an accrued liability on the books of ARMGA for purposes of determining and reducing the Closing Date Net Worth, and (iii) if not paid prior to Closing shall be treated as an accrued liability on the books of ARMGA for purposes of determining and reducing the Closing Date Net Worth.

2.1.10 As soon as practicable following the final determination of the Closing Date Capital and Surplus and Closing Date Net Worth pursuant to Section 2.1.9 hereof the Representative and Atlantic agree to jointly direct the Escrow Agent, pursuant to Section 5 of the Escrow Agreement, to distribute to the Shareholders in proportion to the total consideration received by the Shareholders hereunder, the amount by which the Escrowed Cash exceeds any charges pursuant to Section 2.1.9.

2.1.11 Representative as Exclusive Spokesperson. Pursuant to the terms of this Agreement, the Representative shall have the exclusive power and authority to act on behalf of the Shareholders with regard to any matters contemplated by this Agreement, including the following:

2.1.11.1 To receive the shares of Atlantic American Stock and cash payable to the Shareholders, and to receive any other payments payable under this Agreement or otherwise pursuant to the transactions contemplated herein and to make any and all allocations and distributions thereof;

2.1.11.2 To deposit such payments in an account and draw upon such account to pay the costs and expenses to be borne by or on behalf of the Shareholders.

2.1.11.3 To make any assurances, communications and reports for or on behalf of the Shareholders to Atlantic that may be requisite or proper for facilitating the transactions contemplated by this Agreement;

2.1.11.4 To receive all notices and other communications, to make all decisions, to give all notices and other communications, and to take all other actions with regard to notification, defense, contest, and settlement and all other matters pertaining to any and all indemnification matters contemplated in this Agreement, including, without limitation, all actions in regard to the Escrowed Shares and the Escrowed Cash and any communications with the Escrow Agent; and

2.1.11.5 Otherwise to execute, acknowledge and deliver all other documents and take all actions and do all things not inconsistent with this Agreement or the transactions contemplated hereby, necessary or proper, required, contemplated or deemed advisable in his view or discretion, in connection with or to carry out and comply with all terms and conditions of this Agreement.

2.1.12 Transmittal Letters/Investment Letters. Atlantic shall mail to each Shareholder a form of Transmittal Letter/Investment Letter (the "Transmittal Letter"), which shall (i) specify that delivery shall be effected and risk of loss and title to the certificate or certificates (the "Certificate") representing shares of common stock of the Acquired Companies shall pass only upon proper delivery of the Certificates to the Representative (and the Representative's delivery of same to Atlantic) and instructions for use in effecting the surrender of such Certificates for payment therefor and (ii) contain acknowledgments and representations pertaining to investment intent by each Shareholder regarding the receipt of the Atlantic American Stock described in Article IV hereof. Upon surrender to the Representative (and the Representative's delivery of same to Atlantic) of (i) the Transmittal Letter duly executed, (ii) the Certificates and (iii) three (3) stock powers with regard to the Escrowed Shares executed in blank (which Atlantic shall promptly forward to the Escrow Agent to be held pursuant to the terms of the Escrow Agreement), the holder of such Certificate shall be entitled to receive in exchange therefor such Shareholder's portion of the Exchange Consideration set forth in Section 2.1.3.2, less the portion of such Exchange Consideration that is to be paid into escrow. Until surrendered in accordance with the provisions of this Section 2.1.12, each Certificate (other than Certificates representing dissenting shares) shall represent for all purposes only the right to receive the Exchange Consideration. No dividends or other distributions that are declared after the Closing Date with respect to shares of Atlantic American Stock included in the Exchange Consideration payable to the holders of record thereof after the Closing Date shall be paid to a stockholder of the Acquired Companies entitled to receive Atlantic American Stock until such stockholder has properly surrendered such stockholder's Certificates. Upon such surrender, there shall be paid to the person in whose name the certificates representing such shares of Atlantic American Stock shall be issued any dividends which shall have become payable with respect to such Atlantic American Stock between the Closing Date and the time of such surrender, without interest. Until surrendered, each Certificate shall not have any voting rights with respect to the Atlantic American Stock included in the Exchange Consideration. No interest will be paid or will accrue on any cash payable to holders of Certificates.

2.2 Regulatory Consents.

2.2.1 Compliance with Securities Laws and Insurance Laws. In connection with the transactions contemplated by this Agreement, the parties hereto agree to cooperate with one another in complying with the provisions of the 1933 Act and the General Rules and Regulations thereunder, and all other applicable federal and state securities laws, and (ii) all other applicable laws, including, without limitation, the making of any filings with any state insurance commissions or departments. Each of the parties hereto further agrees to furnish the other, or its counsel, with such information and to take such actions, as may be reasonably requested in respect of such compliance.

2.2.2 HSR Act. The parties hereto agree to prepare and file the Notification and Report Form required pursuant to the HSR Act with the FTC and the Antitrust Division if reasonably practicable on the date hereof, and otherwise by no later than the fifth (5th) Business Day following the date hereof. The Notification and Report Form shall be in accordance with the requirements of the HSR Act. Each such party hereby covenants (i) to request early termination of the waiting period required by the HSR Act; (ii) to promptly furnish to the other party hereto such necessary or appropriate information and reasonable assistance, including access to each other's documents and personnel, as such other party may reasonably request in connection with its preparation of necessary or voluntary filings and other submissions, communications or presentations pursuant to the HSR Act; (iii) to promptly keep the other party apprised of the status of any communications with and any inquiries by the FTC or Antitrust Division; and (iv) to comply with a request for additional information issued by the FTC, the Antitrust Division or any other Authority, as the case may be, as promptly and expeditiously as practicable. The parties shall use best efforts and cooperate to expedite the termination of the waiting period under the HSR Act. The parties agree that they will not undertake any unilateral contacts with either the FTC or Antitrust Division without the prior approval of the other party. ACIC and Atlantic agree to equally split the HSR Act filing fee. If any administrative, judicial or legislative action or proceeding is instituted (or threatened to be instituted) challenging the transactions contemplated by this Agreement as violative of any antitrust Law, the parties shall use best efforts and cooperate at their own respective expense to contest and vigorously resist any such action or proceeding, and to have vacated, lifted, reversed or overturned as promptly and expeditiously as practicable any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that is in effect and that restricts, prevents or prohibits consummation of the transactions contemplated by this Agreement, including, without limitation, by pursuing all reasonable avenues of administrative and judicial appeal.

2.3 Conduct of the Business of the Acquired Companies Prior to Closing.

2.3.1 Except with the prior consent in writing of Atlantic, the Acquired Companies covenant and agree that, between the date of this Agreement and the Closing Date, the Acquired Companies will conduct the Business and operate the Business in the ordinary course, and they will: (a) use their best efforts to preserve the organization of the Acquired Companies intact, to keep available the services of the present officers and employees of the Acquired Companies, and to preserve the goodwill of customers, suppliers and others having business relations with the Acquired Companies; (b) maintain the properties of the Acquired Companies in the same working order and condition as such properties are in as of the date of this Agreement, reasonable wear and tear excepted and not liquidate the assets to cash except in the ordinary course of business; (c) keep in force at no less than their present limits all existing bonds and policies of insurance insuring the Acquired Companies and their respective properties; (d) (i) not incur any additional indebtedness of the Acquired Companies or enter into any contract, agreement or lease which in any such case provides for obligations of, or payments by, the Acquired Company of more than Twenty Thousand Dollars ($20,000.00) in the aggregate or which is not terminable without payment of premium or penalty upon 60 days' notice, except for the selling of insurance policies written in the ordinary course of business, or (ii) suffer, permit or incur any of the transactions or events described in Section 3.11 hereof (except for the payment of any health, disability and life insurance premiums which may become due distributions required to be made pursuant to the terms currently in effect of any Benefit Plans and except for the bonus payments described in the last sentence of Section 2.1.9 and except for cash dividends and other cash distributions described in Section 2.3.4) to the extent such events or transactions are within the control of the Acquired Companies; (e) not make or permit any change in the Acquired Companies's Articles of Incorporation or Bylaws, or in their authorized, issued or outstanding securities except for changes pursuant to exercise of Options in accordance with the Option Plan or Section 2.1.3.1 hereof; (f) not grant any stock option or right to purchase any security of the Acquired Companies, issue any security convertible into such securities, purchase, redeem, retire or otherwise acquire any of such securities, or agree to do any of the foregoing; (g) not make any contribution to or distribution from any employee benefit plan, pension plan, stock bonus plan, 401(k) plan or profit sharing plan (except for the payment of any health, disability and life insurance premiums which may become due and distributions required to be made pursuant to the terms of any Benefit Plans); (h) not increase the compensation payable or to become payable by the Acquired Companies to any officer, employee or agent and not make any bonus payment or arrangement to any of such persons except for such increases in compensation or bonus payments to employees of the Acquired Companies other than the Shareholders that are made at times and in amounts consistent with historical practices of the Business and except for the bonus payments described in the last sentence of Section 2.1.9; and (i) promptly advise Atlantic in writing of any matters arising or discovered after the date of this Agreement which, if existing or known at the date hereof, would be required to be set forth or described in this Agreement or the Exhibits hereto. Notwithstanding the foregoing, the Acquired Companies shall not be restricted in the adjustment, compromise and settlement of insurance claims or the negotiation and implementation of reinsurance transactions in the ordinary course of business and in a manner consistent with historical practices.

2.3.2 Except after prior notification to, and with the prior written consent of, Atlantic, the Acquired Companies will not make between the date of this Agreement and the Closing Date, any change in their banking or safe deposit arrangements or grant any powers of attorney. A list of all bank accounts, safe deposit boxes (and the contents thereof) and powers of attorney of the Acquired Companies and of all persons authorized to act with respect thereto is attached hereto as Exhibit 2.3.2.

2.3.3 Except with the prior consent in writing of Atlantic, the Acquired Companies will not between the date of this Agreement and the Closing Date make any material changes in the Acquired Companies' statutory or financial accounting methods or practices.

2.3.4 Notwithstanding any other provision of this Agreement to the contrary, cash and short-term investments (as such term is used for statutory accounting purposes) held by ACIC and ARMGA may be used to pay (i) expenses associated with the transactions contemplated by this Agreement, (ii) other expenses of ACIC or ARMGA and (iii) cash dividends or other cash distributions to the Shareholders to the extent that (x) the Closing Date Capital and Surplus is not reduced below Fifteen Million Dollars ($15,000,000.00) and (y) the Closing Date Net Worth is not reduced below One Hundred Fifty Thousand Dollars ($150,000.00).

2.4 Filing of Tax Returns. The Acquired Companies covenant to cause all of the Acquired Companies' federal, state and local tax returns required to be timely filed before Closing to be timely and accurately filed with the appropriate taxing authorities. For purposes of this Section 2.4, such returns shall be deemed timely filed if an Acquired Company has obtained an extension from the appropriate taxing authority as to the time in which it may file such tax returns. The Acquired Companies shall submit all such tax returns to Atlantic at least fifteen days prior to the date they must be filed, and Atlantic shall have the opportunity to comment on such returns. The Acquired Companies hereby agree to provide Atlantic with all information within the knowledge or possession of the employees, officers, directors or agents of the Acquired Companies necessary to file such returns. All such information shall be true, correct and accurate in all respects.

2.5 Resignation. The Acquired Companies covenant to cause to be delivered at the Closing the resignation of each of the directors of the Acquired Companies and each noninstitutional trustee under any Benefit Plan maintained by the Acquired Companies, such resignations to be effective immediately following the Closing.

2.6 Examination of Property and Records. Between the date of this Agreement and the Closing Date, the Acquired Companies will allow Atlantic, its counsel and other representatives full access to all the books, records, files, documents, assets, properties, contracts and agreements of the Acquired Companies that may be reasonably requested, and shall furnish Atlantic, its officers and representatives during such period with all information concerning the affairs of the Acquired Companies that may be reasonably requested. Atlantic will conduct any investigation in a manner which will not unreasonably interfere with the business of the Acquired Companies. All such information shall be held confidential pursuant to the terms of that certain confidentiality agreement executed on August 27, 1998.

2.7 Consent Waivers and Approvals. The Acquired Companies agree to use their commercially reasonable best efforts, but shall not be required to expend any funds or waive any right of the Acquired Companies, to obtain the waiver, consent and approval of all persons whose waiver, consent or approval (i) is required in order to consummate the transactions contemplated by this Agreement, or (ii) is required by any agreement, lease, instrument, arrangement, judgment, decree, order or license to which any Acquired Company is a party or subject on the Closing Date, and (a) which would prohibit, or require the waiver, consent or approval of any person to such transactions or (b) under which, without such waiver, consent or approval, such transactions would constitute an occurrence of default under the provisions thereof, result in the acceleration of any obligation thereunder, or give rise to a right of any party thereto to terminate its obligations thereunder. All written waivers, consents and final approvals shall be produced at Closing in form and content reasonably satisfactory to Atlantic.

2.8 Repayment of Loans and Advances. Excluding any intercompany accounts receivable and accounts payable between ACIC and ARMGA, prior to or at the Closing, all loans and advances made by the Acquired Companies to the Shareholders or any entity controlled by any of them shall be repaid along with all accrued interest and as of the Closing, no outstanding amounts shall be due to the Acquired Companies from the Shareholders or any such controlled entity. The Acquired Companies shall not forgive any such indebtedness nor shall it disburse funds by way of bonus or otherwise to the Shareholders for the direct or indirect purpose of providing funds to repay such loans or advances.

2.9 Amounts Due Shareholders by the Acquired Companies. On or prior to the Closing Date, the Acquired Companies shall have received from the Shareholders the full amount of any loans, advances, or other like amounts, including any interest due thereon, from any Shareholder or any affiliate of any Shareholder; provided, however, that in regard to amounts owed to the Acquired Companies by Rumber Materials, Inc., on the Closing Date the Sole Shareholder shall be allowed to transfer portions of the consideration to be received by the Sole Shareholder from the transactions contemplated hereby to pay the amount of loans, advances, or other like amounts owed to the Acquired Companies by Rumber Materials, Inc. As of the Closing Date, no Acquired Company shall owe amounts to any such person or entity for loans, advances, management fees, corporate overhead or otherwise. Prior to Closing, no such loans, advances or other like amounts (including interest thereon) shall be paid or retired from the assets of any Acquired Company. Notwithstanding the foregoing, this Section 2.9 shall in no way affect any right of any Shareholder to receive compensation for services and employee fringe benefits in amounts and at times consistent with the historical practices of the Acquired Companies.

2.10 Employment Agreement. The Acquired Companies agree to use their commercially reasonable best efforts, but shall not be required to expend any funds or waive any right of the Acquired Companies, to cause the Sole Shareholder to enter into at the Closing an Employment Agreement substantially in the form set forth in Exhibit 2.10.

2.11 Covenants Not to Compete. The Acquired Companies agree to use their commercially reasonable best efforts, but shall not be required to expend any funds or waive any right of the Acquired Companies, to cause each of the persons listed on Exhibit 2.11 to enter at the Closing into a Non-Solicitation and Confidentiality Agreement substantially in the form attached hereto as Exhibit 2.11(a) and to cause the Sole Shareholder to enter at the Closing into a Covenant Not to Compete substantially in the form attached hereto as Exhibit 2.11(b).

2.12 Supplying of Financial Statements. The Acquired Companies covenant to deliver to Atlantic all regularly prepared unaudited financial statements of the Acquired Companies prepared after the date of this Agreement through the Closing Date, in the format historically utilized internally, as soon as such financial statements are available.

2.13 Atlantic Board Seat. Atlantic covenants that it will take all necessary actions to elect Harold K. Fischer to the Board of Directors of Atlantic for a normal term, effective as of the Closing.

2.14 Irrevocable Proxy. Contemporaneously with the execution of this Agreement, the Acquired Companies have delivered stock options which shall contain irrevocable proxies, in the form of Exhibit 2.14 attached hereto, duly and validly executed and delivered by Shareholders (including the Sole Shareholder) owning at least sixty seven percent (67%) of the outstanding shares of common stock of ACIC.

2.15 Termination of Existing Employment Agreements. The Acquired Companies covenant to cause any existing employment agreement with any employee of the Acquired Companies to be terminated as of the Closing Date.

3. REPRESENTATIONS AND WARRANTIES OF THE ACQUIRED COMPANIES.

The Acquired Companies, jointly and severally, represent and warrant to, and for the benefit of, Atlantic as follows:

3.1 Organization and Standing. Each Acquired Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Texas, and has the full power and authority (corporate and otherwise) to carry on its business in the places and as it is now being conducted and to own and lease the properties and assets which it now owns or leases. Each Acquired Company is now, and will be at Closing, duly qualified and/or licensed to transact business and in good standing as a foreign corporation in all jurisdictions listed in Exhibit 3.1 hereto, and the character of the property owned or leased by such Acquired Company and the nature of the Business conducted by it do not require such qualification and/or licensing in any other jurisdiction.

3.2 Authority and Status. Each of the Acquired Companies has the capacity and authority to execute and deliver this Agreement, to perform hereunder, and to consummate the transactions contemplated hereby without the necessity of any act or consent of any other person whomsoever. The execution, delivery and performance by the Acquired Companies of this Agreement and each and every agreement, document and instrument provided for herein have been duly authorized and approved by the Board of Directors of each Acquired Company. This Agreement and each and every agreement, document and instrument to be executed, delivered and performed by the Acquired Companies in connection herewith, constitute or will, when executed and delivered, constitute the valid and legally binding obligations of each Acquired Company, enforceable against each of them in accordance with their respective terms, except as enforceability may be limited by applicable equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws from time to time in effect affecting the enforcement of creditors' rights generally. Attached hereto as Exhibit 3.2 are true, correct and complete copies of the Articles of Incorporation and Bylaws of each Acquired Company.

3.3 Capitalization. The entire authorized capital stock of each Acquired Company is as follows: (i) ACIC: Seven Hundred Thousand (700,000) shares of $2.00 par value common stock, of which Five Hundred Twenty Five Thousand Shares (525,000) shares are issued and outstanding and One Hundred Seventy Five Thousand (175,000) shares are held in treasury; and (ii) ARMGA: One Hundred Thousand (100,000) shares of $1.00 par value common stock, of which One Thousand (1,000) shares are issued and outstanding and no shares are held in treasury. Neither of the Acquired Companies has any other shares of capital stock authorized, issued or outstanding. All of the issued and outstanding shares of each Acquired Company have been validly issued and are fully paid and non-assessable and are owned of record by the Shareholders as set forth on Exhibit 3.3(a). Except for the requisite affirmative vote of the Shareholders pursuant to Texas law, the authorization or consent of no other person or entity is required in order to consummate the transactions contemplated herein by virtue of any such person or entity having an equitable or beneficial interest in any Acquired Company or the capital stock of any Acquired Company. There are no outstanding options, warrants, calls, commitments, or plans by the Acquired Companies to issue any additional shares of its capital stock, or to pay any dividends on such shares, or to purchase, redeem, or retire any outstanding shares of its capital stock, nor are there outstanding shares of its capital stock, nor are there outstanding any securities or obligations which are convertible into or exchangeable for any shares of capital stock of any Acquired Company, except options issued pursuant to the Option Plan. A schedule identifying the holders and the amounts of all currently outstanding options, all of which have been issued pursuant to the Option Plan, and the exercise prices and vesting terms for such options, is set forth on Exhibit 3.3(b).

3.4 Absence of Equity Investment. Except as described in Exhibit 3.4 hereto, neither Acquired Company, directly or indirectly, owns of record or beneficially any shares or other equity interests in any corporation (except as a stockholder holding less than one percent (1%) interest in a corporation whose shares are traded on a national or regional securities exchange or in the over-the-counter market), partnership, limited partnership, joint venture, trust, limited liability company or other business entity, all or any portion of the business of which is competitive with that of any Acquired Company.

3.5 Liabilities and Obligations of the Acquired Companies.

3.5.1 Attached hereto as Exhibit 3.5.1 are true, correct and complete copies of each of the ACIC's (i) certified statutory annual statements for the years ended December 31, 1997 and December 31, 1998, together with the report of Ernst & Young LLP (the "1997 and 1998 Statutory Financial Statements") The 1997 and 1998 Statutory Financial Statements fairly present in all material respects the respective statutory financial condition of ACIC, taken as a whole, at year end in each of such years and the statutory results of its operations and other data contained therein for each of the years and were prepared in conformity with statutory accounting practices prescribed or permitted by the Texas Department of Insurance (which have been applied on a consistent basis). The books and records of ACIC are sufficient and accurate to the extent required (i) to permit Atlantic's independent certified public accountants to conduct an audit of ACIC sufficient in scope to permit the issuance of an unqualified opinion on the financial statements of ACIC and (ii) to permit Atlantic to comply with any applicable reporting requirements under any applicable federal or state securities laws.

3.5.2 Attached hereto as Exhibit 3.5.2 are true, correct and complete copies of each of ARMGA's (i) unaudited balance sheets as of December 31, 1997 and December 31, 1998 and the related G/L profit and loss statement for the years then ended (the "1997 and 1998 Financial Statements"). The 1997 and 1998 Financial Statements have been prepared from and are in complete accordance with the books and records of ARMGA, are true and complete statements of the financial position of ARMGA as of their respective dates, have been prepared in accordance with GAAP, consistently applied, fairly present in all material respects the financial position and results of operations of ARMGA, taken as a whole, as of the respective dates thereof, and disclose all liabilities of ARMGA, whether absolute, contingent, accrued or otherwise, existing as of the respective dates thereof which are of a nature required to be reflected in financial statements prepared in accordance with GAAP, consistently applied. The books and records of ARMGA are sufficient and accurate to the extent required (i) to permit Atlantic's independent certified public accountants to conduct an audit of ARMGA sufficient in scope to permit the issuance of an unqualified opinion on the financial statements of ARMGA and (ii) to permit Atlantic to comply with any applicable reporting requirements under any applicable federal or state securities laws.

3.5.3 No Acquired Company has any liability or obligation (whether accrued, absolute, contingent or otherwise) which is of a nature required to be reflected in financial statements prepared in accordance with generally accepted accounting principles, consistently applied, including, without limitation, any liability which might result from an audit of its tax returns by any appropriate authority, except for (i) the liabilities and obligations of the Acquired Companies which are disclosed on Exhibit 3.5.3 hereto, to the extent and in the amounts so disclosed, and (ii) liabilities incurred or accrued in the ordinary course of business since December 31, 1998, and which do not, either individually or in the aggregate, have an adverse effect on the assets, operations or the business of the Acquired Companies. There is no basis for any assertion against any Acquired Company as of December 31, 1998 of any liability of any nature or in any amount not fully accrued and appearing on the balance sheet as of that date.

3.5.4 Except as disclosed on Exhibit 3.5.3, no Acquired Company is in default with respect to any liabilities or obligations, and all such liabilities or obligations shown on Exhibit 3.5.3, and such liabilities incurred or accrued subsequent to December 31, 1998 have been, or are being, paid or discharged as they become due, and all such liabilities and obligations were incurred in the ordinary course of business, except as indicated in Exhibit 3.5.3.

3.6 Taxes.

3.6.1 Each Acquired Company has, as of the date hereof, and will have prior to Closing, timely and accurately filed all federal, state, foreign and local tax returns and reports required to be filed by it prior to such dates and has timely paid, or will timely pay prior to Closing, all taxes shown on such returns as owed for the periods of such returns, including all withholding or other payroll related taxes shown on such returns. The tax basis of all assets of each Acquired Company as reflected on its books and records is correct and accurate for use in tax periods ending after Closing, assuming that no change in applicable federal or state tax laws or generally accepted accounting principles occur subsequent to Closing. Except as described on Exhibit 3.6, no Acquired Company is, nor will it become, subject to any additional taxes, interest, penalties or other similar charges as of a result of the failure to file timely or accurately, as required by applicable law, any such tax return or to pay timely any amount shown to be due thereon, including, without limitation, any such taxes, interest, penalties or charges resulting from the obtaining of an extension of time to file any return or to pay any tax. No assessments or notices of deficiency or other communications have been received by any Acquired Company with respect to any such tax return which has not been paid, discharged or fully reserved against in the Interim Financial Statements or Exhibit 3.6 hereto, and no amendments or applications for refund have been filed or are planned with respect to any such return. There are no agreements between any Acquired Company and any taxing authority, including, without limitation, the Internal Revenue Service, waiving or extending any statute of limitations with respect to any tax return, and the Acquired Company has not filed any consent or election under the Code, including, without limitation, any election under Section 341(f) of the Code, other than such consents and elections, if any, reflected in each Acquired Company's tax return for its taxable year ended December 31, 1997. True and complete copies of ACIC's tax returns for its 1995, 1996 and 1997 taxable years are attached as Exhibit 3.6. ACIC's federal income tax returns have been audited by the Internal Revenue Service through the 1993 taxable year and the only taxable years which are open for audit are 1994, 1995, 1996, 1997 and 1998. True and complete copies of ARMGA's tax returns for its 1995, 1996 and 1997 taxable years are attached as Exhibit 3.6. ARMGA's federal income tax returns have been audited by the Internal Revenue Service through the 1995 taxable year and the only taxable years which are open for audit are 1996, 1997 and 1998.

3.6.2 For all taxable periods not closed by the applicable statute of limitations, ARMGA has been a "small business corporation" as that term is defined in Section 1361(b) of the Code, it has had in effect an election under Section 1362(a) of the Code to be treated as an S corporation, and it has filed all of the federal income tax returns (and all state income tax returns in those states permitting the equivalent of an S corporation election) consistently with S corporation status. No Acquired Company has incurred and will not, with respect to any taxable period ending on or prior to the Closing Date or, with respect to any taxable period ending after the Closing Date, that portion of such period ending on the Closing Date, incur any taxable income or liability for taxes under or by reason of Sections 1363(d), 1371(d), 1374 or 1375 of the Code.

3.7 Ownership of Assets and Leases.

3.7.1 Other than with respect to the Real Property and Improvements:

3.7.1.1 Exhibit 3.7.1.1 attached hereto contains a list of all fixed assets owned by each Acquired Company, including, but not limited to, all machinery and equipment, office furniture and equipment and all vehicles owned by each Acquired Company, and depreciation schedules of the assets shown thereon.

3.7.1.2 Each Acquired Company has good and marketable title to all of the assets shown on Exhibit 3.7.1.1 subject to no mortgage, pledge, lien, security interest, conditional sale agreement, encumbrance, charge or adverse claim whatsoever, except as specifically shown on Exhibit 3.8.

3.7.1.3 Except as shown on Exhibit 3.7.1.3, none of the properties or assets used by the Acquired Companies are held under any lease, or as conditional vendee under any conditional sale or other title retention agreement. Exhibit 3.7.1.3 includes a list of all leases of all machinery and equipment of which any Acquired Company is a lessee, including respective expiration dates and monthly rentals.

3.7.1.4 Each of the leases and agreements described in Exhibit 3.7.1.3 is in full force and effect and constitutes a legal, valid and binding obligation of the Acquired Company and the other respective parties thereto and is enforceable in accordance with its terms, and there is not under any of such leases or agreements existing any default of any Acquired Company or of any other parties thereto (or event or condition which, with notice or lapse of time, or both,

would constitute a default). No Acquired Company has received any payment from a lessor in connection with or as inducement for entering into any such lease except as set forth on Exhibit 3.7.1.3.

3.7.1.5 None of the property of the Acquired Companies shown on Exhibits 3.7.1.1 or 3.7.1.3 is leased by the Acquired Companies to any other person or entity.

3.7.1.6 There are no items of machinery and equipment or vehicles employed or used by the Acquired Companies which are not described in Exhibits 3.7.1.1 or 3.7.1.3. Each Acquired Company either owns or leases all assets which are necessary to conduct its business. All machinery and equipment owned or leased by the Acquired Companies are usable and operable in its business and are in good operating condition and reasonable state of repair, subject only to ordinary wear and tear.

3.7.1.7 Inventories of the Acquired Companies consist only of supplies and materials used in the Business and neither Acquired Company holds any inventory for sale. Except as set forth on Exhibit 3.7.1.7, all inventories owned by the Acquired Companies consist only of items of a quality and quantity readily usable in the normal course of business and are valued on the Acquired Companies' books so as to reflect the normal valuation policy of the Acquired Companies, all in accordance with generally accepted accounting principles, applied on a basis consistent with prior years.

3.7.1.8 Except pursuant to this Agreement, no Acquired Company is a party to any contract or obligation whereby there has been granted to anyone an absolute or contingent right to purchase, obtain or acquire any rights in any of the assets, properties or operations which are owned by the Acquired Company.

3.7.2 With respect to the Real Property and Improvements:

3.7.2.1 No Acquired Company presently owns, has previously owned or has been the sole tenant on any Real Property, nor does it own any Improvements thereto except leasehold improvements.

3.7.2.2 The parcel of property described in Exhibit 3.7.2.2 as the leased Real Property is the only real estate leased by the Acquired Companies. Exhibit 3.7.2.2 includes a list of all leases of real estate of which each Acquired Company is a lessee, including respective expiration dates and monthly rentals. Each of the leases described in Exhibit 3.7.2.2 is in full force and effect and constitutes a legal, valid and binding obligation of the Acquired Company and the other respective parties thereto and is enforceable in accordance with its terms, and there is not under any of such leases existing any default of any Acquired Company or of any other party thereto (or event or condition which, with notice or lapse of time, or both, would constitute a default). No Acquired Company has received any payment from a lessor in connection with or as inducement for entry into any such lease except as set forth on Exhibit 3.7.2.2.

3.7.2.3 Except as disclosed on Exhibit 3.7.2.3, none of the property shown on Exhibit 3.7.2.2 is leased by any Acquired Company to any other person or entity.

3.7.2.4 There is no real estate used by the Acquired Companies which is not described in Exhibit 3.7.2.2. Each Acquired Company either owns or leases all real estate which is necessary to conduct its business.

3.7.2.5 No taxes, assessments, water charges or sewer charges relating to the Real Property and payable by an Acquired Company are delinquent and there are no special taxes, assessments or charges pending or threatened against the Real Property that are payable by an Acquired Company.

3.7.2.6 The Real Property and the Improvements are usable and operable in the Business and the Improvements are in good operating condition and reasonable state of repair, subject only to ordinary wear and tear.

3.7.2.7 Each Acquired Company has obtained and maintained in full force and effect to the date hereof all Permits required for the normal use and operation of the Real Property and the Improvements as currently operated. A complete and correct list of all such Permits is set forth on Exhibit 3.7.2.8. Each Acquired Company has delivered to Atlantic complete and accurate photocopies of all Permits. Each Acquired Company has complied in all respects with all such Permits and has not received any notice that any such Permits will not be renewed upon expiration or of any conditions which will be imposed in order to receive any such renewal. Except as described on Exhibit 3.7.2.8, all of the Permits will remain in full force and effect, and will inure to the benefit of the Atlantic, after the consummation of the transactions contemplated by this Agreement.

3.7.2.8 The Real Property is being operated and maintained in full compliance with all building code, zoning and other applicable local, state and federal ordinances, regulations and requirements which affect the use and operation thereof, with all contracts related thereto and with all Permits. No Acquired Company has received any notice or violation of law or municipal ordinance, order or requirement having jurisdiction or affecting the Real Property.

3.8 Indebtedness of the Acquired Companies. Attached hereto as Exhibit 3.8 is a list of all instruments, agreements or arrangements pursuant to which any the Acquired Company has borrowed any money, incurred any indebtedness, or established any line of credit, which represents a liability of any Acquired Companies on the date hereof. Each Acquired Company has performed all the obligations required to be performed by it to the date hereof pursuant to the obligations listed on Exhibit 3.8 and no Acquired Company is in default under any mortgage, indenture, note or other obligation for, or relating to, borrowed money to which the Acquired Company is a party, or to which any property or assets belonging to, or used by, the Acquired Company is subject, and there has not occurred any event which, but for the passage of time or giving of notice, or both, would constitute a default.

3.9 Accounts Receivable and Notes Receivable.

3.9.1 Attached hereto as Exhibit 3.9 is a true and complete list of all of the accounts receivable of each Acquired Company as of September 30, 1998 and all of the notes receivable of each Acquired Company as of such date. All sales and services made or provided on credit between September 30, 1998 and the Closing Date have been or will have been (as applicable) properly recorded on the books of each Acquired Company in the ordinary course of business.

3.9.2 All of the accounts receivable, net of any reserves for doubtful accounts established in the determination of the Closing Date Capital and Surplus and the Closing Date Net Worth pursuant to Section 2.1.9 hereof, will be paid when due and in accordance with their terms (and, in any event, within one hundred eighty (180) days from the Closing) and the notes receivable will be paid when due and in accordance with their terms. Any unpaid amounts shall first be applied against applicable reserves for doubtful accounts established in the Closing Date Capital and Surplus and the Closing Date Net Worth until such respective reserves are extinguished. If any of the said accounts receivable, after application of such reserves are not paid within one hundred eighty (180) days from the Closing Date or notes receivable are not paid in full when due, Atlantic shall deliver a notice to the Escrow Agent pursuant to the terms of the Escrow Agreement and the Escrow Agent shall distribute to Atlantic the amounts held from the Escrowed Shares, valued at the Per Share Closing Price, for any such unpaid account receivable or note receivable for any such unpaid account receivable or note receivable. All receipts from a customer shall be applied to the specific invoices to which they relate, and neither Atlantic nor the Acquired Companies shall direct a customer to pay a specific invoice in lieu of another invoice unless such customer objects to a particular invoice.

3.10 Agreement Does Not Violate Other Instruments. Except as listed in Exhibit 3.10, the execution and delivery of this Agreement by each Acquired Company do not, and the consummation of the transactions contemplated hereby will not, violate any provision of the Articles of Incorporation, as amended, or Bylaws, as amended, of any Acquired Company or violate or constitute an occurrence of default under any provision of, or conflict with, or result in acceleration of any obligation under, or give rise to a right by any party to terminate its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, lien, lease, agreement, instrument, or any order, judgment, decree or other arrangement to which any Acquired Company is a party or is bound or by which any Acquired Company's assets are affected. Except for insurance regulatory approvals, HSR Act approvals, and except as listed or described on Exhibit 3.10 attached hereto, no consent, approval, order or authorization of, or registration, declaration or filing with, any governmental entity is required to be obtained or made by or with respect any Acquired Company or any of the assets, properties or operations of any Acquired Company, in connection with the execution and delivery by any Acquired Company of this Agreement or any of the agreements, certificates or other documents delivered or to be delivered on or after the date hereof and at or prior to the Closing in connection with the transactions contemplated hereby.

3.11 Absence of Changes. Since December 31, 1998, no Acquired Company has, except as disclosed on Exhibit 3.11 attached hereto:

3.11.1 Transferred, assigned, conveyed or liquidated any of its assets or business or entered into any transaction or incurred any liability or obligation, other than in the ordinary course of its business;

3.11.2 Suffered any adverse change in its business, operations, or financial condition and neither of the Acquired Companies has become aware of any event or state of facts which may result in any such adverse change;

3.11.3 Suffered any destruction, damage or loss, whether or not covered by insurance;

3.11.4 Suffered, permitted or incurred the imposition of any lien, charge, encumbrance (which as used herein includes, without limitation, any mortgage, deed of trust, conveyance to secure debt or security interest) or claim upon any of its assets, except for any current year lien with respect to personal or real property taxes not yet due and payable;

3.11.5 Committed, suffered, permitted or incurred any default in any liability or obligation;

3.11.6 Made or agreed to any adverse change in the terms of any contract or instrument to which it is a party, except with respect to the adjustment, compromise and settlement of insurance claims in the ordinary course of business and consistent with historical practices;

3.11.7 Waived, canceled, sold or otherwise disposed of, for less than the face amount thereof, any claim or right which it has against others, except with respect to the adjustment, compromise and settlement of insurance claims in the ordinary course of business and consistent with historical practices;

3.11.8 Declared, promised or made any distribution or other payment to its Shareholders (other than reasonable compensation for services actually rendered) or issued any additional shares or rights, options or calls with respect to the capital stock of any Acquired Company, or redeemed, purchased or otherwise acquired any of the capital stock of any Acquired Company, or made any change whatsoever in any Acquired Company's capital structure (if such action would affect the ability of any Acquired Company to consummate the transactions contemplated in this Agreement or would cause the necessity of obtaining the consent of any individual or entity not disclosed in Exhibit 3.10);

3.11.9 Paid, agreed to pay or incurred any obligation for any payment for, any contribution or other amount to, or with respect to, any employee benefit plan, or paid any bonus to, or granted any increase in the compensation of, any Acquired Company's officers, agents or employees (unless made at times and in amounts consistent with the historical practices of such Acquired Company), or made any increase in the pension, retirement or other benefits of any Acquired Company's directors, officers, agents, field representatives or other employees, except for the bonuses described in Section 2.1.9;

3.11.10 Committed, suffered, permitted or incurred any transaction or event which would increase any Acquired Company's tax liability for any prior taxable year;

3.11.11 Incurred any other liability or obligation or entered into any transaction other than in the ordinary course of business;

3.11.12 Received any notices indicating, and no Acquired Company has reason to believe, that any supplier has taken or contemplates any steps which could disrupt the business relationship of any Acquired Company with said supplier or could result in the diminution in the value of any Acquired Company as a going concern;

3.11.13 Paid, agreed to pay or incurred any obligation for any payment of any indebtedness except current liabilities incurred in the ordinary course of business and except for payments as they become due pursuant to governing agreements disclosed on Exhibit 3.8; or

3.11.14 Delayed or postponed the payment of any liabilities, whether current or long term, or failed to pay in the ordinary course of business any liability on a timely basis consistent with prior practice.

3.12 Litigation. Except as otherwise set forth in Exhibit 3.12 hereto, there is no suit, action, proceeding, claim or investigation pending or threatened against, or affecting, any Acquired Company, except with respect to insurance claims matters relating to policies of insurance issued or assumed by or through the Acquired Companies in the ordinary course of business which do not allege bad faith or fraud on the part of any Acquired Company, and there exists no basis or grounds for any such suit, action, proceedings, claim or investigation. None of the items described in Exhibit 3.12, singly or in the aggregate, if pursued and/or resulting in a judgment would have an adverse effect on the assets, the business, goodwill or financial condition of any Acquired Company, or the right of any Acquired Company to consummate the transactions contemplated hereby.

3.13 Licenses and Permits; Compliance With Law. Each Acquired Company holds all licenses, certificates, permits, franchises and rights from all appropriate federal, state or other public authorities necessary for the conduct of its business and the use of its assets. All such licenses, certificates, permits, franchises and rights are listed on Exhibit 3.13. Except as noted in Exhibit 3.13, each Acquired Company is presently conducting its business so as to comply in all respects with all applicable statutes, ordinances, rules, regulations and orders of any governmental authority. Further, no Acquired Company is presently charged with nor is under governmental investigation with respect to any actual or alleged violation of any statute, ordinance, rule or regulation, nor is presently the subject of any pending or threatened adverse proceeding by any regulatory authority having jurisdiction over its business, properties or operations. Except for the Texas local recording agent license of ARMGA, which, as a result of the acquisition of ARMGA by ACIC, would not be renewable at the next renewal date after such acquisition and which could be suspended or revoked, as a result thereof, prior to such renewal date, neither the execution nor delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will result in the termination of any such license, certificate, permit, franchise or right held by any Acquired Company which is to be assigned pursuant to this Agreement, and all such assigned licenses, certificates, permits, franchises and rights will inure to the benefit of the Atlantic after the transactions contemplated by this Agreement.

3.14 Contracts, Etc.

3.14.1 Exhibit 3.14 hereto consists of a true and complete list of all contracts, agreements and other instruments relating to the Business except for those contracts, insurance policies and Benefit Plans listed in Exhibits 3.7.1.3, 3.7.2.2, 3.8, 3.9, 3.13, 3.15.1, 3.15.2, 3.17, 3.18.3, 3.18.4(a), 3.18.4(b), 3.18.4(c) 3.18.5, 3.18.6, 3.18.8, 3.18.9 and 3.20, respectively. Contemporaneously with the delivery of the Exhibits to this Agreement, each respective Acquired Company has delivered a true and complete copy of each such contract, agreement or instrument, certified as such by a duly authorized officer of each Acquired Company, including those listed in Exhibits 3.7.1.3, 3.7.2.2, 3.8, 3.9, 3.13, 3.14, 3.15.1, 3.15.2, 3.17, and 3.20.

3.14.2 All of the contracts, agreements, policies of insurance or instruments described in Exhibits 3.7.1.3, 3.7.2.2, 3.8, 3.9, 3.13, 3.14, 3.15.1, 3.15.2, 3.17, 3.18.3, 3.18.4(a), 3.18.4(b), 3.18.4(c), 3.18.5, 3.18.6, 3.18.8, 3.18.9 and 3.20 hereto are valid and binding upon each respective Acquired Company and, to the best knowledge of the Acquired Companies, the other parties thereto and are in full force and effect and enforceable in accordance with their terms, and none of the Acquired Companies or any other party to any such contract, commitment or arrangement has breached any provision of, or is in default under, the terms thereof. Except for items specifically described in Exhibit 3.14, neither Acquired Company has received any payment from any contracting party in connection with or as an inducement for entering into any contract, agreement, policy or instrument except for payment for actual services rendered or to be rendered by the Acquired Companies consistent with amounts historically charged for such services. 1.1.1

3.15 Intellectual Property; Computer Software.

3.15.1 Intellectual Property.

3.15.1.1 Exhibit 3.15.1 hereto sets forth a complete and correct list and summary description of all trademarks, trade names, service marks, service names, brand names, copyrights and patents, registrations thereof and applications therefor, applicable to or used in the business of each Acquired Company, together with a complete list of all licenses granted by or to such Acquired Company with respect to any of the above. All such trademarks, trade names, service marks, service names, brand names, copyrights and patents are owned by the Acquired Companies, free and clear of all liens, claims and encumbrances of any nature whatsoever. Neither Acquired Company is currently in receipt of any notice of any violation of, and neither Acquired Company is violating, the rights of others in any trademark, trade name, service mark, copyright, patent, trade secret, know-how or other intangible asset.

3.15.1.2 Attached hereto as Exhibit 3.15.1 are copies of the Certificates of Registration issued by the United States Patent and Trademark Office for the trademarks listed on Exhibit 3.15.1. The trademark registrations specified in Section 3.15.1 below for the trademarks listed on Exhibit 3.15.1 are owned exclusively by the Acquired Companies, free and clear of all liens, claims, security interests and encumbrances of any nature whatsoever and the respective Acquired Company has the right to use the trade dress currently used in connection therewith. Neither Acquired Company is currently in receipt of any notice of any violation of, no Acquired Company is infringing on, the rights of any other party in any trademark, trade name, or service mark used in connection with the business of the Acquired Companies.

3.15.1.3 Each Acquired Company is the owner of Federal Registrations in the U. S. Patent and Trademark Office as set forth on Exhibit 3.15.1 for use in connection with the business of the Acquired Company, and such registrations are in full force and effect.

3.15.1.4 Each Acquired Company has the right to use and transfer the trade dress currently used in connection with the packaging and promotion of its products under these marks;

3.15.1.5 No Acquired Company has granted any license, permits on or other authorization to any other person or entity to use said marks or trade names, or has made any conveyance of any such rights.

3.15.1.6 There have been, and are, no past or present disputes, demands, or litigation challenging or casting doubt on the ownership by any Acquired Company or any predecessor of any of the said marks or challenging the validity of any of the marks or the registration thereof.

3.15.1.7 There are no prior settlements, agreements, or administrative or judicial decisions affecting ownership or validity of the assigned marks or limiting the right of any Acquired Company or any predecessor owner to use or register the marks or to grant this assignment.

3.15.1.8 There are no other agreements, contracts or licenses granting, limiting, encumbering or otherwise directly or indirectly affecting ownership or use or right to use or assign the marks by any Acquired Company.

3.15.1.9 To the best knowledge of the Acquired Companies, there are no current infringements of the said marks by any third party.

3.15.2 Computer Software.

3.15.2.1 Each Acquired Company has sole, full and clear title to that computer software described as "Owned Software" on Exhibit 3.15.2 hereto (the "Owned Software"), free of all claims, including claims or rights of employees, agents, consultants or other parties involved in the development or creation of such computer software. Except as set forth on Exhibit 3.15.2 hereto, each Acquired Company has the right and license to use that software described as "Licensed Software" on Exhibit 3.15.2 free and clear of any limitations or encumbrances except as may be set forth in any license agreements listed in Exhibit 3.15.2. Exhibit 3.15.2 sets forth a list of all license fees, rents, royalties or other charges that each Acquired Company is required or obligated to pay with respect to Licensed Software. Each Acquired Company is in full compliance with all provisions of any license, lease or other similar agreement pursuant to which it has rights to use the Licensed Software. Except as disclosed on Exhibit 3.15.2, none of the Licensed Software has been incorporated into or made a part of any Owned Software or any other Licensed Software and none of the Owned Software is dependent on any Licensed Software in order to freely operate in the manner in which it is intended. The Owned Software and Licensed Software constitute all software used in the Business (the "Acquired Companies' Software"). No Acquired Company is infringing any intellectual property rights of any other person or entity with respect to the Acquired Companies' Software, and to the best knowledge and belief of the Acquired Companies, after due inquiry, no other person or entity is infringing any intellectual property rights of any Acquired Company with respect to the Acquired Companies' Software which any Acquired Company leases or licenses to it.

3.15.2.2 Year 2000 Compliance. Except as listed on Exhibit 3.15.2.2 and except for over-the-counter "shrink-wrap" software that is commercially available at a cost of no more than Three Hundred Dollars ($300.00) per unit, all of the Owned Software, Licensed Software, databases, hardware, computer controls and peripherals used in the businesses of the Acquired Companies will be able to process accurately date and time data (including, but not limited to, calculating, comparing and sequencing) from, into, and between the 20th and 21st centuries and the years 1999 and 2000 and leap year calculations without error relating to date data, specifically including any error relating to, or the product of, date data that represents or references different centuries or more than one century (any failure to so operate being referred to hereinafter as a "Year 2000 Defect"). None of the assets of any Acquired Company will fail to perform in any respect require any repair, rewrite, conversion or other adaptation because of, or due in any way to, a Year 2000 Defect. None of the businesses of the Acquired Companies depends to any extent on embedded computer technology or computer information systems of its vendors or suppliers that would, in the event that the embedded chips or vendor/supplier technology or systems contain a Year 2000 Defect, have an adverse effect on any business of the Acquired Companies or their assets.

3.16 Labor Matters. Exhibit 3.16 sets forth a list of all employees and independent contractors of each Acquired Company, their current salaries or rates and the Acquired Company's salary increase guidelines. Except as set forth on Exhibit 3.16, within the last three (3) years no Acquired Company has been the subject of any union activity or labor dispute, nor has there been any strike of any kind called or threatened to be called against it; and, except as set forth on Exhibit 3.16, no Acquired Company has violated any federal, state, or other governmental statutes, regulations, or ordinances relating to employment and labor matters, including, without limitation, the provisions of Title VII of the Civil Rights Act of 1964 (race, color, religion, sex, and national origin discrimination), 42 U.S.C. ss. 1981 (discrimination), 42 U.S.C. ss.ss. 621-634 (the Age Discrimination in Employment Act), 29 U.S.C. ss. 206 (equal pay), Executive Order 11246 (race, color, religion, sex, and national origin discrimination), Executive Order 11141 (age discrimination), ss. 503 of the Rehabilitation Act of 1973 (handicap discrimination), 42 U.S.C. ss.ss. 12101-12213 (Americans with Disabilities Act), 29 U.S.C. ss.ss. 2001-2654 (Family and Medical Leave Act), 29 U.S.C. ss.ss. 651-678 (occupational safety and health) and requirements relating to the documentation of the nationality of employees. The staffing and employment levels of each Acquired Company are now, and will be at Closing, sufficient to run the Business at levels of production, sales, marketing and administration consistent with the levels of production, sales, marketing and administration for the prior fiscal year.

3.17 Benefit Plans.

3.17.1 Exhibit 3.17 lists every pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other incentive plan, any other written or unwritten employee program, arrangement, agreement or understanding, (whether arrived at through collective bargaining or otherwise), any medical, vision, dental or other health plan, any life insurance plan or any other employee benefit plan or fringe benefit plan, including, without limitation, any "employee benefit plan," as that term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 as amended ("ERISA") and any multiemployer plan within the meaning of Section 3(37) of ERISA, currently or previously adopted, maintained, sponsored in whole or in part or contributed to by any Acquired Company or any current or former member of a commonly controlled group of trades or businesses (as defined in Section 4001(b)(1) of ERISA) including any Acquired Company for the benefit of employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries of any Acquired Company and under which employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries of any Acquired Company are eligible to participate or under or in connection with which any Acquired Company has any contingent or noncontingent liability of any kind whether or not probable of assertion (collectively, the "Benefit Plans"). Any of the Benefit Plans which is an "employee pension benefit plan," as that term is defined in Section 3(2) of ERISA, or an "employee welfare benefit plan" as that term is defined in Section 3(1) of ERISA, is referred to herein as an "ERISA Plan." No Benefit Plan is or has been a multiemployer plan within the meaning of Section 3(37) of ERISA.

3.17.2 Exhibit 3.17 also lists: (a) all trust agreements or other funding arrangements, including insurance contracts, and all amendments thereto applicable to the Benefit Plans, (b) where applicable, with respect to any such plan or plan amendments, the most recent determination letters issued by the United States Internal Revenue Service, (c) all rulings, opinion letters, information letters or advisory opinions issued by the United States Department of Labor after December 31, 1974, with respect to each such Benefit Plan, (d) annual reports or returns and audited or unaudited financial statements for the most recent three plan years and any amendments thereto, and (e) the most recent summary plan descriptions and any material modifications thereto with respect to such Benefit Plans. Contemporaneously with the delivery of the Exhibits to this Agreement, each Acquired Company has delivered a true and complete copy of each such Benefit Plan, together with the Internal Revenue Service determination letters, the Form 5300, all summary plan descriptions, and, for the period since January 1, 1996, all agreements, letter rulings, opinions, letters, reports, returns, financial statements, including Form 5500s, in each case with respect to each such Benefit Plan, all certified as such by a duly authorized officer of each Acquired Company and the Representative.

3.17.3 All the Benefit Plans and the related trusts subject to ERISA comply with and have been administered in compliance with the provisions of ERISA, all provisions of the Code relating to qualification and tax exemption under Code Sections 401(a) and 501(a) or otherwise applicable to secure intended tax consequences, all applicable state or federal securities laws and all other applicable laws, rules and regulations and collective bargaining agreements, and no Acquired Company has received any notice from any governmental agency or instrumentality questioning or challenging such compliance. All necessary governmental approvals for the Benefit Plans which have been obtained, including, but not limited to, timely determination letters on the qualification of the ERISA Plans and tax exemption of related trusts, as applicable, under the Code and timely registration and disclosure under applicable securities laws, and all such governmental approvals continue in full force and effect. No event has occurred which will or could give rise to disqualification of any such plan under Sections 401(a) or 501(a) of the Code or to a tax under Section 511 of the Code.

3.17.4 No Acquired Company or any administrator or fiduciary of any such Benefit Plan (or agent or delegate of any of the foregoing) has engaged in any transaction or acted or failed to act in any manner which could subject any Acquired Company to any direct or indirect liability (by indemnity or otherwise) for a breach of any fiduciary, co-fiduciary or other duty under ERISA. No oral or written representation or communication with respect to any aspect of the Benefit Plans has been made to employees of any Acquired Company prior to the Closing Date which is not in accordance with the written or otherwise preexisting terms and provisions of such Benefit Plans in effect immediately prior to the Closing Date. Except as disclosed in Exhibit 3.17 there are no unresolved claims or disputes under the terms of, or in connection with, the Benefit Plans, and no action, legal or otherwise, has been commenced with respect to any claim.

3.17.5 All annual reports or returns, audited or unaudited financial statements, actuarial valuations, summary annual reports and summary plan descriptions issued with respect to the Benefit Plans are correct and accurate as of the dates thereof, and there have been no amendments filed to any of such reports, returns, statements, valuations or descriptions or required to make the information therein true and accurate.

3.17.6 No "party in interest" (as defined in Section 3(14) of ERISA) or "disqualified person" (as defined in Section 4975(e)(2) of the Code) of any Benefit Plan has engaged in any "prohibited transaction" (within the meaning of Section 4975(c) of the Code or Section 406 of ERISA). There has been no (a) "reportable event" (as defined in Section 4043 of ERISA), or event described in Section 4062(f) or Section 4063(a) of ERISA or (b) termination or partial termination, withdrawal or partial withdrawal with respect to any of the ERISA Plans which any Acquired Company (or any member of a controlled group of trades or businesses as defined in Section 4001(b) which has, since January 1, 1975, included any Acquired Company) maintains or contributes to or has maintained or contributed to or was required to maintain or contribute to for the benefit of employees of any Acquired Company or any subsidiaries now or formerly in existence. With respect to any termination or withdrawal from any such ERISA Plan, no Acquired Company has direct or indirect liability to said Plan or any beneficiary thereof.

3.17.7 For any ERISA Plan which is an employee pension benefit plan as defined in ERISA Section 3(2), the fair market value of such Benefit Plan's assets equals or exceeds the present value of all benefits (whether vested or not) accrued to date by all present or former participants in such Benefit Plan. For this purpose the assumptions prescribed by the Pension Benefit Guaranty Corporation for valuing plan assets or liabilities upon plan termination shall be applied and the term "benefits" shall include the value of any early retirement or ancillary benefits (including shutdown benefits) provided under any Benefit Plan.

3.17.8 As of September 30, 1998, no Acquired Company had current or future liability under any Benefit Plan that was not reflected in the Interim Financial Statements and the liability of the Acquired Companies in connection with any Benefit Plan as of Closing will be fully accrued against in the determination of the Closing Date Net Worth of the Acquired Companies as determined under Section 2.1.9 hereof.

3.17.9 No Acquired Company maintains any Benefit Plan providing deferred or stock based compensation which is not reflected in the Interim Financial Statements, other than the Option Plan.

3.17.10 Except as disclosed on Exhibit 3.17, no Acquired Company has maintained, and does not now maintain, a Benefit Plan providing welfare benefits (as defined in ERISA Section 3(l)) to employees after retirement or other separation of service except to the extent required under Part 6 of Title I of ERISA and Code Section 4980B.

3.17.11 Except as disclosed in Exhibit 3.17, the consummation of the transactions contemplated by this Agreement will not (i) entitle any current or former employee of any Acquired Company to severance pay, unemployment compensation or any payment contingent upon a change in control or ownership of any Acquired Company, or (ii) accelerate the time of payment or vesting, or increase the amount, of any compensation due to any such employee or former employee.

3.17.12 All Benefit Plans subject to section 4980B of the Code, as amended from time to time, or Part 6 of Title I of ERISA or both have been maintained in compliance with the requirements of such laws and any regulations (proposed or otherwise) issued thereunder.

3.18 Insurance Matters.

3.18.1 Legal Investments. The bonds, stocks and other investments owned beneficially or of record by each of the Acquired Companies are permissible investments for it under all applicable insurance statutes or regulations.

3.18.2 Insurance Issued. All insurance policies and contracts issued by each of the Acquired Companies now in force (other than policies and contracts issued under applicable surplus lines laws) are on forms and at rates approved by the insurance regulatory authority of the state or jurisdiction where issued or have been filed with and not objected to by such authority within the period provided for objection. 1.1.1

3.18.3 Exhibit 3.18.3 contains a complete and correct list of all custodians and depositories for investment assets of each of the Acquired Companies, and lists the persons having signatory authority or access thereto on behalf of each of the Acquired Companies.

3.18.4 Exhibit 3.18.4(a) contains a complete and correct list of all insurance agencies and agents authorized to write insurance on behalf of each of the Acquired Companies as of the date shown on such list. To the knowledge of each of the Acquired Companies, all such agencies and agents are duly licensed with the insurance regulatory authority of the state or jurisdiction in which such agency or agent writes insurance on behalf of each of the Acquired Companies. Exhibit 3.18.4(b) contains for each of the Acquired Companies the standard form of agency agreement (including commission schedule) and standard form of contingent commission agreement and a list of all agents who have agency or commission agreements the terms of which vary from such standard agreement and the non-standard terms thereof, all of which agreements are cancelable upon no more than 180 days' notice, unless otherwise required by law to keep such agreement in force. Except as set forth on Exhibit 3.18.4(c), to the best knowledge of the Acquired Companies, no agent or broker of any of the Acquired Companies, (i) has entered into any lease or other contract (other than contracts of insurance) which bind or purport to bind any of the Acquired Companies or (ii) is in arrears with respect to premium remittances more than ninety (90) days from the end of the accounting month in which the premium was billed as shown by the Acquired Companies' most recent "90 day list" which has been prepared in the ordinary course of business.

3.18.5 There are no contracts, arrangements, treaties or understandings with any party with respect to reinsurance, excess insurance, ceding of insurance or indemnification with respect to the insurance currently being provided by each of the Acquired Companies that have been entered into except as disclosed in Exhibit 3.18.5.

3.18.6 Exhibit 3.18.6 contains a true and complete list of all individual policyholder claims or individual group certificateholder claims against each of the Acquired Companies which claims were reported and unpaid as the date hereof. Each of the Acquired Companies shall also provide to Atlantic a current list thereof at Closing.

3.18.7 The transactions contemplated by this Agreement will not affect the validity and binding character of any policy of insurance issued by each of the Acquired Companies or render any admissible assets of each of the Acquired Companies inadmissible under the applicable insurance laws of any state or the regulations promulgated thereunder by the applicable insurance regulatory authorities; provided, however, that the Acquired Companies make no representation or warranty regarding the admissible asset value, if any, of ARMGA on the books of ACIC. Except as disclosed on Exhibit 3.18.7, no provision in any insurance policy issued by each of the Acquired Companies and in force gives policyholders the right to receive dividends or distributions on their policies or otherwise share in the benefits or revenues of each of the Acquired Companies. Except as disclosed in Exhibit 3.18.7, (i) no policyholder or related group of policyholders which, singly or in the aggregate, accounted for 5% or more of the gross revenues of each of the Acquired Companies for the years ended December 31, 1997 or December 31, 1998 has materially adversely changed its agreement(s) with any of the Acquired Companies or, to the best knowledge of the Acquired Companies, intends to materially adversely change the volume of business done thereunder and (ii) no broker or agent of any of the Acquired Companies who provided more than $250,000 in direct written premiums annually in 1997 or 1998 has terminated or had terminated its relationship with the Acquired Companies.

3.18.8 Except as disclosed in Exhibit 3.18.8, the contracts entered into by each of the Acquired Companies with each of its agents, managers or brokers are valid, binding and in full force and effect and are enforceable in accordance with their terms except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting the enforceability of creditors' rights generally or by general equitable principles. Each of the Acquired Companies is not in default of any provision thereof and, except as disclosed in Exhibit 3.18.8, no such contract contains (i) any provision providing that the other party thereto may terminate the same by reason of the transactions contemplated by this Agreement, or (ii) any other provision which would be altered or otherwise become applicable by reason of such transactions. Each of the Acquired Companies' current commission schedule on all in force business is as disclosed in Exhibit 3.18.8. Except as disclosed in Exhibit 3.18.8, neither of the Acquired Companies is a party to any agreement providing for the collection of insurance premiums payable to each of the Acquired Companies by any other person.

3.18.9 Reserves. The insurance reserving practices and policies of ACIC have not changed since December 31, 1997, and the results of the application of such practices and policies are accurately reflected in the accrual for unpaid losses and expenses in ACIC's consolidated balance sheet as of December 31, 1998. The reserves carried on the books of ACIC are, in the aggregate, adequate to cover the total amount of all the insurance and reinsurance liabilities of ACIC. Exhibit 3.18.9 lists the actuarial reserve certifications prepared for ACIC, copies of which have been provided to Atlantic.

3.19 Environmental Matters. Except as set forth in Exhibit 3.19, no real property now or previously used by any Acquired Company or now or previously owned or leased by any Acquired Company (the "Property") has been used by any Acquired Company or any other party under the control of any Acquired Company or for whose conduct any Acquired Company is or was legally responsible for the handling, treatment, storage or disposal into the environment of any Hazardous Substance (as hereinafter defined). Except as set forth in Exhibit 3.19, no release, discharge, spillage or disposal of any Hazardous Substance and no soil, water or air contamination by any Hazardous Substance has occurred or is occurring in, from or on the Property in such manner or amounts which could give rise to liability to any Acquired Company or any entity under the control of any Acquired Company or for whose conduct any Acquired Company is or was legally responsible. Except as set forth in Exhibit 3.19, each Acquired Company has complied with all reporting requirements under any applicable federal, state or local environmental laws and have obtained and is in compliance with all permits required by or as they relate to the business of such Acquired Company, and there are no existing violations by any Acquired Company of any such environmental laws or permits. Except as set forth in Exhibit 3.19, there are no, nor has there been any threat of, any claims, actions, suits, proceedings or investigations related to the presence, release, production, handling, discharge, spillage, transportation or disposal of any Hazardous Substance or contamination of soil, water or air by any Hazardous Substance pending or threatened with respect to any use or ownership by any Acquired Company of the Property or otherwise against any Acquired Company in any court or before any state, federal or other governmental agency or private arbitration tribunal and there is no basis for any such claim, action, suit, proceeding or investigation. Except as set forth in Exhibit 3.19, there are no underground storage tanks on the Property for which any Acquired Company may be held to be or have been the owner or operator. No building or other improvement included in the Property for which any Acquired Company or any entity for whose conduct any Acquired Company may be held legally responsible contains any asbestos or any asbestos-containing materials, and such buildings and improvements are free from radon contamination. None of the buildings, improvements or equipment which are part of the business of any Acquired Company contain any polychlorinated biphenyls ("PCBs") for which any Acquired Company or any entity for whose conduct any Acquired Company may be held legally responsible . For the purposes of this Agreement, "Hazardous Substance" shall mean any hazardous or toxic substance, pollutant, contaminant or waste as those terms are defined by or regulated pursuant to any applicable federal, state or local law, ordinance, regulation, policy, judgment, decision, order or decree regulation including, without limitations, the Comprehensive Environmental Recovery Compensation and Liability Act, 42 U.S.C. ss. 9601 et seq. ("CERCLA"), the Hazardous Materials Transportation Act, 49 U.S.C. ss. 1801 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. ss. 6901 et seq. ("RCRA"), the Federal Water Pollution Control Act, 33 U.S.C. ss. 1311 et seq., the Clean Air Act, 42 U.S.C. ss. 7401 et seq. and the Toxic Substance Control Act, 15 U.S.C. ss. 2601 et seq., and petroleum, petroleum products and oil.

3.20 Insurance. Set forth in Exhibit 3.20 is a complete list of all insurance policies which any Acquired Company has maintained as the insured with respect to its business, properties or employees within the preceding three years. Except as set forth in Exhibit 3.20, such policies are in full force and effect and no event has occurred which would give any insurance carrier a right to terminate any such policy. Except as set forth in Exhibit 3.20, since the beginning of each of the Acquired Companies' fiscal year, there has not been any change in any Acquired Company's relationship with its insurers or in the premiums payable pursuant to such policies.

3.21 Related Party Relationships. Except as set forth in Exhibit 3.21, neither Acquired Company has any relationship with any Shareholder, officer or director (other than for insurance policies issued in the ordinary course of business and the management agreement between ARMGA and ACIC) or possesses, directly or indirectly, any beneficial interest in any corporation, partnership, firm, association or business organization which is a client, supplier, customer, lessor, lessee, lender, creditor, borrower, debtor or contracting party with or of any Acquired Company (except as a stockholder holding less than a one percent interest in a corporation whose shares are traded on a national or regional securities exchange or in the over-the-counter market).

3.22 Antitrust Matters. Each Acquired Company has conducted and is conducting the Business in compliance with all federal and state antitrust and trade regulation laws, statutes, rules and regulations, including without limitation, the Sherman Act, the Clayton Act, the Robinson Patman Act, the Federal Trade Commission Act, state laws patterned after any of the above, all laws forbidding price-fixing, collusion, or bid-rigging, and rules or regulations issued pursuant to authority set forth in any of the above. With respect to any of the foregoing, no Acquired Company is presently directly or indirectly involved

with, charged with, or under any governmental investigation with respect to, and there is no basis or grounds for, any charge, claim, investigation, suit, action, proceeding or any actual or alleged violation of any such law, statute, rule or regulation.

3.23 Suppliers. Attached hereto as Exhibit 3.23 is a complete and correct list of all persons, partnerships, corporations, or entities from which any Acquired Company has purchased any supplies relating to its business within the last six (6) months, along with their respective addresses and telephone numbers.

3.24 Fairness Opinion. Morgan Keegan has rendered a fairness opinion with respect to the transactions contemplated hereby in the form attached as Exhibit 3.24 hereto, and such opinion has not been revoked or amended in any way.

3.25 Exhibits. All Exhibits attached hereto are true, correct and complete as of the date of this Agreement, and will be true, correct and complete as of the Closing, except to the extent that such Exhibits may be untrue, incorrect or incomplete due to changes occurring due to the operation of any Acquired Company in the ordinary course. Matters disclosed on each Exhibit shall be deemed disclosed only for purposes of the matters to be disclosed in such Exhibit and shall not be deemed to be disclosed for any other purpose unless expressly provided therein.

3.26 Disclosure. No representation or statement contained herein or in any certificate, schedule, list, exhibit or other instrument furnished to Atlantic pursuant to the provisions hereof contains or will contain any untrue statement of any material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading.

3.27 No Implied Representations and Warranties. Except as expressly set forth in this Agreement, the Acquired Companies make no other representations or warranties concerning the Acquired Companies, the Shareholders, the Businesses, or the transactions described in this Agreement.

4. SECURITIES LAWS.

4.1 Condition Precedents to Issuance of Atlantic American Stock. As a condition to the issuance of the Atlantic American Stock under the terms of this Agreement, each of the Shareholders receiving Atlantic American Stock shall have executed and delivered to Atlantic on the Closing Date, a Transmittal Letter substantially in the form of Exhibit 4.1. dated as of the Closing Date, in which each Shareholder will acknowledge and represent to Atlantic that:

4.1.1 The Atlantic American Stock to be issued and delivered pursuant to the provisions of this Agreement will not be registered under the 1933 Act, or under Georgia or Texas or any other applicable "Blue-Sky" laws, in reliance upon the exemptions contained in the 1933 Act and the General Rules and Regulations under the 1933 Act promulgated by the SEC.

4.1.2 The Atlantic American Stock to be issued and delivered pursuant to the provisions of this Agreement will be, when issued and delivered, acquired by the Shareholder for investment for his or her own account and not with a view to the subsequent resale or other distribution thereof, except within the limitations prescribed under the Rules and Regulations under the 1933 Act, or in some other manner which will not violate the registration requirements of the 1933 Act or any applicable "Blue-Sky" laws.

4.1.3 The transfer of the Atlantic American Stock received by him or her under this Agreement, will be permitted or allowed only when:

4.1.3.1 such request for transfer is accompanied by an opinion of counsel satisfactory to Atlantic, which satisfaction will not be unreasonably denied, to the effect that neither the sale nor the proposed transfer results in a violation of the 1933 Act or the Rules and Regulations thereunder or applicable "Blue-Sky" laws, or 1.1.1.1

4.1.3.2 such request for transfer is accompanied by a "no-action" letter from the SEC and the applicable state securities regulatory agency with respect to the proposed transfer, or

4.1.3.3 a Registration Statement under the 1933 Act and applicable Blue-Sky laws is then in effect with respect to the Atlantic American Stock.

4.1.4 The Atlantic American Stock issued and delivered under this Agreement shall contain the following legend:

"THE SECURITIES ACT OF 1933 AND STATE SECURITIES LAWS

This Share of Atlantic American Corporation Common Stock has not been registered under the Securities Act of 1933, as amended, or under the securities laws of Georgia, Texas or any other state and cannot be sold or transferred unless (i) a Registration Statement under the Securities Act of 1933, as amended, and any applicable state securities laws is then in effect with respect to the securities represented hereby; or (ii) a written opinion from legal counsel reasonably acceptable to the issuer is obtained to the effect that an exemption from registration under the Securities Act of 1933, as amended, and any applicable state securities laws is available with respect to the proposed sale or transfer and that no such registration is required; or (iii) a no action letter or its then equivalent with respect to such sale or transfer has been issued by the Staff of the Securities and Exchange Commission and any applicable state securities governmental body."

In the event that all the conditions for the applicability of Rule 144(k) under the 1933 Act are satisfied by a respective Shareholder, at any time after the second anniversary of the Closing Date such Shareholder may submit such certificates to Atlantic for reissuance without the above legend and Atlantic shall reissue such certificates.

5. REPRESENTATIONS AND WARRANTIES OF ATLANTIC.

Atlantic represents and warrants to, and for the benefit of, the Acquired Companies as follows:

5.1 Organization and Standing. Atlantic is a duly organized and validly existing corporation in good standing under the laws of the State of Georgia, and has the full power and authority (corporate and otherwise) to carry on its business in the places and as it is now being conducted and to own and lease the properties and assets which it now owns or leases.

5.2 Corporate Power and Authority. Atlantic has the capacity and authority to execute and deliver this Agreement, to perform hereunder, and to consummate the transactions contemplated hereby without the necessity of any act or consent of any other person whomsoever. The execution, delivery and performance by Atlantic of this Agreement and each and every agreement, document and instrument provided for herein have been duly authorized and approved by the Board of Directors (or executive committees thereof that are authorized to grant approval on behalf of the full Board of Directors) of Atlantic. This Agreement and the transactions contemplated by this Agreement do not require the approval of the shareholders of Atlantic. This Agreement, and each and every other agreement, document and instrument to be executed, delivered and performed by Atlantic in connection herewith, constitute or will, when executed and delivered, constitute the valid and legally binding obligations of Atlantic, enforceable against it in accordance with their respective terms, except as enforceability may be limited by applicable equitable principles, or by bankruptcy, insolvency, reorganization, moratorium, or similar laws from time to time in effect affecting the enforcement of creditors' rights generally.

5.3 Agreement Does Not Violate Other Instruments. The execution and delivery of this Agreement by Atlantic does not, and the consummation of the transactions contemplated hereby will not, violate any provisions of the Articles of Incorporation, as amended, or Bylaws, as amended, of Atlantic, or violate or constitute an occurrence of default under any provision of, or conflict with, result in acceleration of any obligation under, or give rise to a right by any party to terminate its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, lien, lease, agreement, instrument, or any order, judgment, decree or other arrangement to which Atlantic is a party or is bound or by which its assets are affected. Except as listed or described on Exhibit 5.3 attached hereto, no consent, approval, order or authorization of, or registration, declaration or filing with, any governmental entity is required to be obtained or made by or with respect to the Atlantic, or any assets, properties or operations of Atlantic, in connection with the execution and delivery by Atlantic of this Agreement or the consummation of the transactions contemplated hereby.

5.4 Due Issuance of Atlantic Stock; No Restrictions. The shares of Atlantic American Stock to be delivered to the Escrow Agent at the Closing will be, at the time of such delivery, validly authorized and issued and fully paid and nonassessable. Except as set forth in Section 2.1.8, the shares of Atlantic American Stock to be delivered to the Escrow Agent at the Closing will have no restrictions on their voting rights or their rights to receive dividends.

5.5 Litigation. There is no suit, action, proceeding, claim or investigation pending or threatened against or affecting the right of Atlantic to consummate the transactions contemplated hereby, and there exists no basis or grounds, with respect to actions by Atlantic, for any such suit, action, proceeding, claim or investigation.

5.6 SEC Reports. Since December 31, 1997, Atlantic has made all filings required by it to be made with the SEC ("SEC Documents"). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder applicable to such SEC Documents, and none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Acquired Companies acknowledge that Atlantic has delivered to them a copy of its Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Form 10-K") The consolidated financial statements of Atlantic contained in the Form 10-K present fairly, in all material respects, the financial position of Atlantic as of the period indicated, in conformity with generally accepted accounting principles. The Form 10-K complies in all material respects as to form with the requirements of the Securities Exchange Act of 1934, as amended. 1.1

5.7 Disclosure. No representation or statement contained herein or in any certificate, schedule, list, exhibit or other instrument furnished to the Acquired Companies pursuant to the provisions hereof contains or will contain any untrue statement of any material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading.

5.8 No Adverse Change. Since December 31, 1998, Atlantic has not suffered any material adverse change in its business, operations or financial condition and Atlantic has not become aware of any event or state of facts which may result in any such material adverse change.

5.9 No Implied Representations and Warranties. Except as expressly set forth in this Agreement, Atlantic makes no representations or warranties concerning Atlantic, its business or the transactions described in this Agreement.

6. CONDITIONS PRECEDENT TO OBLIGATIONS OF ATLANTIC TO CLOSE.

All of the obligations of Atlantic to consummate the transactions contemplated by this Agreement shall be contingent upon and subject to the satisfaction on or before the Closing Date, of each and every one of the following conditions, all or any of which may be waived in writing by Atlantic prior to the Closing Date which shall be delayed if necessary in order for there to be a full fifteen (15) day cure period, as described below. Notwithstanding any other provision herein to the contrary, in the event that prior to the Closing Date the Acquired Companies give Atlantic notice of any misrepresentation or breach of any covenant or warranty or the occurrence of any event after the date hereof which would prohibit the Acquired Companies from delivering the certificate described in Section 6.2, without exception (a "Subsequent Event"), the Acquired Companies shall have fifteen (15) days from the Acquired Companies' discovery thereof within which to cure such misrepresentation, or breach of covenant or warranty or the effects of such Subsequent Event, which cure period shall in no event extend beyond the Closing as delayed for a full cure period. In the event that such misrepresentation, breach or effects of such Subsequent Event remains uncured, and the Loss attributable to it is reasonably anticipated to be less than One Million Dollars ($1,000,000.00) (after taking into account any applicable Minimum Aggregate Liability Amount) and the circumstances or events giving rise to such misrepresentation, breach or effects do not result in material interference with the operation of the Business, the parties shall close the transactions contemplated by this Agreement regardless, and Atlantic shall have the right to indemnification pursuant to the provisions of Article IX hereof. In the event that such reasonably anticipated Loss is equal to or greater than One Million Dollars ($1,000,000.00) (after taking into account any applicable Minimum Aggregate Liability Amount) or the circumstances or events giving rise to such misrepresentation, breach or effects of such Subsequent Event results in material interference with the operation of the Business, Atlantic may elect not to close the transactions contemplated hereby. In the event that Atlantic elects to close the transactions contemplated hereby notwithstanding any such uncured misrepresentation, breach or effects of such Subsequent Event the Loss attributable to which is reasonably anticipated to be equal to or greater than One Million Dollars ($1,000,000.00) (after taking into account any applicable Minimum Aggregate Liability Amount) or the circumstances or events giving rise to such misrepresentation, breach or effects of such Subsequent Event results in material interference with the operation of the Business, such Closing shall be deemed a waiver of Atlantic's right to seek indemnification for such misrepresentation, breach or effects of such Subsequent Event in excess of One Million Dollars ($1,000,000.00), but Atlantic shall have the right to seek indemnification pursuant to Article IX for up to One Million Dollars ($1,000,000.00) after taking into account any applicable Minimum Aggregate Liability Amount. The foregoing shall not be construed to prohibit Atlantic from not closing if the conditions to close set forth in Sections 6.3 through 6.13 are not satisfied or waived, and any such condition waived for purposes of the Closing shall be waived for all purposes.

6.1 Representations True at Closing. The representations and warranties made by each Acquired Company to Atlantic in this Agreement, the Exhibits hereto or any document or instrument delivered to Atlantic or its representatives hereunder shall be true and correct on the Closing Date with the same force and effect as though such representations and warranties had been made on and as of such time (except for changes contemplated by this Agreement).

6.2 Covenants of the Acquired Companies. Each Acquired Company shall have duly performed all of the covenants, acts and undertakings to be performed by them on or prior to the Closing Date and duly authorized officers of each Acquired Company shall deliver to Atlantic a certificate dated as of the Closing Date certifying to the fulfillment of this condition and the condition set forth in Section 6.1 hereof.

6.3 No Injunction, Etc. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain, prohibit, or obtain substantial damages in respect of, or which is related to, or arises out of, this Agreement or the consummation of the transactions contemplated hereby, or which is related to or arises out of the assets or the Business, if such action, proceeding, investigation, regulation or legislation, in the reasonable judgment of Atlantic would make it inadvisable to consummate such transactions.

6.4 Opinion of Counsel. A favorable opinion of Sneed, Vine & Perry shall have been delivered to Atlantic dated as of the Closing Date, substantially in form and substance of the opinion attached hereto as Exhibit 6.4.

6.5 Consents, Approvals and Waivers. Atlantic shall have received a true and correct copy of each and every consent, approval and waiver (a) described in Sections 2.2 and 2.7 hereof, or (b) otherwise required for the execution of this

Agreement and the consummation of the transactions contemplated hereby.

6.6 Approvals. The execution and the delivery of this Agreement and the consummation of the transactions contemplated hereby shall have been approved by all regulatory authorities whose approvals are required by law including, without limitation, all required approvals from the applicable insurance regulatory authorities and the waiting period applicable to the transactions contemplated hereby under the HSR Act shall have expired or been terminated.

6.7 Absence of Changes. Since the date of this Agreement, no Acquired Company shall have suffered any change in its financial condition, business, property or assets which materially and adversely affects the conduct of its business.

6.8 Employment Agreement. Atlantic shall have received a copy of the Employment Agreement, substantially in the form of Exhibit 2.10, for the Sole Shareholder. The existing employment agreements described in Section 2.15 shall have been terminated. 1.1

6.9 Covenant Not to Compete; Non-Solicitation and Confidentiality Agreements. Atlantic shall have received a copy of the Covenant not to Compete, substantially in the form of Exhibit 2.11(b) for the Sole Shareholder, and a copy of the Non-Solicitation and Confidentiality Agreement, for all of those persons listed Exhibit 2.11.

6.10 Shareholder Approval. This Agreement, the Plan of Exchange, the Exchange, and the transactions contemplated hereby and thereby, shall have been adopted and approved by the affirmative vote of the holders of the outstanding shares of common stock of ACIC by the vote required by, and in accordance with, the TBCA and other applicable law.

6.11 Dissenting Shareholders. The holders of no more than five percent (5%) of the outstanding shares of common stock of ACIC are entitled to demand payment of the value of their shares pursuant to the provisions of the TBCA , or any other law, respecting rights of dissenting shareholders.

6.12 Fairness Opinion. The fairness opinion rendered by Morgan Keegan and referred to in Section 3.24 shall not have been revoked or amended.

6.13 A.M. Best Rating. A.M. Best shall have acknowledged the continuation of ACIC's "A-" A.M. Best Rating following the Closing of the transaction as of the Closing Date.

7. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE ACQUIRED COMPANIES.

All of the obligations of the Acquired Companies to consummate the transactions contemplated by this Agreement shall be contingent upon and subject to the satisfaction of each and every one of the following conditions, all or any of which may be waived in writing by the Acquired Companies prior to the Closing Date, which shall be delayed if necessary in order for there to be a full fifteen (15) day cure period, as described below. Notwithstanding any other provision herein to the contrary, in the event that prior to the Closing Date Atlantic gives the Acquired Companies notice of any misrepresentation or breach of any covenant or warranty or the occurrence of a Subsequent Event (which in the case of Atlantic relates to its inability to deliver the certificate described in Section 7.2), Atlantic shall have fifteen (15) days from Atlantic's discovery thereof within which to cure such misrepresentation or breach of covenant or warranty or effects of such Subsequent Event which cure period shall in no event extend beyond the Closing as delayed for a full cure period. In the event that such misrepresentation, breach or effects of such Subsequent Event remains uncured, and the loss attributable to it is reasonably anticipated to be less than One Million Dollars ($1,000,000.00), the parties shall close the transactions contemplated by this Agreement regardless and the Acquired Companies shall have the right to indemnification pursuant to the provisions of Article IX hereof. In the event that such reasonably anticipated Loss is equal to or greater than One Million Dollars ($1,000,000.00), the Acquired Companies may elect not to close the transactions contemplated hereby. In the event that the Acquired Companies elect to close the transactions contemplated hereby notwithstanding any such uncured misrepresentation, breach or effects of such Subsequent Event the Loss attributable to which is reasonably anticipated to be equal to or greater than One Million Dollars ($1,000,000.00), such Closing shall be deemed a waiver of the Acquired Companies' right to seek indemnification for such misrepresentation, breach or effects of such Subsequent Event in excess of One Million Dollars ($1,000,000.00), but the Acquired Companies shall have the right to seek indemnification pursuant to Article IX for up to One Million Dollars ($1,000,000.00). The foregoing shall not be construed to prohibit the Acquired Companies from not closing if the conditions to close set forth in Sections 7.3 through 7.7 are not satisfied or waived, and any such condition waived for purposes of the Closing shall be waived for all purposes.

7.1 Representations True at Closing. The representations and warranties made by Atlantic in this Agreement to the Acquired Companies or any document or instrument delivered to any Acquired Company or their representatives hereunder shall be true and correct on the Closing Date with the same force and effect as though such representations and warranties had been made on and as of such date, except for changes contemplated by this Agreement.

7.2 Covenants of Atlantic. Atlantic shall have duly performed all of the covenants, acts and undertakings to be performed by them on or prior to the Closing Date, and a duly authorized officer of Atlantic shall deliver a certificate dated as of the Closing Date certifying to the fulfillment of this condition and the condition set forth under Section 7.1 above.

7.3 No Injunction, Etc. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain, prohibit, or obtain substantial damages in respect of, or which is related to, or arises out of, this Agreement or the consummation of the transactions contemplated hereby, or which is related to or arises out of the business of Atlantic, if such action, proceedings, investigation, regulation or legislation, in the reasonable judgment of the Acquired Companies would make it inadvisable to consummate same.

7.4 Opinion of Counsel for Atlantic. A favorable opinion of Jones, Day, Reavis & Pogue shall have been delivered to the Acquired Company dated as of the Closing Date, substantially in form and substance of the opinion attached hereto as Exhibit 7.4.

7.5 Approvals. The execution and the delivery of this Agreement and the consummation of the transactions contemplated hereby shall have been approved by all regulatory authorities and all courts whose approvals are required by law, including, without limitation, all required approvals from the applicable insurance regulatory authorities and the waiting period applicable to the transactions contemplated hereby under the HSR Act shall have expired or been terminated.

7.6 Atlantic Board Seat. Atlantic shall, subject to the Closing, have appointed Harold K. Fischer to its Board of Directors as required by Section 2.13.

7.7 Fairness Opinion. The fairness opinion rendered by Morgan Keegan and referred to in Section 3.24 shall not have been revoked or amended.

7.8 Absence of Changes. Since the date of this Agreement, Atlantic shall not

have suffered any change in its financial condition, business, property or assets which materially and adversely effects the conduct of its business.

8. CLOSING.

8.1 Time and Place of Closing and Effective Date.

8.1.1 The Closing shall commence on the last day of the calendar month in which the last of the regulatory approvals required by Section 6.6 is received (the "Closing Date"), unless another date is agreed to in writing by the Acquired Companies and Atlantic, at the offices of Sneed, Vine & Perry, 901 Congress Avenue, Austin, Texas, commencing at 10:00 a.m. Central Time. In no event will the Closing be held later than June 30, 1999.

8.2 Transactions at Closing. At the Closing, the order of the transactions shall be deemed the Share Exchange, immediately followed by the purchase of all of the issued and outstanding shares of capital stock from the sole shareholder of ARMGA by ACIC and each of the following transactions shall occur:

8.2.1 The Acquired Companies' Performance. At the Closing, each Acquired Company shall deliver to Atlantic, the following:

(1) to the extent received by the Representative from the Shareholders, all certificates representing shares of the outstanding capital stock of each Acquired Company, duly endorsed for transfer or accompanied by instruments of transfer reasonably satisfactory in form and substance to Atlantic and its counsel;

(2) the certificates of the duly authorized officers of each Acquired Company described in Section 6.2;

(3) copies of all consents, approvals, acknowledgments and waivers described in Sections 2.7 and Section 6.5, which have been obtained prior to Closing;

(4) satisfactory evidences of the approvals described in Section 6.6 that are required by law to be obtained by the Acquired Companies;

(5) certificates of compliance or certificates of good standing of each Acquired Company, as of the most recent practicable date, from the appropriate governmental authority of the jurisdiction of its incorporation and any other jurisdiction which is set forth in Exhibit 3.1 hereto;

(6) certified copies of resolutions of the Board of Directors of each Acquired Company approving the transactions set forth in this Agreement and, in the case of ACIC, the Plan of Exchange;

(7) certified copies of resolutions of the Shareholders of each Acquired Company approving the transactions set forth in this Agreement and, in the case of ACIC, the Plan of Exchange;

(8) certificate of incumbency for the officers of each Acquired Company who are executing this Agreement and the other documents contemplated hereunder;

(1)

(9) resignations of each director of each Acquired Company and each noninstitutional trustee under any Benefit Plan maintained by any Acquired Company;

(10) Employment Agreement executed by the Sole Shareholder, substantially in the form of Exhibit 2.10.;

(11) Covenant Not to Compete executed by the Sole Shareholder and Non-Solicitation and Confidentiality Agreements executed by each of the persons listed Exhibit 2.11, substantially in the forms of Exhibit 2.11(b) and Exhibit 2.11(a), respectively;

(12) list of claims described in Section 3.18.6;

(13) opinion of counsel described in Section 6.4;

(14) to the extent received by the Representative from Shareholders, Transmittal Letters executed by the Shareholders, substantially in the form of Exhibit 4.1;

(15) to the extent received by the Representative from Shareholders, three (3) executed blank stock transfers for each Shareholder with regard to the Escrowed Shares;

(16) evidence satisfactory to Atlantic that the condition set forth in Section 6.12 has been met;

(17) evidence of the termination of the existing employment agreements described in Section 2.15;

(18) such other evidence of the performance of all covenants and satisfaction of all conditions required of the Acquired Company by this Agreement, at or prior to the Closing, as Atlantic or its counsel may reasonably require.

8.2.2 Performance by Atlantic. At the Closing, Atlantic shall deliver to the Acquired Companies the following:

(1) The certificates of the authorized officers described in Section 7.2;

(2) Satisfactory evidence of the approvals described in Section 7.5 that are required by law to be obtained by Atlantic;

(3) Opinion of counsel described in Section 7.4;

(4) Certificate of incumbency of the officers of Atlantic who are executing this Agreement and the other documents contemplated hereunder;

(5) executed Employment Agreement, substantially in the respective form of Exhibits 2.10;

(6) executed Covenant Not to Compete and Non-Solicitation and Confidentiality Agreements, substantially in the forms of Exhibit 2.11(b) and Exhibit 2.11(a), respectively;

(7) certified copy of resolutions of the Boards of Directors (or executive committees thereof) of Atlantic approving the transactions set forth in this Agreement and the Plan of Exchange; and

(8) such other evidence of the performance of all the covenants and satisfaction of all of the conditions required of Atlantic by this Agreement at or before the Closing as the Acquired Companies or their counsel may reasonably require.

8.2.3 Delivery of Share Certificates. As soon as practicable following the Closing, on the Closing Date, the Articles of Exchange described in Section 2.1.2 shall be filed with the Secretary of State of Georgia and with the Texas Department of Insurance, if required under Texas law. At the Closing, Atlantic, the Representative and the Escrow Agent will enter into an escrow agreement in the form attached as Exhibit 2.1.8.1. At the Closing, Atlantic shall deliver to the Representative (for those Shareholders who at that time have executed and delivered (i) the Transmittal Letter described in Sections 2.1.12 and 4.1, (ii) Certificates representing shares of common stock of ACIC, and (iii) three (3) stock powers executed in blank, certificates representing the shares of Atlantic American Stock issuable to the Shareholders and the ACIC Cash Consideration and ARMGA Cash Consideration as provided in Section 2.1 and the Plan of Exchange, except for the Escrowed Shares and the Escrowed Cash, which shall be delivered by Atlantic to the Escrow Agent along with the executed blank stock transfers described in Section 2.1.8 pursuant to the terms of this Agreement. The Escrowed Shares and the Escrowed Cash shall be held by the Escrow Agent pursuant to the terms of the Escrow Agreement. Following the Closing, at such time as the Representative shall deliver a Transmittal Letter executed by a Shareholder, Atlantic shall deliver additional shares of Atlantic American Stock as Escrowed Shares and additional cash consideration as Escrowed Cash to the Escrow Agent and shall deliver other cash consideration to the Representative, in a proportionate amount to reflect the ownership interest of such Shareholder delivering such Transmittal Letter.

9. SURVIVAL OF REPRESENTATIONS AND WARRANTIES AND

INDEMNIFICATION.

9.1 Survival of Representations and Warranties of the Acquired Companies. All representations, warranties, agreements, covenants and obligations made or undertaken by any Acquired Company in this Agreement or in any document or instrument executed and delivered pursuant hereto are material, have been relied upon by Atlantic and shall survive the Closing hereunder for the periods set forth in Section 9.4 and shall not merge in the performance of any obligation by any party hereto. Prior to the Closing, the Acquired Companies, jointly and severally, shall indemnify and hold harmless Atlantic or any assignee of Atlantic at all times until the Closing, from and against and in respect of, any liability, claim, deficiency, loss, damage, or injury and all reasonable costs and expenses (including reasonable counsel fees and costs of any suit related thereto) suffered or incurred (collectively, a "Loss") by Atlantic arising from (i) any misrepresentation, or breach of any covenant or warranty of any Acquired Companies contained in this Agreement or any exhibit, certificate or other instrument furnished or to be furnished by either of the Acquired Companies hereunder, or any Third Party Claim (regardless of whether the claimant is ultimately successful) which if true would be such a misrepresentation or breach, (ii) any nonfulfillment of any agreement on the part of either of the Acquired Companies under this Agreement or from any misrepresentation in or omission from, any certificate or other instrument furnished or to be furnished to Atlantic hereunder, or (iii) any Subsequent Event subject to the prefatory language of Article VI. From and following the Closing, the Shareholders, solely by application of the provisions, and subject to the limitations of this Article IX, shall indemnify and hold harmless Atlantic or any assignee of Atlantic at all times prior to the expiration of the period specified in Section 9.4 from and against and in respect of any Loss by Atlantic arising from (i) any misrepresentation, or breach of any covenant or warranty of any Acquired Companies contained in this Agreement or any exhibit, certificate or other instrument furnished or to be furnished by either of the Acquired Companies hereunder, or any Third Party Claim (regardless of whether the claimant is ultimately successful) which if true would be such a misrepresentation or breach, (ii) any nonfulfillment of any agreement on the part of either of the Acquired Companies under this Agreement or from any misrepresentation in or omission from, any certificate or other instrument furnished or to be furnished to Atlantic hereunder, or (iii) any Subsequent Event subject to the prefatory language of Article VI. Since following the Closing, the Acquired Companies will be owned by Atlantic, the parties to this Agreement agree that no individual or person will have a right of reimbursement or contribution against the Acquired Companies (including without limitation, any rights of law), and any Loss suffered or incurred by the Acquired Companies against which Atlantic is indemnified and held harmless as provided above shall be deemed suffered by Atlantic, which shall be entitled to enforce such indemnity.

Any examination, inspection or audit of the properties, financial condition or other matters of any Acquired Company and its business conducted by Atlantic pursuant to this Agreement shall in no way limit, affect or impair the ability of Atlantic to rely upon the representations, warranties, covenants and obligations of the Acquired Companies set forth herein.

9.2 Survival of Representations and Warranties of Atlantic. All representations, warranties, agreements, covenants and obligations made or undertaken by Atlantic in this Agreement or in any document or instrument executed and delivered pursuant hereto are material, have been relied upon by the Acquired Companies and shall survive the Closing hereunder for the period specified in Section 9.4, and shall not merge in the performance of any obligation by any party hereto. Atlantic agrees to and shall indemnify and hold harmless the Shareholders at all times after the date of this Agreement from and against and in respect of, any Loss suffered or incurred by any Shareholder arising from (i) any misrepresentation, or breach of any covenant or warranty of Atlantic contained in this Agreement or any exhibit, certificate or other instrument furnished or to be furnished by Atlantic hereunder, or any claim by a third party (regardless of whether the claimant is ultimately successful) which if true would be such a misrepresentation or breach, or (ii) any nonfulfillment of any agreement on the part of Atlantic under this Agreement or from any misrepresentation in or omission from, any certificate or other instrument furnished or to be furnished to any Acquired Company hereunder or (iii) any Subsequent Event subject to the prefatory language of Article VII. Since following the Closing, the Acquired Companies will be owned by Atlantic, the Shareholders shall be deemed to be third party beneficiaries of this Agreement and shall be entitled to enforce such indemnification matters described above solely through the Representative.

9.3 Minimum Aggregate Liability Amount. Atlantic agrees not to seek recourse against, and shall not recover from the Shareholders under this Article IX on account of any liability, loss, damage, injury or claim until the aggregate amount thereof exceeds Four Hundred Thousand Dollars ($400,000.00) (the "Minimum Aggregate Liability Amount"), at which time claims may be asserted only for amounts in excess of the Minimum Aggregate Liability Amount. Notwithstanding the foregoing, there shall be no Minimum Aggregate Liability Amount for, and the Minimum Aggregate Liability Amount shall not be charged for or reduced by, any liability, loss, damage, injury or claim resulting from the covenants, representations and warranties contained in the provisions of Sections 2.3.4, 3.1, 3.2, 3.3, 3.9.2, , 13.2 or 13.5 or from a breach of the covenants contained in Section 2.3.1 to the extent it pertains to the making of a payment in excess of the amounts permitted in Section 2.3.4.

9.4 Survival Period for Claims. A claim for indemnification based on the covenants, representations and warranties contained in this Agreement must be made within twenty-four (24) months after the Closing Date.

9.5 Notification and Defense of Claims.

9.5.1 Third Party Claims.

9.5.1.1 Notification and Defense Rights.

(1) If any party to this Agreement (an "Indemnitee") receives written notice of the assertion of any claim or of the commencement of any action or proceeding by any entity who is not a party to this Agreement (a "Third Party Claim") against or affecting such Indemnitee, and if such assertion were presumed to be true (regardless of the actual outcome) then the other party or parties could be obligated to provide indemnification under this Agreement (an "Indemnifying Party"), then such Indemnitee will give such Indemnifying Party reasonably prompt written notice thereof, but in any event no later than twenty (20) calendar days after receipt of such written notice of such Third Party Claim. However, if it is reasonably determined by the Indemnitee that immediate action is required to address a condition giving rise to a Third Party Claim, the Indemnitee is authorized to take immediate action without prior notice, and thereafter give notice to the Indemnifying Party as soon as practicable. In such event the Indemnitee shall be entitled to recover from the Indemnifying Party to the extent the Indemnifying Party is liable for indemnification hereunder. Such written notice shall specify in reasonable detail, to the extent known, the nature and any particulars of the Third Party Claim giving rise to a right of indemnification.

(2) Failure of the Indemnitee to give the notice described in subsection (i) above shall not relieve the Indemnifying Party from any liability which it may have on account of indemnification or otherwise, except to the extent that the Indemnifying Party is prejudiced thereby.

(3) If (a) the Indemnifying Party admits in the Notice to Defend (defined below) its obligation to indemnify the Indemnitee for the Third Party Claim, and (b) in the case of where the Shareholders are the Indemnifying Party, the full amount of the asserted claim is less than the remaining Escrowed Shares, then in such event, the Indemnifying Party will have the sole right to control the defense of such Third Party Claim at such Indemnifying Party's sole expense by Indemnifying Party's own counsel (which counsel must be reasonably satisfactory to the Indemnitee), by giving written notice to the Indemnitee (the "Notice to Defend") no later than twenty (20) calendar days after receipt of the above-described notice of such Third Party Claim.

(4) In all circumstances other than that described in subsection (iii) above, the Indemnifying Party may participate in (but not control) the defense if it gives the Notice to Defend within such twenty-day period, and the Indemnitee also will have the right to participate in the defense of any Third Party Claim assisted by counsel of its own choosing; provided, however, that the Indemnitee shall have the sole right to make any significant decisions with respect to the defense of such Third Party Claim except as to the settlement or compromise of such Third Party Claim which shall be subject to the provisions of Section 9.5.1.2.

(5) During the period prior to receiving the Notice to Defend, the Indemnitee can proceed to defend the claim, action or proceeding and the Indemnitee shall be entitled to recover from the Indemnifying Party to the extent the Indemnifying Party is liable for indemnification hereunder.

(6) Notwithstanding anything in this Section 9.5.1.1 to the contrary, the Indemnifying Party shall not be entitled to participate in, and the Indemnitee shall be entitled to sole and absolute control over the defense, compromise or settlement of, any claim to the extent that the claim seeks an injunction or other similar equitable or nonmonetary relief against the Indemnitee.

(7) If the Indemnitee does not receive a Notice to Defend with respect to a Third Party Claim within the twenty day period described in subsection (iii) above, the Indemnitee may, at its option, solely defend the Third Party Claim assisted by counsel of its own choosing, and the Indemnifying Party will be liable for all costs and expenses, and all settlement amounts (subject to and in accordance with Section 9.5.1.2), but only to the extent the Indemnifying Party is liable for indemnification hereunder.

9.5.1.2 Defense Costs.

(1) If, within the twenty (20) day period set forth in subsection 9.5.1.1 (iii) above, an Indemnitee receives a Notice to Defend from an Indemnifying Party with respect to any Third Party Claim and the other conditions set forth in 9.5.1.1(iii) are met, the Indemnifying Party will not be liable for any legal expenses incurred by the Indemnitee after receipt of the Notice to Defend in connection with the defense thereof.

(2) Notwithstanding subsection (i) above, if after giving a Notice to Defend, the Indemnifying Party fails to take reasonable steps necessary to defend diligently such Third Party Claim within the earlier of (a) twenty (20) calendar days after receiving written notice from the Indemnitee that the Indemnitee believes, after due inquiry, that the Indemnifying Party has failed to take such steps or (b) within such period necessary in the reasonable judgment of the Indemnitee to not prejudice the defense of such Third Party Claim, then the Indemnitee may, at its option, solely assume the defense of the Indemnifying Party Claim, assisted by counsel of its own choosing, and the Indemnifying Party will be liable for all reasonable costs and expenses, and all settlement amounts (subject to and in accordance with Section 9.6.1.3) and other liabilities, losses, damages and injuries paid or incurred in connection therewith where the Indemnifying Party is liable for such other liabilities, losses, damages and injuries pursuant to this Article IX.

(3) Notwithstanding subsection (i) above if (a) the Indemnitee has available defenses, counterclaims or third party claims that are not available to the Indemnifying Party, (b) a claim seeks an injunction or other similar equitable relief against the Indemnitee, or (c) the claim seeks any remedy or relief other than a monetary claim, then the Indemnitee shall be entitled to recover from the Indemnifying Party its reasonable costs and expenses incurred in defending the portions of such Third Party Claim that relates to the matters described in (a), (b) or (c) of this subsection (iii), and all settlement amounts (subject to and in accordance with Section 9.5.1.3) and other liabilities, losses, damages and injuries paid or incurred in connection therewith to the extent that the Indemnifying Party is liable for indemnification hereunder.

9.5.1.3 Settlement.

(1) In the circumstances described in Section 9.5.1.1(iii) where the Indemnifying Party has the sole right to control the defense of the Third Party Claim, the Indemnifying Party shall have the sole right to settle such claim, provided that settlement is less than the amount of Escrowed Shares valued at the Per Share Closing Price. Furthermore, in the circumstances described in Section 9.5.1.1(vi), the Indemnitee shall have the sole right to settle a Third Party Claim to the extent provided in such Section.

(2) In all other circumstances, if there is a dispute between the Indemnifying Party and Indemnitee concerning whether a Third Party Claim should be contested, settled or compromised, it shall be settled, compromised or contested, in accordance with the next succeeding subsections of this Section 9.5.1.3; provided, however, that the Indemnitee, or its respective successors or assigns, shall neither be required to refrain from paying or satisfying any claim which the Indemnifying Party has not acknowledged in writing its obligations to indemnify the Indemnitee, or which has matured by court judgment or decree, unless appeal is taken thereafter and proper appeal bond posted by the Indemnifying Party, nor shall the Indemnitee be required to refrain from paying or satisfying any Third Party Claim after and to the extent that such Third Party Claim has resulted in an unstayed injunction or other similar equitable relief against the Indemnitee or in an imposition of a lien upon any of the properties or assets then held by the Indemnitee or its respective successors and assigns (unless such claim shall have been discharged or enforcement thereof stayed by the filing of a legally permitted bond by the Indemnifying Party or otherwise, at its sole expense), or result in a breach or default in a license, lease or other contract by which any of them is bound, or would materially adversely affect their respective assets, businesses or financial condition.

(3) Subject to subsection (ii), in the event that the Indemnifying Party, on the one hand, or the Indemnitee, on the other hand, has reached a good faith, bona fide settlement agreement or compromise, subject only to approval hereunder, with any claimant regarding a matter which may be the subject of indemnification hereunder and desires to settle on the basis of such agreement or compromise, such party who desires to so settle or compromise shall notify the other party in writing of its desire setting forth the terms of such settlement or compromise (the "Notice of Settlement").

(4) The Third Party Claim may be settled or compromised on the basis set forth in the Notice of Settlement unless within twenty (20) days of the receipt of the Notice of Settlement the party who issued the Notice of Settlement receives a notice from the other party of its desire to continue to contest the matter (the "Notice to Contest") and, in such case:

(1) Should the Indemnitee deliver a Notice to Contest, the claim shall be so contested and the liability of the Indemnifying Party shall be limited as provided in subsection (c) below.

(2) If the settlement or compromise could result in a claim for indemnification being made against the Indemnifying Party and if the Indemnifying Party delivers the Notice to Contest, the claim shall be so contested and the liability of the Indemnitee shall be limited as provided in subsection (c) below.

(3) If a matter is contested as provided in subsections (a) or (b) above and is later adjudicated, settled, compromised or otherwise disposed of and such adjudication, compromise, settlement or disposition results in a liability, loss, damage or injury in excess of the amount for which one party desired previously to settle the matter as set forth in the Notice of Settlement, then the liability of such party shall be limited to such lesser proposed settlement amount and the party contesting the matter shall be solely responsible for the amount in excess of such lesser proposed settlement amount and without regard to any minimum or maximum restriction on liability described in the Agreement.

(5) For an Indemnifying Party's Notice to Contest to be effective, it must also state that the Indemnifying Party acknowledges and agrees that it shall be obligated to indemnify the Indemnitee for any amount in excess of the lesser proposed settlement amount as described in subsection (iv)(c) above.

(6) The Indemnifying Party hereby expressly waives and renounces any and all rights to make a claim against the Indemnitee or its respective directors, officers, agents and employees based upon a right or claim of any Third Party to which it may become subrogated as a result of making any payment for indemnification hereunder except to the extent that such waiver adversely affects any rights of subrogation of an insurer under an applicable insurance policy; provided however, nothing herein is intended to constitute a waiver by the Indemnifying Party of any rights of subrogation to which it may be entitled against persons other than those described herein.

9.5.2 Direct Claims. Any claim by an Indemnitee for indemnification other than indemnification against a Third Party Claim (a "Direct Claim") will be asserted by giving the Indemnifying Party reasonably prompt written notice thereof, and the Indemnifying Party will have a period of Thirty (30) calendar days within which to respond in writing to such Direct Claim. If the Indemnifying Party does not so respond within such thirty (30) calendar day period, the Indemnifying Party will be deemed to have rejected such claim, in which event the Indemnitee will be free to pursue such remedies as are set forth in Section 9.5.3 hereof.

9.5.3 Direct Claims Procedures. Any Direct Claim which the parties are unable to resolve through negotiation within sixty (60) days of notice to the Indemnifying Party of such Direct Claim (a "Dispute") shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "Association"), as the same are to be supplemented hereunder, by a sole arbitrator. The decision of the arbitrator shall be final, binding and conclusive and judgment upon the award rendered by the arbitrator may be entered in any court or appropriate jurisdiction. With respect to such arbitration:

(1) the arbitration proceeding shall be held in the Association's office in Dallas, Texas, or in such other location as is mutually agreeable to the parties and the arbitrator. (For purposes herein, "party" shall refer to Atlantic and, collectively, to the Shareholders and the selection of an arbitrator on behalf of the Shareholders shall be made by the Representative.)

(2) the parties agree to use their best efforts, in good faith, to select a sole arbitrator qualified to act as an arbitrator based on the underlying nature of the Dispute. Both parties acknowledge that under most circumstances an executive of an insurance company would be most qualified to act as an arbitrator hereunder. Such arbitrator shall be selected within twenty (20) business days after either party requests arbitration. Upon selection, the arbitrator's name, address and telephone number shall be forwarded to the Association's office in Dallas, Texas as part of the arbitration process.

(3) in the event the parties do not agree on an arbitrator within twenty (20) days of demand for arbitration, the parties shall be furnished with a list of arbitrators available from the Association. The parties shall have ten (10) business days after receipt of such list to use their best efforts, in good faith, to select an arbitrator from such list. In the event a sole arbitrator is not agreed upon by the parties within the ten (10) business days, then the arbitrator will be selected from the list provided by the Association through a process of elimination in which each party alternately strikes a name from such list and the arbitrator shall be the last such name on the list. The Indemnifying Party shall be the first to strike a name from such list.

(4) the arbitrator is specifically instructed to allow the parties reasonable discovery and to be guided therein by the Federal Rules of Civil Procedure. If the arbitrator is not an attorney, or is an attorney not familiar with the Federal Rules or Civil Procedure, and the parties cannot agree among themselves with respect to discovery, the arbitrator may consult an attorney and the cost of such consultation to the arbitrator shall be an additional cost of the arbitration.

(5) once an arbitrator has been selected, each party shall submit a statement of the case detailing the nature of the Dispute, the basis for the position taken by the party, that party's understanding of the basis for the position taken by the other party, legal authority believed to govern the Dispute, a list of the exhibits and witnesses known to the party at the point in time, and a request for discovery. In no event shall this submission exceed five double spaced pages of text without specific written waiver first being received from the arbitrator who shall specify additional pages allowed.

(6) after the date of selection of an arbitrator, the parties shall have a period not to exceed sixty (60) days to conduct discovery as each deems appropriate. Once the discovery period has closed, either by expiration of the time limit or by mutual agreement of the parties, the arbitrator and the parties shall mutually agree upon a date to hold the arbitration proceeding, said date not to be more than thirty (30) days after the close of the discovery period. Prior to commencement of the arbitration proceeding, each party shall serve an amended statement of the case, updating the material set forth in the party's original statement of the case, and including the list of witnesses who will testify, with a brief summation of the testimony of such witnesses; which amended brief shall not exceed ten double spaced pages of text without written waiver first being received from the arbitrator.

(7) Atlantic shall pay half of the fees charged by the Association including any fee to be paid to the arbitrator, and any cost incurred by the arbitrator as allowed by the Rules of the American Arbitration Association, or this Section 9.6.3. The remaining half shall be paid by the Escrow Agent from the amount of the Escrowed Stock based on the Per Share Closing Price. In addition, in the award the arbitrator shall specify which of the parties is the prevailing party, and the prevailing party shall receive, as an additional part of the award, his/their/its reasonable attorneys' fees, costs and expenses incurred in connection with the arbitration proceeding in an amount deemed appropriate by the arbitrator based upon the comparative fault of the parties. The amount of fees and costs shall be based upon an affidavit from legal counsel of each party, submitted as part of the arbitration proceeding, setting forth in chronological order the dates legal services were rendered, the amount of time within each day devoted to this proceeding, the name of the individual attorney, paralegal and other assistants and his or her billing rate, and a list of out-of-pocket costs or expenses incurred. The arbitrator shall take into account the additional time involved in the arbitration hearing itself when considering an award of reasonable attorneys' fees.

9.6 Escrowed Account to be Used for Indemnity. The parties hereto agree that (i) for claims regarding the determinations of the Closing Date Capital and Surplus and Closing Date Net Worth, as its sole and exclusive remedy, Atlantic shall first seek payment from the Escrowed Cash held pursuant to Section 2.1.8, and to the extent such claims exceed the amount of the Escrowed Cash, from the Escrowed Shares calculated on the basis of the Per Share Closing Price and (ii) for all other claims pursuant to this Agreement, as its sole and exclusive remedy, Atlantic shall seek payment from the Escrowed Shares calculated on the basis of the Per Share Closing Price. Upon its reasonable belief of the occurrence of events giving rise to a claim for indemnification of Atlantic under this Agreement, Atlantic shall deliver notice to the Escrow Agent and the Representative in accordance with the terms of Section 6(a) of the Escrow Agreement, setting forth the amount Atlantic reasonably believes in good faith to be due and owing for such claim. An amount of Escrowed Shares, shall be released by the Escrow Agent to Atlantic upon delivery of such notice and the occurrence of an Atlantic Operative Event (as such term is defined in the Escrow Agreement). For purposes of determining the number of Escrow Shares to be delivered and retained in escrow upon notice of a claim not resolved prior to the first anniversary of the Closing Date, the value of each share of Atlantic American Stock constituting the Escrow Shares shall be calculated on the basis of the Per Share Closing Price. Upon resolution of any such claim, the valuation of the Escrow Shares for purposes of determining the number of Escrow Shares, if any, to be transferred to Atlantic shall be calculated on the basis of Per Share Closing Price. 1.1

9.7 Exclusive Remedies. After the Closing, the remedies provided in this Article IX constitute the sole and exclusive remedies and sources of recoveries of obligations or claims for the payment of money with respect to misrepresentations and breaches and failures to comply with or nonfulfillment of the representations, warranties, covenants, agreements and indemnifications in this Agreement.

10. NO SOLICITATION

The Acquired Companies and their officers, directors, employees, representatives and agents shall immediately cease any existing discussion or negotiations, if any, with any parties conducted heretofore with respect to any acquisition or exchange of all or any material portion of the assets of, or any equity interest in, either of the Acquired Companies or any business combination with or involving either of the Acquired Companies. At any time prior to consummation of the transactions contemplated hereby, either of the Acquired Companies may, directly or indirectly, furnish information and access, in each case only in response to a request for such information or access to any person made after the date hereof which was not encouraged, solicited or initiated by either of the Acquired Companies or any of their affiliates or any of its or their respective officers, directors, employees, representatives or agent after the date hereof, pursuant to appropriate confidentiality agreements, and may participate in discussions and negotiate with such person concerning any merger, sale of material portion of assets, sale of shares of capital stock or similar transaction (including an exchange of stock or assets) involving the Acquired Companies (an "Acquisition Proposal"), in each case (whether furnishing information and access or participating in discussions and negotiations) only if such person has submitted a written proposal to the Board of Directors of either of the Acquired Companies relating to any such transaction and such Board by a majority vote determines in good faith, based upon the written advice of outside counsel to the Acquired Company, that failing to take such action would constitute a breach of the such Board's fiduciary duty under applicable law. Such Board shall provide a copy of any such written proposal to Atlantic immediately after receipt thereof, shall notify Atlantic immediately if any Acquisition Proposal (oral or written) is made and shall, in such notice, indicate in reasonable detail the identity of the offeror and the terms and conditions of any Acquisition Proposal and shall keep Atlantic promptly advised of all developments which could reasonably be expected to culminate in such Board of Directors withdrawing, modifying or amending its recommendation regarding the transactions contemplated by this Agreement. Except as set forth in this Article X, neither of the Acquired Companies nor any of their affiliates, nor any of its or their respective officers, directors, employees, representatives or agents, shall, directly or indirectly, encourage, solicit, participate in or initiate discussions or negotiations with, or provide any information to, any corporation, partnership, person or other entity or group (other than Atlantic, any affiliate or associate of Atlantic or any designees of Atlantic) concerning any Acquisition Proposal. The Acquired Companies agree not to release any third party from, or waive any provisions of, any confidentiality or standstill agreement to which either of the Acquired Companies is a party, unless the Board of each of the Acquired Companies by majority vote shall have determined in good faith, based upon written the advice of outside counsel, that failing to release such third party or waive such provisions would constitute a breach of the fiduciary duties of such Board of Directors under applicable law.

11. TAX EFFECT OF THE TRANSACTION.

Neither Atlantic nor the Acquired Companies have made nor do any of them make herein any representation or warranty as to the tax consequences of the transactions contemplated or provided for herein to any party hereto. It is understood and agreed that each party has looked to its own advisors for advice and counsel as to such tax effects.

12. TERMINATION.

12.1 Method of Termination. This Agreement constitutes the binding and irrevocable agreement of the parties to consummate the transactions contemplated hereby, the consideration for which is (a) the covenants set forth in Article II hereof, and (b) expenditures and obligations incurred and to be incurred by Atlantic and by the Acquired Companies in respect of this Agreement, and this Agreement may be terminated or abandoned only as follows:

12.1.1 By the mutual consent of the Boards of Directors of each Acquired Company and Atlantic, notwithstanding prior approval by the Shareholders of any or all of such corporations;

12.1.2 By the Acquired Companies after June 30, 1999, if any of the conditions set forth in Article VII hereof, to which their obligations are subject, have not been fulfilled or waived, unless such fulfillment has been frustrated or made impossible by any act or failure to act of any of them; or

12.1.3 By Atlantic after June 30, 1999, if any of the conditions set forth in Article VI hereof, to which the obligations of Atlantic is subject, have not been fulfilled or waived, unless such fulfillment has been frustrated or made impossible by any act or failure to act of Atlantic.

12.1.4 By the Acquired Companies, if they shall have received an Acquisition Proposal and shall have advised Atlantic in writing that the Board of Directors of the Acquired Companies, after consultation with and based upon the written advice of independent legal counsel, determined in good faith that failure to accept such Acquisition Proposal would result in a breach by the Boards of Directors of the Acquired Companies of fiduciary duties under applicable law; provided, however, that this Agreement shall not be terminated pursuant to this Section 12.1.4 unless simultaneously with the termination the Acquired Companies shall have made the payment to Atlantic required to be paid pursuant to Section 12.3

12.2 Effect of Termination. In the event of a termination of this Agreement pursuant to Section 12.1.1 or 12.1.4 hereof, subject to and except as provided in Section 12.3 below, each party shall pay the costs and expenses incurred by it in connection with this Agreement, and no party (or any of its officers, directors, employees, agents, representatives or shareholders) shall be liable to any other party for any costs, expenses, damage or loss of anticipated profits hereunder. In the event of any other termination, the parties shall retain any and all rights incident to a breach of any covenant, representation or warranty made hereunder.

12.3 Fees and Expenses. If this Agreement is terminated pursuant to Section 12.1.4, the Acquired Companies shall pay to Atlantic, within one business day following the occurrence described in Section 12.1.4, a fee, in cash, of One Million Three Hundred Thousand Dollars ($1,300,000.00). In addition, Atlantic shall submit to the Acquired Companies a report of any and all expenses and costs, including attorney fees, incurred by Atlantic in connection with the transactions contemplated by this Agreement. Within one business day following receipt of such report by the Acquired Companies, the Acquired Companies shall pay to Atlantic the amount of all such expenses and costs.

12.4 Risk of Loss. The Acquired Companies assume all risk of condemnation, destruction, loss or damage due to fire or other casualty from the date of this Agreement up to the Closing. If the condemnation, destruction, loss or damage is such that the business of any Acquired Company is interrupted or curtailed or the assets are materially affected, then Atlantic shall have the right to terminate this Agreement. If the condemnation, destruction, loss, or damage is such that the business of any Acquired Company is neither interrupted nor curtailed nor its assets materially affected, or if the business is interrupted or curtailed or the assets are materially affected, and Atlantic nevertheless forgoes the right to terminate this Agreement, the amount of shares of Atlantic to be given under the Share Exchange shall be adjusted at the Closing to reflect such condemnation, destruction, loss, or damage to the extent that insurance proceeds are not sufficient to cover such destruction, loss or damage, and if Atlantic, on the one hand, and the Acquired Companies, on the other hand, are unable to agree upon the amount of such adjustment, the dispute shall be resolved jointly by the independent accounting firms then employed by Atlantic and Acquired Companies, and if said accounting firms do not agree, they shall appoint a nationally recognized accounting firm, whose determination of the dispute shall be final and binding.

13. GENERAL PROVISIONS.

13.1 Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be delivered by hand or mailed by registered or certified mail, return receipt requested, first class postage prepaid, or sent by Federal Express or similarly recognized overnight delivery service with receipt acknowledged, addressed as follows:

13.1.1 If to the Acquired Companies or the Shareholders:

Mr. Kenneth A. Peeler, Representative
#3 Chatham Court
Midland, Texas 79705

and to:

Sneed, Vine & Perry
901 Congress Avenue
Austin, TX 78767
Attention: James L. Shawn, III, Esq.

13.1.2 If to Atlantic:

Atlantic American Corporation
4370 Peachtree Road, N.E.
Atlanta, Georgia 30319
Attn: Hilton H. Howell, Jr., President and Chief Executive Officer

and to:

Jones, Day, Reavis & Pogue
3500 SunTrust Plaza
303 Peachtree Street, N.E.
Atlanta, Georgia 30308-3242
Attention: Barry J. Stein, Esq.

13.1.3 If delivered personally, the date on which a notice, request, instruction or document is delivered shall be the date on which such delivery is made and, if delivered by mail or by overnight delivery service, the date on which such notice, request, instruction or document is received shall be the date of delivery. In the event any such notice, request, instruction or document is mailed or shipped by overnight delivery service to a party in accordance with this Section 13 and is returned to the sender as nondeliverable, then such notice, request, instruction or document shall be deemed to have been delivered or received on the fifth day following the deposit of such notice, request, instruction, or document in the United States mails or the delivery to the overnight delivery service.

13.1.4 Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 13.1.

13.2 Brokers.

13.2.1 The Acquired Companies shall be solely responsible for all fees of Morgan Keegan to the extent that the Closing Date Capital and Surplus and Closing Date Net Worth are greater than Fifteen Million Dollars ($15,000,000.00) and One Hundred Fifty Thousand Dollars ($150,000.00) respectively. To the extent that the Closing Date Capital and Surplus or the Closing Date Net Worth are less than such amount the Shareholders shall be solely responsible for such fees, and the Representative shall pay such fees from cash proceeds (which shall not be Escrowed Cash) delivered by the Shareholders to the Representative at Closing. The Shareholders shall indemnify and hold harmless Atlantic from and against any fee, claim, loss, or expense arising out of any claim by any other investment banker, broker or finder employed or alleged to have been employed by them in connection with this Agreement or any of the transactions contemplated hereby.

13.2.2 Atlantic shall be solely responsible for all fees of Search Information Services and Atlantic agrees to indemnify and hold harmless the Acquired Companies from and against any fee, claim, loss, or expense arising out of any claim by any investment banker, broker or finder employed or alleged to have been employed by it in connection with this Agreement or any of the transactions contemplated hereby.

13.3 Further Assurances. Each party covenants that at any time, and from time to time, after the Closing Date, it will execute such additional instruments and take such actions as may be reasonably requested by the other parties to confirm or perfect or otherwise to carry out the intent and purposes of this Agreement.

13.4 Waiver. Any failure on the part of any party hereto to comply with any of its obligations, agreements or conditions hereunder may be waived by any other party to whom such compliance is owed. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.

13.5 Expenses. All expenses incurred by the parties hereto in connection with or related to the authorization, preparation and execution of this Agreement and the Closing of the transactions contemplated hereby, including, without limitation of the generality of the foregoing, all fees and expenses of brokers, agents, representatives, counsel and accountants employed by any such party, shall be borne solely and entirely by the party which has incurred the same, unless otherwise provided for herein. All such fees and expenses of the Acquired Companies shall be borne by the Acquired Companies to the extent that the Closing Date Capital and Surplus and Closing Date Net Worth are greater than Fifteen Million Dollars ($15,000,000.00) and One Hundred Fifty Thousand Dollars ($150,000.00) respectively. To the extent that the Closing Date Capital and Surplus or Closing Date Net Worth are less than such amounts, all such fees and expenses of the Acquired Companies shall be borne by the Shareholders. Fees incurred by the parties under Sections 2.1.9 and 2.2.2. shall be borne as described therein.

13.6 Nondisclosure of Terms.

13.6.1 The Acquired Companies, jointly and severally, covenant and agree that following the execution of this Agreement, it and they shall not disclose to any person, individual or entity any of such terms, conditions or matters and to keep the same confidential, regardless of whether the Closing occurs, except for disclosures to their respective attorneys, accountants, other consultants who have assisted with the transactions that are the subject of this Agreement, and regulators who have jurisdiction over such transactions.

13.6.2 In the event that either party proposes to issue, make or distribute any press release, public announcement or other written publicity or disclosure prior to the Closing Date that refers to the transactions contemplated herein, the party proposing to make such disclosure shall provide a copy of such disclosure to the other parties and shall afford the other parties reasonable opportunity (subject to any legal obligation of prompt disclosure) to comment on such disclosure or the portion thereof which refers to the transactions contemplated herein prior to making such disclosure.

13.7 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, executors, administrators, successors and assigns. The invalidity or nonenforceability of this Agreement as to one of the Acquired Companies shall not affect the validity or enforceability of this Agreement as to the other Acquired Company.

13.8 Headings. The section and other headings in this Agreement are inserted solely as a matter of convenience and for reference, and are not a part of this Agreement.

13.9 Entire Agreement. This Agreement and the confidentiality agreement dated August 27, 1998, constitute the entire agreement among the parties hereto and supersedes and cancels any prior agreements, representations, warranties, or communications, whether oral or written, among the parties hereto relating to the transactions contemplated hereby or the subject matter herein. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an agreement in writing signed by the party against whom or which the enforcement of such change, waiver, discharge or termination is sought.

13.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia.

13.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.12 Pronouns. All pronouns used herein shall be deemed to refer to the masculine, feminine or neuter gender as the context requires.

13.13 Exhibits Incorporated. All Exhibits attached hereto are incorporated herein by reference, and all blanks in such Exhibits, if any, will be filled in as required in order to consummate the transactions contemplated herein and in accordance with this Agreement.

13.14 Time of Essence. Time is of the essence in this Agreement.

IN WITNESS WHEREOF, each party hereto has executed or caused this Agreement to be executed on its behalf, all on the day and year first above written.

ATLANTIC AMERICAN CORPORATION
("ATLANTIC")

By: /s/ Hilton H. Howell, Jr.
Title: President and Chief Executive Officer

ACQUIRED COMPANIES:

ASSOCIATION CASUALTY INSURANCE COMPANY

By: /s/ Harold K. Fischer
Title: President

ASSOCIATION RISK MANAGEMENT GENERAL AGENCY, INC.

By /s/ Harold K. Fischer
Title: President

SOLE SHAREHOLDER:

/s/ Harold K. Fischer
Harold K. Fischer

AT: 1013097v17

LIST OF EXHIBITS

EXHIBITS

2.1.1	Plan of Exchange.
2.1.3.1	ACIC Stock Option Plan
2.1.8.1	Form of Escrow Agreement
2.1.9	List of Bonus Payments
2.3.2	List of Bank Accounts, Safe Deposit Boxes and Powers of Attorney.
2.10	Form of Employment Agreement.
2.11	List of Persons to Enter Into Non-Solicitation and Confidentiality Agreements
2.11(a)	Form of Non-Solicitation and Confidentiality Agreement
2.11(b)	Form of Covenant Not to Compete.
2.14	Form of Option and Irrevocable Proxy
3.1	List of Jurisdictions Where There is Good Standing Status.
3.2	Articles of Incorporation and Bylaws.
3.3(a)	List of Shareholders of Record
3.3(b)	List of Outstanding Options and Exercise Prices under Option Plan
3.4	List of Equity Investments.
3.5.1	1996 and 1997 Statutory Financial Statements.
3.5.2	1996 and 1997 Financial Statements.
3.5.3	List of Liabilities not disclosed in the Financial Statements.
3.6	List of Tax Matters and Copies of Federal Income Tax Returns.
3.7.1.1	Fixed Assets and Depreciation Schedules.

3.7.1.3 List of Leased Assets - other than Real Estate.

3.7.1.7	Inventory - Not Readily Useable or Salable.
3.7.2.2	List of all Leases of Real Property.
3.7.2.3	List of all Subleases of Real Property Leased by Acquired Companies.
3.7.2.8	List of Permits regarding Real Property and Improvements.
3.8	List of Indebtedness.
3.9	Accounts Receivable and Notes Receivable Schedules.
3.10	List of Consent Requirements.
3.11	List of Changes.
3.12	List of Litigation.
3.13	List of Licenses and Permits.
3.14	List of Contracts.
3.15.1	List of Trademarks, Trade Names, Service Marks, Service Names, Etc.
3.15.2	Lists of Acquired Companies' Software.
3.15.2.2	List of Software not in Year 2000 Compliance.
3.16	List of Employees, Independent Contractors, Salaries, Rates, Salary Increase Guidelines and Labor Matters.
3.17	List of Benefit Plans.
3.18.3	List of Custodians and Depositaries and Authorized Persons.
3.18.4(a)	List of Insurance Agencies and Agents.
3.18.4(b)	Standard Forms of Agency and Contingent Commission Agreements
3.18.4(c)	Agent Contract List/90 Day List
3.18.5	List of Contracts, Arrangements, Treaties and Understandings.
3.18.6	List of Individual Policyholder and Group Certificateholder Claims.
3.18.7	List of Agreements Requiring Dividends or Distributions ; List of Terminations or Threatened Terminations.

3.18.8	List of Agent, Managers or Broker Contract, Commission Schedules and Collection Agreements.
3.18.9	List of Actuarial Reserve Certifications
3.19	List of Environmental Matters.
3.20	List of Insurance Matters.
3.21	List of Related Party Relationships.
3.23	List of Suppliers.
3.24	Form of Fairness Opinion
4.1	Form of Transmittal Letter.
5.3	List of Required Government Consents, Orders, Authorizations, Registrations, Declarations or Filings.
6.4	Form of Opinion of Counsel for the Acquired Companies and the Shareholders.
7.4	Form of Opinion of Jones, Day, Reavis & Pogue.

(10.1)

Execution Copy

INDENTURE OF TRUST

by and between

ATLANTIC AMERICAN CORPORATION

and

THE BANK OF NEW YORK,

as Trustee

Dated as of June 1, 1999

Relating to the Issuance of
$25,000,000 TAXABLE
VARIABLE RATE DEMAND BONDS,
SERIES 1999

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST (the "Indenture"), dated as of June 1, 1999, is made and entered into by and between ATLANTIC AMERICAN CORPORATION, a Georgia corporation (the "Company"), and THE BANK OF NEW YORK, a New York banking corporation, as trustee, and its successors and assignees in trust (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Company desires (i) to issue and sell its Taxable Variable Rate Demand Bonds, Series 1999 in the aggregate principal amount of $25,000,000 (the "Series 1999 Bonds"), (ii) to secure payment of the principal and purchase price of and interest on the Series 1999 Bonds with an irrevocable, direct-pay letter of credit (the "Series 1999 Credit Facility") issued by Wachovia Bank, N.A. (in such capacity, the "Series 1999 Credit Issuer"), and (iii) to provide for the issuance of Additional Bonds (as hereinafter defined) of the Company from time to time subject to the terms and conditions set forth in Section 2.12(b) hereof; and

WHEREAS, the Series 1999 Bonds and the Trustee's certificate of authentication to be endorsed thereon are to be in substantially the form attached hereto as Exhibit A, with appropriate variations, omissions and insertions as are permitted or required by this Indenture;

NOW, THEREFORE, in consideration of the premises and of the covenants and undertakings herein expressed, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Defined Terms. In addition to terms defined elsewhere in this Indenture, the following words and terms as used in this Indenture and the preambles hereto shall have the following meanings unless the context or use clearly indicates another or different meaning or intent.

"Act of Bankruptcy" means, with respect to any Series of Bonds, any of the following events:

(i) The Company (or any other Person obligated, as guarantor or otherwise, to make payments on such Series or under a Credit Agreement relating to such Series or an "affiliate" of the Company as defined in Bankruptcy Code ss. 101(2)) shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Company (or such other Person) or of all or any substantial part of their respective property, (2) commence a voluntary case under the Bankruptcy Code, or (3) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the Company (or any other Person obligated, as guarantor or otherwise, to make payments on such Series or under a Credit Agreement relating to such Series or an "affiliate" of the Company as defined in Bankruptcy Code ss. 101(2)) in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts, of the Company (or any such other Person), (2) the appointment of a trustee, receiver, custodian, liquidator or the like of the Company (or any such other Person) or of all or any substantial part of its property, or (3) similar relief in respect of the Company (or any such other Person) under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts.

"Additional Bonds" means bonds other than the Series 1999 Bonds issued under this Indenture pursuant to Section 2.12(b).

"Alternate Credit Facility" means an irrevocable, direct-pay letter of credit delivered to, and accepted by, the Trustee pursuant to Section 3.8(e) in substitution for a Credit Facility then in effect.

"Alternate Credit Facility Effective Date" has the meaning

specified in Section 3.8(e).

"Alternate Weekly Index" means, as of the date of determination thereof, the rate per annum determined on the basis of the rate for deposits in United States dollars of amounts equal to or comparable to the principal amount of the Bonds to which the Alternate Weekly Index will apply, offered for a term of one month, which rate appears on the display designated as Page "3750" of the Telerate Service (or such other page as may replace page 3750 of that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for United States dollar deposits), determined as of 1:00 p.m., Local Time, on the date of determination, plus 0.10% per annum.

"Applicable Credit Facility" means, with respect to a Series of Bonds, the Credit Facility securing such Series.

"Applicable Credit Issuer" means (a) with respect to a Series of Bonds, the issuer of the Credit Facility then in effect securing such Series, and (b) with respect to a Credit Facility, the issuer of such Credit Facility.

"Applicable Paying Agent" means, with respect to a Series of Bonds, the Paying Agent for such Series.

"Authorized Denomination" means (i) with respect to the Series 1999 Bonds, (a) during any Short-Term Rate Period or any Medium-Term Rate Period, $100,000 and integral multiples thereof, and (b) during the Fixed Rate Period, $5,000 and integral multiples thereof; and (ii) with respect to any Series of Additional Bonds, the denominations specified in the supplemental indenture authorizing the issuance of such Series.

"Bankruptcy Code" means Title 11 of the United States Code, as amended, and any successor statute or statutes having substantially the same function.

"Beneficial Owner" means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository or a Participant or an Indirect Participant on the records of such Securities Depository, Participant or Indirect Participant, as the case may be, or such Person's subrogee.

"Bond" or "Bonds" means any Bonds authorized under this Indenture, including the Series 1999 Bonds and any Additional Bonds.

"Bond Documents" means, collectively, the Series 1999 Bonds, this Indenture, the Series 1999 Credit Facility, the Series 1999 Credit Agreement, the Purchase Agreement, the Remarketing Agreement and the Official Statement.

"Bond Fund" means the fund created by Section 4.1.

"Bond Purchase Fund" means the fund created by Section 4.4.

"Book Entry System" means a book entry system established and operated for the recordation of Beneficial Owners of the Bonds pursuant to Section 2.20.

"Business Day" means, with respect to a Series of Bonds, any day on which the offices of the Applicable Credit Issuer at which drawings on the Applicable Credit Facility are made, the Trustee, the Applicable Paying Agent, the Tender Agent, the Registrar and the Remarketing Agent are each open for business and on which The New York Stock Exchange is not closed.

"Ceiling Rate" means (i) with respect to the Series 1999 Bonds, 12% per annum; and (ii) with respect to any Series of Additional Bonds, the rate per annum set forth in the supplemental indenture authorizing the issuance of such Series.

"Code" means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

"Company" means Atlantic American Corporation, a Georgia corporation, and its successors and assigns.

"Company Agent" shall have the meaning set forth in Section 7.2.

"Company Representative" means any one of the persons at the time designated to act on behalf of the Company by written certificate furnished to the Trustee containing the specimen signatures of such persons and signed on behalf of the Company by the President or any Vice President of the Company.

"Computation Date" means, with respect to a Series of Bonds, (i) the Business Day next preceding the first day of each Interest Period during which

such Series bears interest at a Weekly Rate, (ii) the last Business Day of the calendar month next preceding each Interest Period during which such Series bears interest at a Monthly Rate, (iii) the first Business Day of each Flexible Term Rate Period and (iv) a date that is not more than twenty (20) nor less than two (2) days prior to any Conversion Date relating to conversion of such Series to a Long-Term Rate.

"Conversion Date" means, with respect to a Series of Bonds, (i) each date on which the Interest Rate Determination Method then in effect with respect to such Series is changed to another Interest Rate Determination Method, including a Fixed Rate Conversion Date with respect to such Series, and (ii) each date on which the interest rate borne by such Series is changed from the interest rate applicable during a Medium-Term Rate Period to the interest rate applicable during another Medium-Term Rate Period.

"Conversion Notice" shall have the meaning set forth in Section 2.4(a).

"Counsel" means an attorney, or firm of attorneys, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

"Credit Agreement" means any agreement between the Company and a Credit Issuer relating to a Credit Facility, as such agreement may be amended or supplemented from time to time pursuant to its terms.

"Credit Facility" means an irrevocable, direct-pay letter of credit issued by a Credit Issuer on the Issue Date of a Series of Bonds in favor of the Trustee, for the account of the Company, which provides security for the payment of certain payments on or with respect to such Series of Bonds as contemplated pursuant to Section 3.8 and, upon acceptance by the Trustee of any Alternate Credit Facility with respect to such Series, such Alternate Credit Facility.

"Credit Issuer" means the issuer of any Credit Facility, its successors and assigns; provided, however, that in connection with the acceptance of an Alternate Credit Facility that results in the occurrence of a Mandatory Purchase Date for a Series of Bonds, until the occurrence of such Mandatory Purchase Date, "Credit Issuer" shall mean, with respect to such Series, the Applicable Credit Issuer immediately prior to acceptance of such Alternate Credit Facility.

"Credit Modification Date" means, with respect to a Series of Bonds, either (a) the second Business Day next preceding the date on which the Applicable Credit Facility then in effect is stated to expire (unless extended), or (b) if the Applicable Credit Facility will terminate prior to its stated expiration date on account of the delivery of an Alternate Credit Facility, the proposed Alternate Credit Facility Effective Date with respect to such Alternate Credit Facility, if:

(i) such Series is then rated by a Rating Agency and (1) the Company fails to deliver to the Trustee, no more than sixty (60) nor less than forty (40) days prior to such stated expiration date or proposed Alternate Credit Facility Effective Date, (a) notice that an Alternate Credit Facility will be delivered to the Trustee with respect to such Series on or prior to the second Business Day preceding such stated expiration date or on or prior to such proposed Alternate Credit Facility Effective Date, and (b) a letter from any Rating Agency then rating such Series stating that such Rating Agency has reviewed the terms of such Alternate Credit Facility and the issuer thereof and that acceptance of the Alternate Credit Facility for the benefit of the Holders will not result in a lowering or elimination of the rating then assigned by such Rating Agency to such Series, (2) the Company delivers such notice and letter but prior to the date such Alternate Credit Facility is to be delivered such Rating Agency revokes such letter, or (3) the Company delivers such notice and letter but such Alternate Credit Facility is not delivered to, and accepted by, the Trustee on or prior to the second Business Day preceding such stated expiration date or on or prior to such proposed Alternate Credit Facility Effective Date; or

(ii) such Series is not then rated and (1) the Company fails to deliver to the Trustee, not more than sixty (60) nor less than forty (40) days prior to such stated expiration date or proposed Alternate Credit Facility Effective Date, (a) notice that an Alternate Credit Facility will be delivered to the Trustee with respect to such Series on or prior to the second Business Day preceding such stated expiration date or on or prior to such proposed Alternate Credit Facility Effective Date, and (b) written evidence that the issuer of such Alternate Credit Facility is a commercial bank organized and doing business in the United States of America or a branch or agency of a foreign commercial bank located and doing business in the United States of America and subject to regulation by state or federal banking regulatory authorities and that has, as of the date sixty (60) days prior to such stated expiration date or proposed Alternate

Credit Facility Effective Date (i) senior debt or long-term bank deposits rated by a Rating Agency with a rating at least equivalent to the senior debt or long-term bank deposits of the Applicable Credit Issuer or (ii) outstanding letters of credit or other similar instruments that, when supporting debt obligations, result in such debt obligations being rated by a Rating Agency with a rating at least the equivalent of the ratings assigned to debt obligations supported with letters of credit or other similar instruments or devices issued by such Credit Issuer on the date sixty (60) days prior to such stated expiration date or such proposed Alternate Credit Facility Effective Date or (2) the Company delivers such notice but such Alternate Credit Facility is not delivered to, and accepted by, the Trustee on or prior to the second Business Day preceding such stated expiration date or such proposed Alternate Credit Facility Effective Date.

"Current Subaccount" means each subaccount so designated within the Bond Fund established pursuant to Section 4.1.

"Eligible Funds" means, when a Credit Facility is in effect with respect to a Series of Bonds, moneys held by the Trustee or the Applicable Paying Agent under this Indenture which consist of any of the following:

(i) any moneys if, in the written opinion of Counsel experienced in bankruptcy law matters (which opinion shall be delivered to the Trustee and the Rating Agency, if any, rating such Series at or prior to the time of the deposit of such moneys with the Trustee and shall be in form and substance satisfactory to the Rating Agency, if any, rating such Series), the deposit and use of such moneys with respect to such Series will not constitute an avoidable preferential payment pursuant to Section 547 of the Bankruptcy Code, or an avoidable post-petition transfer pursuant to Section 549 of the Bankruptcy Code, recoverable from Holders of the Bonds pursuant to Section 550 of the Bankruptcy Code in the event of an Act of Bankruptcy, and if a Rating Agency is rating such Series, such Rating Agency has confirmed to the Trustee in writing that its rating will not be withdrawn or reduced as a result of using such moneys; or

(ii) moneys paid by a Credit Issuer to the Trustee under a Credit Facility which are not commingled with any other moneys.

If no Credit Facility is in effect with respect to a Series of Bonds, any moneys held by the Trustee or the Applicable Paying Agent under this Indenture shall constitute "Eligible Funds" with respect to such Series.

"Event of Default" means any of the events specified in Section 6.1.

"Fitch" means Fitch IBCA Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall, with respect to a Series of Bonds, be deemed to refer to any other nationally recognized securities rating agency designated by the Company with the approval of the Remarketing Agent, by notice to the Trustee.

"Fixed Rate" means, with respect to a Series of Bonds, the Fixed Rate established for such Series in accordance with Section 2.3(g).

"Fixed Rate Conversion Date" means, with respect to a Series of Bonds, the day on which the Interest Rate Determination Method for such Series shall be converted to a Fixed Rate.

"Fixed Rate Period" means, with respect to a Series of Bonds, the period from and including the applicable Fixed Rate Conversion Date to and including the date of payment in full of such Series.

"Flexible Term Rate" means, with respect to the Bonds of a Series, the Flexible Term Rate established for each such Bond in accordance with Section 2.3(e).

"Flexible Term Rate Period" means, with respect to the Bonds of a Series, any and all periods during which each such Bond bears interest at a Flexible Term Rate, such periods not to be of a duration in excess of 270 days as may be determined by the Remarketing Agent pursuant to Section 2.3(e).

"Government Obligations" means (i) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged, and (ii) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described

in (i) or (ii) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at less than par at the option of anyone other than the holder thereof.

"Holder" means the Person who shall be the registered owner of any Bond.

"Indenture" means this Indenture of Trust, as the same may be amended or supplemented from time to time as permitted hereby.

"Indirect Participant" means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

"Initial Fund" means the fund created pursuant to Section 4.2.

"Interest Payment Date" means, with respect to a Series of Bonds, (i) during any Weekly Rate Period or any Monthly Rate Period, each Monthly Interest Payment Date, (ii) during any Medium-Term Rate Period or the Fixed Rate Period, each Semiannual Interest Payment Date, and (iii) during any Flexible Term Rate Period, the first Business Day immediately following the last day of each Flexible Term Rate Period, but only as to Bonds of such Series for which such Flexible Term Rate Period is applicable.

"Interest Period" means (a) with respect to a Series of Bonds bearing interest at a Weekly Rate, (i) if such Series initially bears interest at a Weekly Rate, the period from and including the Issue Date to and including the next Tuesday, (ii) the period from and including the Conversion Date on which the Interest Rate Determination Method for such Series is changed to the Weekly Rate to and including the next Tuesday, and (iii) in each case, each succeeding period from and including each Wednesday to and including the following Tuesday; and (b) with respect to a Series of Bonds bearing interest at a Monthly Rate, (i) if such Series initially bears interest at a Monthly Rate, the period from and including the Issue Date to and including the last day of the calendar month in which such Issue Date occurred, (ii) the period from and including the Conversion Date on which the Interest Rate Determination Method for such Series is changed to the Monthly Rate to and including the last day of the calendar month in which such Conversion Date occurred, and (iii) in each case, each succeeding period from and including the first day of each calendar month to and including the last day of such calendar month.

"Interest Rate Determination Method" means any of the methods of determining the interest rate on a Series of Bonds described in Section 2.3.

"Issue Date" means, with respect to a Series of the Bonds, the date on which such Series is delivered to the purchaser or purchasers thereof upon original issuance.

"Local Time" means eastern time (daylight or standard, as applicable).

"Long-Term Rate" means either a Medium-Term Rate or the Fixed Rate.

"Long-Term Rate Period" means either a Medium-Term Rate Period or the Fixed Rate Period.

"Mandatory Purchase Date" means, with respect to a Series of Bonds (or, in the case of clause (iii) of this sentence, with respect to each Bond of a Series then bearing interest at a Flexible Term Rate), (i) a Conversion Date for such Series (other than Conversion Dates resulting from deemed conversions under Sections 2.3(c), (e) or (f)), (ii) a Credit Modification Date for such Series, (iii) the day next succeeding the last day of each Flexible Term Rate Period applicable to such Bond, (iv) the fifth Business Day after receipt by the Trustee of a written notice from the Applicable Credit Issuer that an event of default under the Credit Agreement pursuant to which such Credit Issuer issued its Applicable Credit Facility has occurred and is continuing and a written request from such Applicable Credit Issuer that all of the Bonds of such Series be required to be tendered for purchase, or (v) while such Series bears interest at the Weekly Rate or the Monthly Rate, any Business Day designated by the Company, with the consent of the Remarketing Agent and the Applicable Credit Issuer, that could be an Optional Tender Date for the Bonds of such Series.

"Medium-Term Rate" means, with respect to a Series of Bonds, the interest rate on such Series established from time to time pursuant to Section 2.3(f).

"Medium-Term Rate Period" means, with respect to a Series of Bonds, any period of not less than 271 days during which such Series bears interest at a Medium-Term Rate.

"Monthly Interest Payment Date" means the first day of each calendar month.

"Monthly Rate" means, with respect to a Series of Bonds, the interest rate on such Series established from time to time pursuant to Section 2.3(c).

"Monthly Rate Period" means, with respect to a Series of Bonds, any period during which such Series bears interest at a Monthly Rate.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall, with respect to a Series of Bonds, be deemed to refer to any other nationally recognized securities rating agency designated by the Company with the approval of the Remarketing Agent, by notice to the Trustee.

"Official Statement" means the Preliminary Official Statement and the final Official Statement prepared and used in connection with the initial sale of the Series 1999 Bonds on the Issue Date thereof.

"Optional Tender Date" means, with respect to a Series of Bonds, (i) during any Weekly Rate Period, any Business Day, and (ii) during any Monthly Rate Period, the first Business Day of each Interest Period.

"Outstanding" means, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, all Bonds that have been authenticated and delivered by the Trustee hereunder, except:

(i) Bonds canceled or delivered for cancellation at or prior to such date;

(ii) Bonds deemed to be paid in accordance with Section 5.2;

(iii) Bonds in lieu of which others have been authenticated under Sections 2.13, 2.14 and 2.15;

(iv) Untendered Bonds; and

(v) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the Holders of a specified percentage of Outstanding Bonds hereunder, all Bonds held by or for the account of the Company or any affiliate of the Company; provided, however, that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being outstanding only Bonds known by the Trustee by actual notice thereof to be so held; provided, further, that if all of the Bonds of a Series are at any time held by or for the account of the Company or any affiliate of the Company, then such Bonds of such Series shall be deemed to be Outstanding at such time for the purposes of this subparagraph (v).

"Participant" means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository.

"Paying Agent" means (i) with respect to the Series 1999 Bonds, The Bank of New York, and its successors appointed and serving under this Indenture; and (ii) with respect to any Series of Additional Bonds, the party named as the "Paying Agent" for such Series pursuant to Section 7.6, and its successors appointed and serving under this Indenture.

"Permitted Investments" means, with respect to a Series of Bonds, any one or more of the following investments, if and to the extent the same are then legal investments under the applicable laws of the State for moneys proposed to be invested therein:

(i) Bonds or other obligations of the United States;

(ii) Bonds or other obligations, the payment of the principal and interest of which is unconditionally guaranteed by the United States;

(iii) Direct obligations issued by the United States or obligations guaranteed in full as to principal and interest by the United States or repurchase agreements with a qualified depository bank fully collateralized by such obligations, maturing on or before the date when such funds will be required for disbursement;

(iv) Obligations of state and local government and municipal bond issuers, which are rated investment-grade by either S&P or Moody's or other non-rated obligations of such issuers guaranteed or credit enhanced

by a Person whose long-term debt or long-term deposits or other obligations are rated investment-grade by either S&P or Moody's;

(v) Prime commercial paper rated either "A-1" by S&P or "P-1" by Moody's and, if rated by both, not less than "A-1" by S&P and "P-1" by Moody's;

(vi) Bankers' acceptances drawn on and accepted by commercial banks;

(vii) Interests in any money market fund or trust, the investments of which are restricted to obligations described in clauses (i)-(vi) of this definition or obligations determined to be of comparable quality by the board of directors of such fund or trust; and

(viii) Such other obligations as may at any time hereafter be approved by the Applicable Credit Issuer.

"Person" means any natural person, firm, partnership, association, corporation, limited liability company or public body.

"Purchase Agreement" means the Bond Purchase Agreement dated July 13, 1999 between the Company and the Underwriter, relating to the initial sale of the Series 1999 Bonds.

"Purchase Price" means an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered for purchase pursuant to Section 2.6, plus accrued and unpaid interest thereon to the date of purchase.

"Rate" means any Short-Term Rate or any Long-Term Rate.

"Rate Period" means any Weekly Rate Period, Monthly Rate Period, Flexible Term Rate Period, Medium-Term Rate Period or Fixed Rate Period.

"Rating Agency" means Fitch when a Series of Bonds is rated by Fitch, Moody's when a Series of Bonds is rated by Moody's, and S&P when a Series of Bonds is rated by S&P.

"Record Date" means with respect to each Interest Payment Date (i) during any Short-Term Rate Period, the Trustee's close of business on the Business Day next preceding such Interest Payment Date, and (ii) during any Long-Term Rate Period, the Trustee's close of business on the fifteenth (15th) day of the calendar month next preceding the calendar month during which such Interest Payment Date occurs, regardless of whether such day is a Business Day.

"Register" means the register of the record owners of Bonds maintained by the Registrar.

"Registrar" means the Trustee.

"Remarketing Agent" means Wachovia Securities, Inc. and its successors appointed and serving in such capacity under this Indenture.

"Remarketing Agreement" means any agreement between the Company and a Remarketing Agent relating to the Bonds, as such agreement may be amended, supplemented or restated from time to time pursuant to its terms.

"Replacement Bonds" means Bonds issued pursuant to Section 2.15, which Bonds shall contain the terms and provisions specified herein as being applicable to the Bonds following a Mandatory Purchase Date and have excised therefrom the terms and provisions that are not so applicable and added thereto terms that have become applicable.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, its successors and their assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall, with respect to a Series of Bonds, be deemed to refer to any other nationally recognized securities rating agency designated by the Company with the approval of the Remarketing Agent, by notice to the Trustee.

"Securities Depository" means The Depository Trust Company and any substitute for or successor to such securities depository that shall maintain a Book Entry System with respect to the Bonds.

"Securities Depository Nominee" means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Register the Bonds to be delivered to such Securities Depository during the continuation with such Securities Depository of participation in its Book Entry System.

"Semiannual Interest Payment Date" means each June 1 and December 1.

"Series" means the Series 1999 Bonds and each series of Additional Bonds.

"Series 1999 Credit Agreement" means, initially, the Credit Agreement pursuant to which the Series 1999 Credit Facility is issued, and upon acceptance by the Trustee of any Alternate Credit Facility securing the Series 1999 Bonds, the Credit Agreement pursuant to which such Alternate Credit Facility is issued.

"Series 1999 Credit Facility" means, initially, the letter of credit issued by the Series 1999 Credit Issuer on the Issue Date of the Series 1999 Bonds, and upon acceptance by the Trustee of any Alternate Credit Facility securing the Series 1999 Bonds, such Alternate Credit Facility.

"Series 1999 Credit Issuer" means, initially, Wachovia Bank, N.A., and upon acceptance by the Trustee of any Alternate Credit Facility securing the Series 1999 Bonds, the issuer of such Alternate Credit Facility.

"Short-Term Rate" means any of the Weekly Rate, the Monthly Rate or the Flexible Term Rate.

"Short-Term Rate Period" means, with respect to a Series of Bonds, any period during which such Series bears interest at a Short-Term Rate.

"State" means the State of Georgia.

"Tender Agent" means Wachovia Bank, N.A., and its successors appointed and serving in such capacity under this Indenture.

"Tender Agent Agreement" means any certificate or agreement executed by a Tender Agent in connection with such Tender Agent's duties hereunder.

"Trustee" means The Bank of New York, as trustee hereunder, and any successor trustee appointed under this Indenture.

"U.C.C." means the Uniform Commercial Code of the State as now in effect or hereafter amended.

"Underwriter" means (i) with respect to the Series 1999 Bonds, Wachovia Securities, Inc., and (ii) with respect to any Series of Additional Bonds, the Person appointed by the Company to serve as Underwriter for such Series pursuant to Section 7.11.

"Untendered Bond" means any Untendered Bond as defined in Section 2.6(f).

"Weekly Rate" means, with respect to a Series of Bonds, the interest rate on such Series established pursuant to Section 2.3(b).

"Weekly Rate Period" means, with respect to a Series of Bonds, any period during which such Series bears interest at a Weekly Rate.

Section 1.2 Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Indenture:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The table of contents, captions and headings herein are for convenience of reference only and shall not constitute a part of this Indenture nor shall they affect its meaning, construction or effect.

(c) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and words of the neuter gender shall be deemed and construed to include correlative words of the masculine and feminine genders.

(d) All references in this Indenture to particular Articles or Sections are references to Articles or Sections of this Indenture, unless otherwise indicated.

ARTICLE II

THE BONDS

Section 2.1 Authorized Amount of Bonds. No Bonds may be issued under the

provisions of this Indenture except in accordance with this Article. The total principal amount of Series 1999 Bonds that may be issued and outstanding hereunder is expressly limited to $25,000,000, subject to the provisions of Sections 2.13, 2.14 and 2.15. The Company may issue Additional Bonds pursuant to Section 2.12(b). The total principal amount of Bonds and the number of Series of Bonds that may be issued hereunder are not limited.

Section 2.2 Issuance of Bonds.

(a) The Series 1999 Bonds shall be designated "Atlantic American Corporation Taxable Variable Rate Demand Bonds, Series 1999." The form of Bond attached as Exhibit A to this Indenture shall be the form of Series 1999 Bond referred to herein. The Series 1999 Bonds shall bear interest from the Issue Date thereof, until paid, at the rates set forth in Section 2.3 (computed on the basis of a 360-day year for the actual days elapsed during any Short-Term Rate Period (calculated by multiplying the principal amount of Bonds by the interest rate, dividing that sum by 360, and multiplying that amount by the actual days elapsed) and a 360-day year of twelve 30-day months during any Long-Term Rate Period), and shall mature, unless sooner paid, on June 1, 2009, on which date all unpaid principal, redemption premium, if any, and interest on the Series 1999 Bonds shall be due and payable.

(b) The Bonds of each Series shall be issued as fully registered bonds without coupons in Authorized Denominations. The Bonds of each Series shall be numbered from R-1 upwards bearing numbers not then contemporaneously outstanding (in order of issuance) according to the records of the Registrar.

The Bonds of each Series shall be dated the Issue Date thereof. Interest on each of the Bonds shall be computed from the Interest Payment Date to which interest has been paid or duly provided for next preceding the date of authentication thereof, unless (a) such date of authentication shall be prior to the first Interest Payment Date, in which case interest shall be computed from the Issue Date thereof, or (b) such date of authentication shall be an Interest Payment Date to which interest on such Bond has been paid in full or duly provided for, in which case interest shall be computed from such date of authentication; provided, however, that if interest on the Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange shall bear interest from the last date to which interest has been paid or duly provided for on the Bonds or, if no interest has been paid or duly provided for on the Bonds, from the Issue Date thereof.

The principal of, redemption premium, if any, and the interest on the Bonds shall be payable in lawful currency of the United States. The principal of and redemption premium, if any, on a Series of Bonds shall be payable at the principal office of the Applicable Paying Agent upon presentation and surrender of the Bonds. Payments of interest on the Bonds will be mailed to the persons in whose names the Bonds are registered on the Register at the close of business on the Record Date next preceding each Interest Payment Date; provided that, prior to the Fixed Rate Conversion Date for a Series of Bonds, any Holder of a Bond or Bonds of such Series in an aggregate principal amount of not less than $250,000 may, by prior written instructions filed with the Applicable Paying Agent (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period prior to the Fixed Rate Conversion Date be made by wire transfer to an account in the continental United States or other means acceptable to such Paying Agent.

Section 2.3 Interest Rates on Bonds.

(a) Initial Rate - General. Each of the Bonds shall bear interest as provided herein from its Issue Date to the date that such Bond is paid in full. Interest accrued on the Bonds of a Series (or the applicable portion of the Bonds of a Series if the Bonds of such Series bear interest at a Flexible Term Rate) shall be paid on each Interest Payment Date for such Series (or, if such day is not a Business Day, the next succeeding Business Day) commencing (i) with respect to the Series 1999 Bonds, on July 1, 1999, and (ii) with respect to any Series of Additional Bonds, on the date set forth as the initial Interest Payment Date in the supplemental indenture authorizing the issuance of such Series. The interest rate for a Series of Bonds will be determined as provided in this Section except that no rate shall exceed the lesser of (i) the Ceiling Rate applicable to such Series or (ii) the maximum rate permitted by applicable law. The Ceiling Rate applicable to a Series of Bonds may be increased to a rate not to exceed the maximum rate permitted by applicable law by execution and delivery of a supplemental indenture, if the interest component of the Applicable Credit Facility is increased on or prior to the effective date of such supplemental indenture by recalculating the amount of such interest component using the increased Ceiling Rate and the number of days coverage then provided for in the Applicable Credit Facility. The Series 1999 Bonds shall initially bear interest at a Weekly Rate from the Issue Date thereof until the date on which the Interest Rate Determination Method for such Bonds is changed as described in Section 2.4. Such Weekly Rate for the initial Interest Period for the Series 1999 Bonds shall be determined by the Underwriter for such Series

on the Issue Date thereof in the manner set forth in Section 2.3(b) with respect to subsequent Interest Periods. Thereafter, during any Weekly Rate Period for a Series of Bonds, the Remarketing Agent will determine a Weekly Rate for such Series in accordance with Section 2.3(b).

Notwithstanding anything herein to the contrary, each Interest Rate Determination Method in effect for a Series of Bonds from time to time shall continue in effect until the date on which the Interest Rate Determination Method for such Series is changed as described in Section 2.3(c), (e) or (f) or Section 2.4. Series of Bonds issued hereunder may bear interest using the same or different Interest Rate Determination Methods; provided, however, all Bonds of the same Series must bear interest using the same Interest Rate Determination Method, as such Interest Rate Determination Method may be changed from time to time as described in Section 2.3(c), (e) or (f) or Section 2.4.

(b) Weekly Rate. During any Weekly Rate Period in effect for a Series of Bonds, all Bonds of such Series will bear interest at the Weekly Rate. During any Weekly Rate Period for a Series of Bonds, the Remarketing Agent will determine the Weekly Rate for the applicable Interest Period by 4:00 p.m., Local Time, on the applicable Computation Date. Each Weekly Rate shall be the rate of interest that, if borne by such Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities that are comparable as to credit and maturity (or comparable with respect to optional tender provisions) with the credit and maturity or the optional tender provisions of such Bonds, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place such Bonds at a price of par (plus accrued interest, if any) on the first Business Day of such Interest Period; provided, that, if for any reason the Weekly Rate for any Interest Period is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such hereunder or the rate so established is held to be invalid or unenforceable with respect to any Interest Period, then the Weekly Rate for such Interest Period shall be 100% of the Alternate Weekly Index on the date such interest rate was (or would have been) determined as provided above. The Remarketing Agent (or if no Remarketing Agent is serving as such hereunder, the Trustee) shall notify the Company immediately by telephone if the Alternate Weekly Index is applicable, with written notice to follow promptly. In connection with any change in the Interest Rate Determination Method for a Series of Bonds to a Weekly Rate pursuant to Section 2.3(c), (e) or (f) or Section 2.4(a), the initial Weekly Rate for such Series shall be determined as provided above on the applicable Computation Date.

(c) Monthly Rate. During any Monthly Rate Period in effect for a Series of Bonds, all Bonds of such Series will bear interest at the Monthly Rate. During any Monthly Rate Period in effect for a Series of Bonds, the Remarketing Agent will determine a Monthly Rate by 4:00 p.m., Local Time, on the applicable Computation Date. Each Monthly Rate shall be the rate of interest which, if borne by such Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities that are comparable as to credit and maturity (or comparable with respect to optional tender provisions) with the credit and maturity or the optional tender provisions of such Bonds, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place such Bonds at a price of par (plus accrued interest, if any) on the first Business Day of such Interest Period; provided that, if for any reason the Monthly Rate for any Interest Period is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such hereunder or the rate so established is held to be invalid or unenforceable with respect to any Interest Period, then the Interest Rate Determination Method with respect to such Series of Bonds shall be deemed to have converted to the Weekly Rate on the date such interest rate was (or would have been) determined as provided above. The Remarketing Agent (or if no Remarketing Agent is serving as such hereunder, the Trustee) shall notify the Company, the Trustee and the Applicable Paying Agent immediately by telephone if such a conversion is deemed to have occurred, with written notice to follow promptly. In connection with any change in the Interest Rate Determination Method for a Series of Bonds to a Monthly Rate pursuant to Section 2.4(a), the initial Monthly Rate for such Series shall be determined as provided above on the applicable Computation Date.

(d) [Reserved].

(e) Flexible Term Rate. During any Flexible Term Rate Period for the Bonds of a Series, each of the Bonds of such Series will bear interest at a Flexible Term Rate. During any Flexible Term Rate Period for the Bonds of a Series, the Remarketing Agent will determine the Flexible Term Rate and Flexible Term Rate Period to be applicable to each Bond of such Series by 1:00 p.m., Local Time, on the applicable Computation Date. For each Flexible Term Rate Bond, the Flexible Term Rate Period shall be the period which would, in the judgment of the Remarketing Agent, having due regard to prevailing financial market conditions for securities of the same general nature as such Bond which are comparable as to credit and maturity (or period for tender) with the credit and maturity of

such Bond, ultimately produce the lowest overall net interest cost on such Bond to maturity. No Flexible Term Rate Period applicable to any Bond of a Series may (A) be less than one or more than 270 days in length, (B) extend beyond any scheduled Mandatory Purchase Date or the final maturity date of the Bonds of such Series, or (C) end on a day preceding a non-Business Day. The Remarketing Agent may assign different Flexible Term Rate Periods to different Flexible Term Rate Bonds. For each Flexible Term Rate Bond, the Flexible Term Rate shall be the rate of interest which, if borne by such Bond for its applicable Flexible Term Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for securities of the same general nature as such Bond which are comparable as to credit and maturity (or period for tender) with the credit and maturity of such Bond, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place such Bond at a price of par (plus accrued interest, if any) on the first Business Day of such Flexible Term Rate Period. If for any reason the applicable rate is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such hereunder or the rate so established is held to be invalid or unenforceable, then the Interest Rate Determination Method with respect to such Series of Bonds shall be deemed to have converted to the Weekly Rate on the date such interest rate was (or would have been) determined as provided above. The Remarketing Agent (or if no Remarketing Agent is serving as such hereunder, the Trustee) shall notify the Company, the Trustee and the Applicable Paying Agent immediately by telephone if such a conversion is deemed to have occurred, with written notice to follow promptly. In connection with any change in the Interest Rate Determination Method for a Series of Bonds to a Flexible Term Rate pursuant to Section 2.4, the initial Flexible Term Rate and Flexible Term Rate Period for each Bond of such Series shall be determined as provided above on the applicable Computation Date.

(f) Medium-Term Rate. During any Medium-Term Rate Period in effect for a Series of Bonds, all Bonds of such Series shall bear interest at the Medium-Term Rate. The interest rate to be borne by such Bonds from the applicable Conversion Date to the last day of the applicable Medium-Term Rate Period shall be the rate determined by the Remarketing Agent on the applicable Computation Date to be the rate which, if borne by such Bonds would, in the judgment of the Remarketing Agent having due regard for prevailing market conditions for bonds or other securities that are comparable to such Bonds, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place such Bonds at a price of par (plus accrued interest, if any) on the applicable Conversion Date. If for any reason the applicable rate is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such hereunder or the rate so established is held to be invalid or unenforceable, then the Interest Rate Determination Method with respect to such Series of Bonds shall be deemed to have converted to the Weekly Rate on the date such interest rate was (or would have been) determined as provided above. The Remarketing Agent (or if no Remarketing Agent is serving as such hereunder, the Trustee) shall notify the Company, the Trustee and the Applicable Paying Agent immediately by telephone if such a conversion is deemed to have occurred, with written notice to follow promptly.

On the Computation Date with respect to a Medium-Term Rate, the Remarketing Agent shall determine the applicable Medium-Term Rate Period. Each Medium-Term Rate Period with respect to a Series of Bonds shall be at least 271 days and shall end no later than the date of maturity of the Bonds of such Series or, if earlier, on a day immediately preceding a Business Day. If the Remarketing Agent fails to determine any Medium-Term Rate Period for a Series or the Medium-Term Rate Period so established for a Series is held to be invalid or unenforceable, the Medium-Term Rate Period with respect to such Series shall be (i) if the Interest Rate Determination Method in effect for such Series immediately prior to such Conversion Date was a Medium-Term Rate, the shorter of (a) the period equal to the Medium-Term Rate Period for such Medium-Term Rate (provided, however, that if the last day of such period would not be a day immediately preceding a Business Day, such period shall be extended to the next succeeding day that is a day immediately preceding a Business Day) and (b) the remaining maturity of the Bonds of such Series, or (ii) if the Interest Rate Determination Method in effect with respect to such Series immediately prior to such Conversion Date was not a Medium-Term Rate, the shorter of (a) the period ending on the first date that is a day immediately preceding a Business Day and is at least 271 days after the Conversion Date and (b) the remaining maturity of the Bonds of such Series.

If requested in the Conversion Notice by the Company changing the Interest Rate Determination Method for a Series of Bonds to a Medium-Term Rate, the Remarketing Agent may also determine on the Computation Date redemption premiums with respect to such Series of Bonds, different from those set forth in Section 2.18 (or, in the case of any Series of Additional Bonds, different from those set forth in the supplemental indenture authorizing the issuance of such Series), for optional redemption of the Bonds of such Series during the Medium-Term Rate Period. These redemption premiums shall be consistent with the prevailing market conditions, in the reasonable judgment of the Remarketing

Agent.

(g) Fixed Rate. During any Fixed Rate Period in effect for a Series of Bonds, all Bonds of such Series shall bear interest at the Fixed Rate established for such Series under this Section 2.3(g). The interest rate to be borne by such Bonds from the applicable Fixed Rate Conversion Date to the date of payment in full of such Bonds shall be the rate determined by the Remarketing Agent on the applicable Computation Date to be the rate which, if borne by such Bonds would, in the judgment of the Remarketing Agent having due regard for the prevailing market conditions for bonds or other securities that are comparable to such Bonds, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place such Bonds at a price of par (plus accrued interest, if any) on the applicable Fixed Rate Conversion Date. If for any reason the Fixed Rate is not established as aforesaid by the Remarketing Agent or no Remarketing Agent shall be serving as such hereunder, then the provisions of the last paragraph of Section 2.4(e) shall apply; if the Fixed Rate established by the Remarketing Agent is held to be invalid or unenforceable, the interest rate to be borne by such Bonds from the applicable Fixed Rate Conversion Date to the date of payment in full of such Bonds shall be determined by the Remarketing Agent based on the criteria in the preceding sentence and avoiding the cause of invalidity or unenforceability.

If requested in the Conversion Notice by the Company changing the Interest Rate Determination Method for a Series of Bonds to a Fixed Rate, the Remarketing Agent may also determine on the Computation Date redemption premiums with respect to such Series, different from those set forth in Section 2.18 (or, in the case of any Series of Additional Bonds, different from those set forth in the supplemental indenture authorizing the issuance of such Series), for optional redemption of the Bonds of such Series during the Fixed Rate Period. These redemption premiums shall be consistent with the prevailing market conditions, in the reasonable judgment of the Remarketing Agent.

(h) Notice of Rates and Deemed Conversions. Promptly following the determination of any Rate for a Series of Bonds, the Remarketing Agent shall give notice thereof to the Trustee, the Company and the Applicable Paying Agent. Promptly upon receipt from the Remarketing Agent of any Medium-Term Rate or Fixed Rate for a Series of Bonds, the Applicable Paying Agent shall give each Holder of Bonds of such Series notice of the new Rate. Any Holder or Beneficial Owner may obtain any Rate on or after the applicable Computation Date upon request to the Remarketing Agent. Promptly upon receipt from the Remarketing Agent or the Trustee of notice of any deemed conversion of a Series of Bonds to the Weekly Rate under this Section, the Applicable Paying Agent shall give each Holder of Bonds of such Series, the Applicable Credit Issuer, and the Rating Agency, if any, then rating such Series notice of the deemed conversion.

(i) Determination of Rate Conclusive. The determination of any Rate for a Series by the Remarketing Agent in accordance with the terms of this Indenture shall be conclusive and binding upon the Company, the Trustee, the Applicable Paying Agent, the Tender Agent, the Remarketing Agent and the Holders or Beneficial Owners of such Series.

(j) No Liability. In determining the interest rate or rates that a Series of Bonds shall bear as provided in this Section, the Remarketing Agent shall have no liability to the Company, the Trustee, the Tender Agent, the Applicable Paying Agent, the Registrar, the Applicable Credit Issuer or any Holder or Beneficial Owner of any of the Bonds of such Series, except for its gross negligence or willful misconduct.

Section 2.4 Conversion of Interest Rate Determination Method.

(a) Conversion Notice. The Interest Rate Determination Method for a Series of Bonds may be changed under this Section from any Short-Term Rate or a Medium-Term Rate to any other Interest Rate Determination Method or from a Medium-Term Rate to a new Medium-Term Rate on any Conversion Date by the Company giving written notice of such change (a "Conversion Notice") to the Remarketing Agent and the Trustee with a copy to the Tender Agent, the Applicable Paying Agent, the Rating Agency, if any, rating such Series and the Applicable Credit Issuer. The Conversion Notice must be received by the Remarketing Agent and the Trustee at least forty (40) days prior to the proposed Conversion Date.

Each Conversion Notice shall state (i) the Series of Bonds to which such Conversion Notice applies, (ii) that the Company elects to change the Interest Rate Determination Method for such Series to a new Interest Rate Determination Method, or from the interest rate applicable during a Medium-Term Rate Period to a new interest rate during a new Medium-Term Rate Period, (iii) the proposed Conversion Date, (iv) the Interest Rate Determination Method to be in effect for such Series from and after such Conversion Date, (v) the terms of the Credit Facility to be in effect for such Series from and after such Conversion Date, and (vi) if a Long-Term Rate is to be in effect for such Series from and after such Conversion Date, and if redemption premiums different from those set forth

in Section 2.18 (or, in the case of any Series of Additional Bonds, different from those set forth in the supplemental indenture authorizing the issuance of such Series) are to be applicable as described in Section 2.3(f) and (g), the redemption premiums to be applicable during such Long-Term Rate Period.

(b) [Reserved].

(c) Conversion Date. If the Interest Rate Determination Method for a Series of Bonds prior to a Conversion Date under this Section is:

(i) a Weekly Rate or a Monthly Rate, the Conversion Date must be the first Business Day of an Interest Period;

(ii) a Flexible Term Rate, the Conversion Date for a change to another Interest Rate Determination Method must be the first Business Day immediately following the last Interest Payment Date during the Flexible Term Rate Period, such Interest Payment Date to be determined at the time the Conversion Notice is received by the Remarketing Agent; or

(iii) a Medium-Term Rate, the Conversion Date must be the day next succeeding the last day of the Medium-Term Rate Period.

(d) Notice of Conversions to Holders. The Trustee shall give written notice of a Conversion Date to the Holders of the Series to which such Conversion Date applies, which notice shall be in substantially the form attached to this Indenture as Exhibit B, appropriately completed, and shall be sent by first-class mail, postage prepaid, at least thirty (30) days prior to the Conversion Date.

(e) Failure or Revocation of Conversion. If an Event of Default shall have occurred and be continuing hereunder, the Interest Rate Determination Method for a Series of Bonds shall not be changed on the Conversion Date and the Trustee shall immediately notify by telephone the Applicable Credit Issuer, the Remarketing Agent, the Applicable Paying Agent and the Tender Agent that the Interest Rate Determination Method for such Series shall not be changed on the Conversion Date.

Notwithstanding any other provision in this Indenture to the contrary, no conversion of the Interest Rate Determination Method for a Series of Bonds to the Fixed Rate shall occur if the Company, not later than 10:00 a.m., Local Time, on the Business Day immediately preceding the applicable Computation Date, directs the Remarketing Agent not to change the Interest Rate Determination Method for such Series to the Fixed Rate by written notice, with a copy to the Trustee, the Applicable Paying Agent, the Tender Agent, the Remarketing Agent and the Applicable Credit Issuer.

If a proposed conversion of the Interest Rate Determination Method for a Series of Bonds is canceled pursuant to the provisions of the two preceding paragraphs, all Bonds of such Series shall nevertheless be deemed to have been tendered for purchase on the Conversion Date and shall be purchased on the Conversion Date. The Bonds of such Series shall continue to bear interest in accordance with the Interest Rate Determination Method in effect with respect to such Series prior to the Conversion Date and, in the case of a proposed change from a Medium-Term Rate, for a Medium-Term Rate Period ending on the first day that is a day immediately preceding a Business Day and that occurs on or after the day that is the same number of days after the proposed Conversion Date as the number of days in the immediately preceding Medium-Term Rate Period (but in no event later than the maturity of the Bonds of such Series); provided, however, that the rate of interest that such Series will bear shall be determined on the Conversion Date.

(f) Failure to Mail Certain Notices. Failure to mail the notice described in subsection (d), or any defect therein, shall not affect the validity of any interest rate or change in the Interest Rate Determination Method for a Series of Bonds or the requirement that such Bonds be tendered pursuant to Section 2.6(e) or extend the period for tendering any of such Bonds for purchase, and the Trustee shall not be liable to any Holder by reason of its failure to mail such notice or any defect therein.

(g) Credit Facility Requirements Upon Conversion to Flexible Term Rate or Long-Term Rate. The Interest Rate Determination Method for a Series of Bonds shall not be changed to the Flexible Term Rate unless the Credit Facility to be in effect for such Series immediately following such conversion provides for drawings with respect to the interest component thereunder to pay at least 271 days of interest on such Bonds at the applicable Ceiling Rate. The Interest Rate Determination Method for a Series of Bonds may not be converted to a Long-Term Rate unless the Credit Facility to be in effect for such Series immediately following such conversion provides for drawings with respect to the interest component thereunder to pay 210 days of interest on such Bonds at the applicable Ceiling Rate and for drawings with respect to premium to pay the maximum premium due in connection with an optional redemption of such Bonds. If one or more

ratings for such Series is to be maintained after a conversion to the Flexible Term Rate or a Long-Term Rate, the Trustee and the Remarketing Agent must receive, prior to the effective date of such conversion, written confirmation from each Rating Agency rating such Series that such rating will not be reduced or withdrawn.

Section 2.5 [Reserved].

Section 2.6 Tender of Bonds for Purchase.

(a) Optional Tender During Weekly Rate Period or Monthly Rate Period. During any Weekly Rate Period or Monthly Rate Period in effect for a Series of Bonds, the Holders of the Bonds of such Series shall have the right to tender any such Bond (or portion thereof in an Authorized Denomination, provided that any Bond or portion thereof remaining is also in an Authorized Denomination), for purchase on any Optional Tender Date, but only upon:

(i) delivery to the Remarketing Agent at its principal office, not later than 4:00 p.m., Local Time, on or before the seventh (7th) day (or on the immediately preceding Business Day, if such seventh (7th) day is not a Business Day) next preceding such Optional Tender Date, of an irrevocable written, telephonic (followed, if requested by the Remarketing Agent, by written or facsimile confirmation delivered to the Remarketing Agent no later than the close of business on the next succeeding Business Day), facsimile or telegraphic notice (with a written or facsimile copy to the Tender Agent) stating (1) that such Holder will tender for purchase all or any portion of his/her Bonds in an Authorized Denomination and the amount of Bonds to be tendered and (2) the Optional Tender Date on which such Bonds will be tendered; and

(ii) delivery of such Bond (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 10:00 a.m., Local Time, on such Optional Tender Date; provided, however, that no Bond (or portion thereof) shall be purchased unless such Bond as delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

(b) [Reserved].

(c) Election to Tender Irrevocable. Any election of a Holder to tender Bonds for purchase on an Optional Tender Date in accordance with subsection (a) above shall be irrevocable and shall be binding on the Holder making such election and on any transferee of such Holder.

(d) Notices. The Remarketing Agent shall give the Tender Agent prompt notice by telephone of receipt of any tender notice received by it in accordance with paragraph (i) of subsection (a) above. Upon the receipt of any such notice, the Tender Agent shall promptly notify the Trustee, the Applicable Paying Agent and the Applicable Credit Issuer by telephone.

(e) Mandatory Purchase on Mandatory Purchase Date. On any Mandatory Purchase Date for a Series of Bonds, all Bonds of such Series (or the applicable portion of the Bonds of such Series during any Flexible Term Rate Period) shall be subject to mandatory tender for purchase at the Purchase Price thereof. Notwithstanding the preceding sentence, there shall be no purchase pursuant to this subsection of Bonds to be redeemed on the Mandatory Purchase Date, nor of Bonds issued in exchange for or upon the registration of transfer of Bonds to be redeemed on the Mandatory Purchase Date. Holders of Bonds subject to mandatory tender shall tender such Bonds to the Tender Agent by 10:00 a.m., Local Time, on each Mandatory Purchase Date.

(f) Bonds Deemed Tendered. If (i) with respect to a Mandatory Purchase Date, a Holder fails to deliver Bonds subject to mandatory tender to the Tender Agent on or before the Mandatory Purchase Date, or (ii) with respect to an Optional Tender Date, a Holder gives notice pursuant to Section 2.6(a) to the Remarketing Agent and thereafter fails to deliver such Bonds (or portion thereof) to the Tender Agent, as required, then such Bond (or portion thereof), that is not delivered to the Tender Agent, shall be deemed to have been properly tendered (such Bond being hereinafter referred to as an "Untendered Bond") and, to the extent that there shall be on deposit with the Applicable Paying Agent on the date purchase thereof is required as provided herein an amount sufficient to pay the Purchase Price thereof, such Untendered Bond shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date.

(g) Source of Funds for Purchase of Bonds. On each Optional Tender Date and each Mandatory Purchase Date there shall be purchased (but solely from funds set forth below) the Bonds (or portions thereof) of a Series, tendered (or deemed tendered) to the Tender Agent for purchase in accordance with this section at the applicable Purchase Price. Funds for the payment of the Purchase

Price for Bonds (or portions thereof) of a Series shall be paid by the Applicable Paying Agent solely from the following sources and in the following order of priority:

(i) proceeds of the remarketing of Bonds of such Series (or portions thereof) pursuant to Section 2.7 that have been transferred to such Paying Agent pursuant to said Section;

(ii) moneys drawn under the Applicable Credit Facility pursuant to Section 3.8(a)(ii);

(iii) moneys from the account relating to such Series within the Bond Purchase Fund constituting Eligible Funds, if any, under clause (i) of the definition of Eligible Funds that have been transferred to such Paying Agent pursuant to Section 4.4; and

(iv) any other moneys furnished by or on behalf of the Company for purchase of Bonds of such Series.

Bonds (or portions thereof) purchased as provided above shall be delivered as provided in Section 2.8.

(h) Notice of Mandatory Purchase Date. With respect to a Series of Bonds, not less than thirty (30) days prior to each Mandatory Purchase Date for such Series occurring as a result of a Credit Modification Date or at the Company's direction, and not less than three (3) days prior to each Mandatory Purchase Date occurring at the Applicable Credit Issuer's direction, the Trustee shall give written notice of such Mandatory Purchase Date to the Remarketing Agent, the Tender Agent, the Applicable Paying Agent and, by first-class mail, postage prepaid, the Holders of the Bonds of such Series, which notice shall be in substantially the form of Exhibits C or D hereto, as the case may be, appropriately completed. Failure to mail such notice or any defect therein shall not affect the rights or obligations of Holders and the Trustee shall not be liable to any Holder by reason of its failure to mail such notice or any defect therein. With respect to a Mandatory Purchase Date that is a Conversion Date with respect to any Series of Bonds, the Trustee shall provide notice to the Holders of the Bonds of such Series as set forth in Section 2.4(d). With respect to a Mandatory Purchase Date that is the day next succeeding the last day of each Flexible Term Rate Period, no notice of mandatory tender will be sent to the Holders.

(i) Purchase Notice. If the Bonds are held in a Book Entry System, a purchase notice pursuant to Section 2.6(a)(i) may be delivered by a Beneficial Owner. Such purchase notice must be delivered as set forth in Section 2.6(a)(i) and must state that such Beneficial Owner will cause its beneficial interest (or portion thereof in an Authorized Denomination) to be tendered, the Series and amount of such interest to be tendered, the Optional Tender Date on which such interest will be tendered and the identity of the Participant through which the Beneficial Owner maintains its interest. Upon delivery of such notice, the Beneficial Owner must make arrangements to have its beneficial ownership interest in the Bonds being tendered transferred to the Tender Agent at or prior to 10:00 a.m., on the Optional Tender Date, but need not otherwise comply with Section 2.6(a)(ii).

Section 2.7 Remarketing of Bonds.

(a) Best Efforts to Place Bonds. The Remarketing Agent shall use its best efforts to place Bonds of a Series (or portions thereof) at a price of par plus accrued interest, if any, on each date that such Bonds (or portions thereof) are required to be purchased pursuant to Section 2.6 and if such Bonds are not placed on such date (such Bonds being hereinafter referred to as "Unremarketed Bonds"), the Remarketing Agent shall continue to use its best efforts to place such Unremarketed Bonds at a price of par plus accrued interest, if any. By 12:00 noon, Local Time, on the Business Day prior to each date that the Bonds (or portions thereof) are required to be purchased pursuant to Section 2.6, the Remarketing Agent shall give initial notice by telephone (promptly confirmed by telecopy) of the principal amount of the Bonds of a Series for which it has arranged placement, together with the principal amount of the Bonds of such Series, if any (and such other particulars with respect thereto as the Trustee or Tender Agent may deem necessary), for which it has not arranged placement, to the Trustee, the Tender Agent, the Company, the Applicable Credit Issuer and the Applicable Paying Agent.

Such initial notice shall be confirmed by telephone notice by 9:00 a.m., Local Time, on the date that such Bonds are to be purchased (such notice to be promptly confirmed in writing) of the amount of Bonds of a Series not remarketed and the information necessary to enable the Trustee to prepare new Bond certificates with respect to the Bonds that were remarketed. By 9:30 a.m., Local Time, the Remarketing Agent shall transfer to the Applicable Paying Agent the proceeds of the remarketing of such Bonds. By 10:30 a.m., Local Time, the Applicable Paying Agent shall notify the Trustee of the amount of remarketing

proceeds it received from the Remarketing Agent.

Notwithstanding anything herein to the contrary, Bonds may be remarketed only at a price of par.

(b) Draws on Credit Facility. In the event that moneys from the source described in Section 2.6(g)(i) are insufficient to pay the Purchase Price of Bonds of a Series that are tendered or deemed tendered on an Optional Tender Date or a Mandatory Purchase Date, the Trustee shall, by 11:00 a.m., Local Time, on such Optional Tender Date or Mandatory Purchase Date, take all action required to cause the Purchase Price of each such Bond, to the extent not available from the source described in Section 2.6(g)(i), to be paid from the Applicable Credit Facility. In the event the Purchase Price of Bonds of a Series is paid from the Applicable Credit Facility as described herein, and the Company does not reimburse the Applicable Credit Issuer for such Purchase Price, upon the remarketing of such Bonds as described in Section 2.7(a), the Applicable Paying Agent shall deliver the proceeds of the remarketing of such Bonds to the Applicable Credit Issuer.

(c) No Remarketing During Default. The Remarketing Agent shall not be required to remarket any Bonds pursuant to this Section if it has actual knowledge that an Event of Default shall have occurred and be continuing hereunder or if the Remarketing Agent determines, in its sole discretion, that the remarketing of the Bonds would be unlawful or would be likely to result in the imposition of liability or damages against the Remarketing Agent, any Paying Agent, the Tender Agent, the Trustee, any Credit Issuer, or the Company.

(d) Remarketing to Company. If a Credit Facility is then in effect with respect to a Series of Bonds, the Remarketing Agent shall not remarket any Bonds to (i) the Company, (ii) any other Person obligated (as guarantor or otherwise) to make payments on such Series or under any Credit Agreement relating to such Series, or (iii) an "affiliate" of the Company as defined in Bankruptcy Code ss. 101(2) (if the Remarketing Agent has actual knowledge that such Person is an "affiliate" at the time of such remarketing), pursuant to this Section prior to the expiration or earlier termination of the Applicable Credit Facility unless, prior to such remarketing, the Trustee, the Rating Agency, if any, rating such Series, and the Remarketing Agent shall have received an unqualified opinion of Counsel experienced in bankruptcy law matters to the effect that such remarketing would not result in a preferential payment pursuant to the provisions of Section 547 of the Bankruptcy Code recoverable from Holders of the Bonds of such Series pursuant to Section 550 of the Bankruptcy Code in the event of an Act of Bankruptcy, and if a Rating Agency is rating such Series, such Rating Agency has confirmed to the Trustee in writing that its rating will not be withdrawn or reduced as a result of such remarketing.

(e) Notice to Proposed Purchasers of Bonds. The Remarketing Agent will give any Person to whom Bonds are proposed to be remarketed written notice of any Mandatory Purchase Date, acceleration of maturity of Bonds or redemption of Bonds, notice of which has been given to Holders of the Bonds of the same Series as that of the Bonds proposed to be remarketed, prior to remarketing such Bonds to such Person.

(f) No Remarketing Under Certain Conditions. Notwithstanding anything to the contrary herein provided, the Bonds of a Series shall not be remarketed unless a Credit Facility providing for the payment of the principal of, premium, if any, and interest on, and Purchase Price of, the Bonds of such Series will be in effect following the remarketing of such Bonds. Notwithstanding anything to the contrary herein provided, the Bonds of a Series shall not be remarketed following a Mandatory Purchase Date for such Series occurring at the Applicable Credit Issuer's direction unless and until the Remarketing Agent has received the consent of such Applicable Credit Issuer to such remarketing.

Section 2.8 Delivery of Purchased Bonds. Bonds (or portions thereof) purchased pursuant to Section 2.6 shall be delivered as follows:

(a) Bonds Purchased from Remarketing Proceeds. Bonds purchased with moneys described in Section 2.6(g)(i) shall be delivered to the purchasers thereof upon receipt of payment therefor. Prior to such delivery the Registrar shall provide for registration of transfer to the Holders, as provided in a written notice from the Remarketing Agent.

(b) Bonds Purchased from Draws Under Credit Facility. Bonds (or portions thereof) purchased with moneys drawn under a Credit Facility shall be surrendered to the Trustee for registration of transfer to the Company and upon such registration of transfer, the Bonds issued in respect thereof shall be (i) delivered to and held by the Trustee for the account of the Company, and no such Bond shall be released, pledged or otherwise transferred or disposed of until the Trustee shall have received written notice from the Applicable Credit Issuer that the amounts so drawn under such Credit Facility, together with interest thereon, if any, due pursuant to any applicable Credit Agreement, have been reimbursed to such Credit Issuer and that the amount so drawn under such Credit

Facility with respect to such Bonds has been, or upon such release will be, correspondingly and fully reinstated, and thereupon shall be delivered to, or in accordance with the written direction of, the Company or (ii) if required pursuant to any Credit Agreement, issued to a pledge agent for the account of the Applicable Credit Issuer as pledgee of such Bonds and no such Bond shall be released, pledged or otherwise transferred or disposed of until the Trustee shall have received written notice from such Credit Issuer that the amounts so drawn under such Credit Facility, together with interest thereon, if any, due pursuant to any Credit Agreement, have been reimbursed to such Credit Issuer and that the amount so drawn under such Credit Facility with respect to such Bonds has been, or upon such release will be, correspondingly and fully reinstated.

(c) Bonds Purchased with Other Moneys. Bonds (or portions thereof) purchased with any other moneys pursuant to Section 2.6(g) shall be delivered to the Trustee (i) for cancellation and shall be canceled, or (ii) if the Company requests, for registration of transfer to the Company.

(d) During Book Entry System. Notwithstanding anything herein to the contrary, so long as the Bonds are held under the Book Entry System, Bonds will not be delivered as set forth in (a) - (c) above; rather, transfers of beneficial ownership and pledges of the Bonds to the persons indicated above will be effected on the books of the Securities Depository and its Participants pursuant to its rules and procedures.

Section 2.9 Execution. The Bonds shall be executed on behalf of the Company by the manual or facsimile signature of the President or a Vice President of the Company and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Company and shall have impressed or imprinted thereon the seal (or a facsimile thereof), if any, of the Company.

In case an officer of the Company whose manual or facsimile signature shall appear on the Bonds shall cease to be an officer of the Company before the delivery of such Bonds, such manual or facsimile signatures shall nevertheless be valid and sufficient for all purposes.

Section 2.10 Certificate of Authentication. No Bonds shall be secured hereby or entitled to the benefit hereof or shall be or become valid or obligatory for any purpose unless there shall be endorsed thereon a certificate of authentication, substantially in the form as set forth in the form of Bond referred to in Section 2.11, executed by an authorized signatory of the Trustee; and such certificate on any Bond issued by the Company shall be conclusive evidence and the only competent evidence that it has been duly authenticated and delivered hereunder.

Section 2.11 Form of Bonds.

(a) The Series 1999 Bonds, the Trustee's certificate of authentication to be endorsed on such Series and the form of assignment shall be in substantially the form set forth as Exhibit A hereto, with such appropriate variations, omissions, substitutions and insertions as are permitted or required hereby or are required by law and may have such letters, numbers or other marks of identification and such legends and endorsements placed thereon as may be required to comply with any applicable laws or rules or regulations, or as may, consistent herewith, be determined by the officers of the Company executing such Bonds, as evidenced by their execution of the Bonds. Any Series of Additional Bonds shall be in substantially the form set forth in Exhibit A hereto, with such appropriate variations, omissions, substitutions and insertions as are permitted or required under the supplemental indenture authorizing the issuance of such Series.

(b) The Bonds shall be in either typewritten or printed form, as the Company shall direct, with approval of the Trustee; provided that any expenses, including but not limited to expenses of printing, incurred in connection therewith shall be paid by the Company.

(c) On and after any Mandatory Purchase Date occurring with respect to a Series of Bonds, Bonds of such Series authenticated and delivered hereunder shall have omitted from the text thereof such provisions contained in the form of the Bonds set forth as Exhibit A hereto as are not applicable to such Bonds on and after such date or shall include such provisions as will become applicable after such date including, without limitation, any reference to entitlement to any benefit of a Credit Facility, if then in effect, and any redemption provisions made applicable as a result of the occurrence of a Conversion Date relating to a conversion to a Long-Term Rate.

Section 2.12 Delivery of Bonds.

(a) Series 1999 Bonds. Upon the execution and delivery hereof, the Company shall execute the Series 1999 Bonds and deliver them to the Trustee, and the Trustee shall authenticate the Series 1999 Bonds and deliver them to such purchaser or purchasers as shall be directed in writing by the Company as

hereinafter in this Section provided.

Prior to the direction by the Company to the Trustee to deliver any of the Series 1999 Bonds there shall be filed with the Trustee:

(i) A certified copy of all resolutions adopted and proceedings had by the Company authorizing execution of the Indenture and the issuance of the Series 1999 Bonds;

(ii) An original executed counterpart of this Indenture, the Purchase Agreement and the Remarketing Agreement;

(iii) An original executed counterpart of the Series 1999 Credit Agreement and the original executed Series 1999 Credit Facility;

(iv) An opinion of Counsel for the Company to the effect that (A) the Series 1999 Bonds, this Indenture, the Purchase Agreement, the Remarketing Agreement and the Series 1999 Credit Agreement have been duly authorized, executed and delivered by the Company and are legal, valid and binding agreements of the Company, (B) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and this Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended, and (C) that nothing has come to the attention of Counsel for the Company which would lead them to believe that the information concerning the Company contained in the Official Statement or incorporated by reference therein contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) An opinion of Counsel for the Series 1999 Credit Issuer, addressed to the Company, the Remarketing Agent, the Trustee and the Paying Agent for such Series to the effect that the Series 1999 Credit Facility has been duly executed and delivered by such Credit Issuer and is a legal, valid and binding obligation of such Credit Issuer or, if the Series 1999 Credit Facility is issued by a branch or agency of a foreign commercial bank, to the effect that the Series 1999 Credit Facility is the legal, valid and binding obligation of such branch or agency and there shall also be delivered an opinion of Counsel licensed to practice law in the jurisdiction in which the main office of such bank is located, satisfactory to the Trustee, to the effect that the Series 1999 Credit Facility has been duly executed and delivered by such branch or agency and is the legal, valid and binding obligation of such bank; and

(vi) A request and authorization to the Trustee on behalf of the Company and signed by a duly authorized officer of the Company directing the Trustee to authenticate and deliver the Series 1999 Bonds in such specified denominations as permitted herein to the initial purchaser or purchasers upon payment to the Trustee, but for the account of the Company, of a specified sum of money.

Upon receipt of the foregoing, the Trustee shall authenticate and deliver the Series 1999 Bonds as provided above.

(b) Additional Bonds. So long as no Event of Default hereunder has occurred and is continuing, the Company may issue Additional Bonds in one or more Series. Upon the execution and delivery of a supplemental indenture authorizing the issuance of a Series of Additional Bonds, the Company shall execute and deliver to the Trustee, and the Trustee shall authenticate, such Additional Bonds and deliver them to such purchaser or purchasers as shall be directed in writing by the Company as hereinafter provided.

Prior to the direction by the Company to the Trustee to deliver a Series of Additional Bonds, there shall be filed with the Trustee:

(i) An original executed counterpart of a supplemental indenture executed by the Company:

(A) establishing such Series and the principal amount of the Additional Bonds to be issued thereunder;

(B) establishing the final maturity date for such Series and the times and prices, if any, at which such Bonds shall be subject to mandatory sinking fund redemption;

(C) establishing the authorized denominations of such Series;

(D) specifying the initial Interest Rate Determination Method to be in effect with respect to such Series;

(E) specifying the initial Interest Payment Date for such Series;

(F) establishing the Ceiling Rate for such Series;

(G) designating the Paying Agent for such Series;

(H) establishing accounts or subaccounts within the Bond Fund, the Initial Fund and the Bond Purchase Fund for such Series and authorizing the Trustee to disburse the proceeds of such Series deposited in the Initial Fund to the Company or to such other Person or Persons specified therein and specifying any conditions to such disbursement; and

(I) setting forth any other terms and conditions to the issuance of such Series;

(ii) A certified copy of all resolutions adopted and proceedings had by the Company authorizing execution of the supplemental indenture referred to in (i) above and the issuance of such Series;

(iii) An original executed counterpart of an agreement between the Company and the Underwriter for such Series, which shall be in form and substance satisfactory to the Trustee and the Remarketing Agent, providing for the initial sale of such Series and the determination of the Rate for the initial Interest Period for such Series;

(iv) An original executed counterpart of the Credit Agreement relating to such Series and the original executed Credit Facility for such Series;

(v) A certificate signed by an officer of the Company satisfactory to the Trustee and the Remarketing Agent to the effect that no Event of Default under this Indenture is then existing or will result from the issuance of such Series;

(vi) An opinion of Counsel for the Company to the effect that the Additional Bonds of such Series, the supplemental indenture authorizing such Series, the placement agreement for such Series, the Remarketing Agreement and the Credit Agreement for such Series have been duly authorized, executed and delivered by the Company and are legal, valid and binding agreements of the Company, (B) the Additional Bonds of such Series are exempt from registration pursuant to the Securities Act of 1933, as amended, and the supplemental indenture authorizing such Series is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended, and (C) that nothing has come to the attention of Counsel for the Company which would lead them to believe that the information concerning the Company contained in the official statement prepared in connection with the sale of the Additional Bonds of such Series or incorporated by reference therein contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vii) An opinion of Counsel for the Applicable Credit Issuer, addressed to the Company, the Remarketing Agent, the Trustee and the Paying Agent for such Series to the effect that such Credit Facility has been duly executed and delivered by such Credit Issuer and is a legal, valid and binding obligation of such Credit Issuer or, if such Credit Facility is issued by a branch or agency of a foreign commercial bank, to the effect that such Credit Facility is the legal, valid and binding obligation of such branch or agency and there shall also be delivered an opinion of Counsel licensed to practice law in the jurisdiction in which the main office of such bank is located, satisfactory to the Trustee, to the effect that such Credit Facility has been duly executed and delivered by such branch or agency and is the legal, valid and binding obligation of such bank; and

(viii) A request and authorization to the Trustee on behalf of the Company and signed by a duly authorized officer of the Company directing the Trustee to authenticate and deliver such Series in such specified denominations as permitted under the supplemental indenture to the initial purchaser or purchasers upon payment to the Trustee, but for the account of the Company, of a specified sum of money, which sum shall be paid over to the Trustee and deposited to the credit of the Initial Fund.

Upon receipt of the foregoing, the Trustee shall authenticate and deliver the Series of Additional Bonds as provided above.

Section 2.13 Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond is

mutilated, lost, stolen or destroyed, the Company may execute and the Trustee may authenticate and deliver a new Bond of the same Series, maturity, interest rate, principal amount and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided, that there shall be first furnished to the Trustee evidence satisfactory to it and the Company of the ownership of such Bond and of such loss, theft or destruction (or, in the case of a mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee), together with indemnity satisfactory to the Trustee and the Company and compliance with such other reasonable regulations as the Company and the Trustee may prescribe. If any such Bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Bond the Company may pay the same without surrender thereof. The Company and the Trustee may charge the Holder of such Bond with their reasonable fees and expenses in this connection.

Section 2.14 Exchangeability and Transfer of Bonds; Persons Treated as Owners. Books for the registration of the Bonds and for the registration of transfer of the Bonds as provided herein shall be kept by the Registrar.

Any Holder of a Bond, in person or by his/her duly authorized attorney, may transfer title to his/her Bond on the Register upon surrender thereof at the principal office of the Trustee, and by providing the Registrar with a written instrument of transfer (in substantially the form of assignment attached to the Bond) executed by the Holder or his/her duly authorized attorney, and thereupon, the Company shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same Series, aggregate principal amount and tenor as the Bond surrendered (or for which transfer of registration has been effected) and of any Authorized Denomination or Authorized Denominations.

Bonds may be exchanged upon surrender thereof at the principal office of the Registrar with a written instrument of transfer satisfactory to the Registrar executed by the Holder or such Holder's attorney duly authorized in writing, for an equal aggregate principal amount of Bonds of the same Series and tenor as the Bonds being exchanged and of any Authorized Denomination or Authorized Denominations. The Company shall execute and the Trustee shall authenticate and deliver Bonds that the Holder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding with respect to such Series.

Such registrations of transfer or exchanges of Bonds shall be without charge to the Holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder of the Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Registrar for any such registration of transfer or exchange and all reasonable expenses of the Trustee shall be paid by the Company.

The Registrar shall not register any transfer of any Bond, except pursuant to a tender of Bonds on an Optional Tender Date or a Mandatory Purchase Date, after notice calling such Bond (or portion thereof) for redemption has been given and prior to such redemption, except in the case of any Bond to be redeemed in part, the portion thereof not to be redeemed. In connection with any such transfer pursuant to a tender of Bonds on an Optional Tender Date or a Mandatory Purchase Date, the Registrar shall deliver to the transferee a copy of the applicable notice of redemption.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal or interest shall be made only to or upon the order of the registered owner thereof or his/her duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

All Bonds issued upon any registration of transfer or exchange of Bonds shall be legal, valid and binding obligations of the Company, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such registration of transfer or exchange.

Notwithstanding the foregoing, for so long as the Bonds are held under the Book Entry System, transfers of beneficial ownership will be effected pursuant to rules and procedures established by the Securities Depository.

Section 2.15 Replacement Bonds. Except when the Bonds are held in the Book Entry System, the Company shall execute and the Trustee shall authenticate and deliver Replacement Bonds to replace Untendered Bonds. Any such Replacement Bond shall be executed and authenticated as provided in this Indenture. The Company shall bear all expenses in connection with the preparation and delivery of the Replacement Bonds.

Section 2.16 Cancellation. All Bonds that have been surrendered to the Registrar pursuant to Sections 2.13, 2.14 or 2.15 of this Indenture or for the purpose of purchase upon an Optional Tender Date or a Mandatory Purchase Date, or for payment upon maturity or redemption prior to maturity, shall be canceled and destroyed by the Registrar and a certificate of destruction shall be delivered to the Company.

Section 2.17 Ratably Secured. All Bonds of a Series issued hereunder are and are to be, to the extent provided in this Indenture, equally and ratably secured by this Indenture without preference, priority or distinction on account of the actual time or times of the authentication, delivery or maturity of the Bonds of such Series so that subject as aforesaid, all Bonds of such Series at any time Outstanding shall have the same right, lien and preference under and by virtue of this Indenture and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be disposed of at such date, or whether they, or any of them, shall be disposed of at some future date. Notwithstanding the foregoing, any Bond of a Series that is registered in the name of the Company or held or required to be held by the Trustee or any pledge agent under a pledge agreement pursuant to Section 2.8 shall not be entitled to any benefit of the Applicable Credit Facility.

Section 2.18 Redemption of Bonds; Partial Redemption of Bonds.

(a) Optional Redemption. Bonds of a Series then bearing interest at a Weekly Rate are subject to redemption, at the direction of the Company, in whole on any Business Day or in part on any Interest Payment Date for such Bonds, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date.

Bonds of a Series then bearing interest at a Monthly Rate are subject to redemption, at the direction of the Company, in whole on the first Business Day of any calendar month or in part on any Interest Payment Date for such Bonds, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date.

Bonds of a Series then bearing interest at a Flexible Term Rate are subject to redemption, at the direction of the Company, in whole or in part on any Interest Payment Date applicable to the Bonds to be redeemed, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date.

Bonds of a Series then bearing interest at a Long-Term Rate are subject to redemption, at the direction of the Company, in whole or in part on any Interest Payment Date for such Bonds occurring on or after the First Day of Redemption Period for such Bonds as described below, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus a redemption premium (expressed as a percentage of principal amount) plus accrued interest thereon to the redemption date as follows, provided, however, if a Credit Facility is then in effect with respect to such Bonds, such redemption premium shall be paid only from Eligible Funds described in clause (i) of the definition of Eligible Funds on deposit in the Bond Fund, unless such Credit Facility provides for payment of such premium:

Length of Long-Term Rate Period From Conversion Date Until End of Rate Period (Expressed in Years)	First Day of Redemption Period	Redemption Premium as a Percentage of Principal Amount of Bonds
More than 7	5th Anniversary of Conversion Date	2% declining by 1% every year after the 5th Anniversary of the Conversion Date until reaching 0%, and thereafter 0%.
More than 5 but not more than 7	4th Anniversary of Conversion Date	1% declining by 1% to 0% the first year after the 4th Anniversary of the Conversion Date, and thereafter 0%.
5 or less	Bonds not redeemable pursuant to this paragraph.	N/A

The above premiums may be changed for the Bonds of any Series upon the

conversion of such Bonds to a Long-Term Rate in accordance with the provisions of Section 2.3(f) and (g). The above premiums may also be changed, with respect to any Series of Additional Bonds, to the extent provided in the supplemental indenture delivered pursuant to Section 2.12(b) authorizing the issuance of such Additional Bonds.

(b) [Reserved].

(c) [Reserved].

(d) Mandatory Sinking Fund Redemption. The Series 1999 Bonds shall not be subject to mandatory sinking fund redemption prior to their final maturity. A Series of Additional Bonds shall be subject to mandatory sinking fund redemption to the extent and subject to such related provisions, if any, set forth in the supplemental indenture authorizing the issuance of such Series.

(e) Selection of Bonds to be Redeemed. If less than all the Outstanding Bonds of a Series shall be called for redemption, the Registrar or, if the Bonds are held in the Book Entry System, the Securities Depository shall first select and call for redemption Bonds of such Series held by the Trustee or a pledge agent for the account of the Company and pledged to the Credit Issuer for such Series as contemplated in Section 2.8(b). If, following such selection, additional Bonds of such Series must be selected and called for redemption, the Registrar or, if the Bonds are held in the Book Entry System, the Securities Depository shall select or arrange for the selection, in such manner as it shall deem fair and equitable and pursuant to its rules and procedures, the Bonds of such Series, in Authorized Denominations, provided that any Bond or portion thereof remaining Outstanding shall be in an Authorized Denomination. If there shall be called for redemption less than the principal amount of a Bond, the Company shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the Holder thereof in exchange for the unredeemed principal amount of such Bond at the option of such Holder, Bonds of like Series in any of the Authorized Denominations or, if the Bonds are held in the Book Entry System, the Securities Depository shall, acting pursuant to its rules and procedures, reflect in said system the partial redemption and the Trustee shall (i) either exchange the Bond or Bonds held by the Securities Depository for a new Bond or Bonds of like Series in the appropriate principal amount, if such Bond is presented to the Trustee by the Securities Depository, or (ii) obtain from the Securities Depository a written confirmation of the reduction in the principal amount of the Bonds of such Series held by such Securities Depository.

Section 2.19 Notice of Redemption. The Company shall exercise its option to direct the redemption of Bonds by giving written notice to the Remarketing Agent, the Trustee, the Applicable Paying Agent and the Applicable Credit Issuer, not less than forty-five (45) days prior to the date selected for redemption. To exercise any optional redemption of Bonds of a Series pursuant to Section 2.18(a) so long as a Credit Facility is in effect with respect to such Series, then at least one day before the Trustee is to give notice of such redemption, the Trustee must have received written consent from the Applicable Credit Issuer to a draw on such Credit Facility in the amount of such redemption price if moneys in the Bond Fund constituting Eligible Funds under clause (i) of the definition of Eligible Funds will not be available to reimburse the Applicable Credit Issuer for such drawing on the date of such redemption. If the Applicable Credit Issuer does not consent to a drawing for an optional redemption of Bonds of a Series pursuant to Section 2.18(a), the Trustee may condition such call for redemption upon the deposit with the Trustee of sufficient Eligible Funds on or prior to the date selected for redemption to reimburse the Applicable Credit Issuer for such drawing or to retire the Bonds to be redeemed if the Applicable Credit Issuer fails to honor such drawing, and if sufficient Eligible Funds are not so available on the date selected for redemption, such call for redemption shall be revoked. Notice of redemption shall be mailed by the Trustee by first-class mail, postage prepaid, at least thirty (30) days before the redemption date to each Holder of the Bonds of such Series to be redeemed in whole or in part at his/her last address appearing on the Register, but no defect in or failure to give such notice of redemption shall affect the validity of the redemption. A notice of optional redemption shall describe whether and the conditions under which the call for redemption shall be revoked. All Bonds properly called for redemption will cease to bear interest on the date fixed for redemption, provided Eligible Funds for their redemption have been duly deposited with the Trustee and, thereafter, the Holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed.

Section 2.20 Book Entry System. Bonds shall be initially issued pursuant to a Book Entry System administered by the Securities Depository with no physical distribution of Bond certificates to be made except as provided in this Section. Any provision of this Indenture or the Bonds requiring physical delivery of the Bonds shall, with respect to any Bonds held under the Book Entry System, be deemed to be satisfied by a notation on the Register maintained by

the Registrar that such Bonds are subject to the Book Entry System.

So long as a Book Entry System is being used, one Bond in the aggregate principal amount of each Series issued hereunder and registered in the name of the Securities Depository Nominee will be issued and deposited with the Securities Depository and held in its custody. The Book Entry System will be maintained by the Securities Depository and the Participants and Indirect Participants and will evidence beneficial ownership of the Bonds in Authorized Denominations, with registration of transfers of ownership effected on the records of the Securities Depository, the Participants and the Indirect Participants pursuant to rules and procedures established by the Securities Depository, the Participants and the Indirect Participants. The principal of, interest and any premium on each Bond shall be payable to the Securities Depository Nominee or any other person appearing on the Register as the registered Holder of such Bond or his/her registered assigns or legal representative at the principal office of the Registrar. So long as the Book Entry System is in effect, the Securities Depository will be recognized as the Holder of the Bonds for all purposes (except as provided in Section 2.6(i)). Transfer of principal, interest and any premium payments or notices to Participants and Indirect Participants will be the responsibility of the Securities Depository, and transfer of principal, interest and any premium payments or notices to Beneficial Owners will be the responsibility of the Participants and the Indirect Participants. No other party will be responsible or liable for such transfers of payments or notices or for maintaining, supervising or reviewing such records maintained by the Securities Depository, the Participants or the Indirect Participants. While the Securities Depository Nominee or the Securities Depository, as the case may be, is the registered owner of the Bonds, notwithstanding any other provisions set forth herein, payments of principal of, redemption premium, if any, and interest on the Bonds shall be made to the Securities Depository Nominee or the Securities Depository, as the case may be, by wire transfer in immediately available funds to the account of said Holder as may be specified in the Register maintained by the Registrar or by such other method of payment as the Trustee may determine to be necessary or advisable with the concurrence of the Securities Depository.

If (i) the Securities Depository determines not to continue to administer a Book Entry System for the Bonds, or (ii) the Remarketing Agent, with the consent of the Trustee, elects to remove the Securities Depository, then the Remarketing Agent, with the consent of the Trustee, may appoint a new Securities Depository. The Remarketing Agent may elect to remove the Securities Depository at any time.

If (i) the Securities Depository determines not to continue to administer a Book Entry System for the Bonds or has been removed and the Remarketing Agent fails to appoint a new Securities Depository, or (ii) the Remarketing Agent, with the consent of the Trustee, determines that continuation of a Book Entry System of evidence and transfer of ownership of the Bonds would adversely affect the interests of the Beneficial Owners, the Book Entry System will be discontinued, in which case the Trustee will deliver replacement Bonds in the form of fully registered certificates in Authorized Denominations in exchange for the Outstanding Bonds as required by the Trustee and the Beneficial Owners.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY; CREDIT FACILITY

Section 3.1 Representations, Warranties and Covenants of the Company. The Company hereby represents, warrants and covenants that:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia, has legal authority to enter into and to perform the agreements and covenants on its part contained in the Bond Documents to which it is a party, and has duly authorized the execution, delivery and performance of the Bond Documents to which it is a party.

(b) The issuance of the Bonds, the execution and delivery of the Bond Documents to which it is a party, the consummation of the transactions contemplated hereby, and the fulfillment of or compliance with the terms and conditions hereof do not and will not violate, conflict with or constitute a breach of or default under or require any consent (except for such consents and approvals as have heretofore been obtained) pursuant to the Articles of Incorporation or Bylaws of the Company, any law or regulation of the United States or the State (other than federal and state securities laws requiring registration of the Bonds) or, to the best knowledge of the Company, of any other jurisdiction presently applicable to the Company, any order of any court, regulatory body or arbitral tribunal or any agreement or instrument to which the Company is a party or by which it or any of its property is bound.

(c) Assuming due authorization, execution and delivery by the other parties thereto and due registration and filing under federal and state securities laws or due exemption from any such requirements, when executed and delivered, the Bond Documents to which the Company is a party will be the valid and binding obligations or agreements of the Company enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and the application of general principles of equity.

(d) There is no action, suit or proceeding, or, to the knowledge of the Company, any investigation, at law or in equity, or before or by any court, public board or body or other governmental authority, pending or, to the knowledge of the Company, threatened against or affecting the Company which, if determined adversely to the Company, would materially and adversely affect the condition (financial or otherwise) of the Company or the legality, validity or enforceability of, or the Company's ability to perform its obligations under, any of the Bond Documents (other than the Credit Agreements).

(e) The Company has filed all federal, state and local tax returns which are required to be filed by it and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due, unless the failure to file such returns or make such payments could not reasonably be expected to materially adversely affect the ability of the Company to perform its obligations under any of the Bond Documents. No controversy in respect of additional income taxes, state or federal, of the Company is pending or, to the knowledge of the Company, threatened which has not heretofore been disclosed in writing to the Trustee and which, if adversely determined, would materially and adversely affect the transactions contemplated by, the validity of, or the ability of the Company to perform its obligations under, any of the Bond Documents (other than the Credit Agreements).

(f) No approval, consent or authorization of, or registration, declaration or filing (other than registration and filing under federal and state securities laws) with, any governmental or public body or authority is required in connection with the valid execution, delivery and performance by the Company of the Bond Documents to which it is a party which has not heretofore been obtained.

(g) The Company will cause the proceeds of the Series 1999 Bonds to be used for general corporate purposes.

All of the above representations, warranties and covenants shall survive the execution of this Indenture, the issuance of the Series 1999 Bonds and the issuance of any Series of Additional Bonds.

Section 3.2 Covenant to Pay Bonds. The Company covenants that it will promptly pay the principal of, premium, if any, and interest on and Purchase Price of the Bonds at the places, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof. The obligation of the Company to make the payments required under the Bonds shall be absolute and unconditional. The Company will pay without abatement, diminution or deduction (whether for taxes or otherwise) all such amounts regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Company may have or assert against the Trustee or any Holder.

Section 3.3 Covenant to Perform Obligations Under This Indenture. The Company covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in the Bonds executed and delivered hereunder and in all proceedings of the Company pertaining thereto and will faithfully observe and perform at all times any and all covenants, undertakings, stipulations and provisions of this Indenture on its part to be observed or performed.

Section 3.4 Corporate Existence, Sale of Assets, Consolidation or Merger; Notice of Certain Acquisitions of Control.

(a) Unless the Trustee consents in writing, the Company will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not enter into any transaction of merger or consolidation except where the Company is the surviving corporation; provided, however, that if a Credit Facility is in effect with respect to every Series, the Company may take such action if it is permitted by the terms of each Credit Agreement or consented to by each Credit Issuer.

(b) With respect to each Series of Bonds, the Company hereby covenants to provide or cause to be provided written notice to the Trustee, the Remarketing Agent, and the Holders of such Series thirty days prior, where reasonable, and

not more than thirty days subsequent to the consummation of any transaction that would result in the Company controlling or being controlled by the Applicable Credit Issuer. The Company acknowledges that the foregoing sentence supercedes any exemptions from the continuing disclosure requirement pursuant to Rule 15c2-12(b)(5) of the Securities and Exchange Act of 1934.

Section 3.5 Compliance with Laws. The Company shall comply in all material respects with all applicable laws, regulations and other valid requirements of any regulatory authority with respect to its operations unless the failure to comply could not reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under any of the Bonds or the Bond Documents.

Section 3.6 Maintenance of Properties. The Company will cause all properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, unless the failure to maintain its properties could not reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under any of the Bonds or the Bond Documents; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is (i) in the judgment of the Company, desirable in the conduct of its business and not disadvantageous in any material respect to the Holders or (ii) if a Credit Facility is in effect with respect to every Series, permitted by the terms of each Credit Agreement or consented to by each Credit Issuer.

Section 3.7 Payment of Taxes and Other Claims. The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or upon the income, profits or property of the Company, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company, unless the failure to pay any such taxes or claims could not reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under any of the Bonds or the Bond Documents; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

Section 3.8 Credit Facility.

(a) Draws on Credit Facility. Except with respect to Bonds of a Series registered in the name of the Company, or held or required to be held by the Trustee or any pledge agent under a pledge agreement pursuant to Section 2.8 (which Bonds shall not be entitled to any benefit of the Applicable Credit Facility) at any time a Credit Facility is in effect with respect to a Series of Bonds (i) the Trustee shall draw moneys under such Credit Facility to the extent necessary to make timely payments of principal, premium, if any (if such Credit Facility provides for payment of such premium), and interest on such Series, in accordance with Section 4.1, (ii) the Trustee shall draw moneys, in accordance with Section 2.7, under such Credit Facility to the extent available in accordance with the terms of such Credit Facility in order to effect the purchase of Bonds of such Series (or portions thereof in Authorized Denominations) on a Mandatory Purchase Date or an Optional Tender Date, and (iii) upon declaration of acceleration of the Bonds of such Series, the Trustee shall draw on such Credit Facility to the extent available in an amount equal to the unpaid principal of and accrued interest on the Bonds of such Series. Notwithstanding anything in this Indenture to the contrary, no Credit Facility shall be drawn upon for the payment of principal of, premium, if any, interest on or the Purchase Price of any Bonds except for Bonds of the Series secured by such Credit Facility. With respect to a Series of Bonds, the Applicable Paying Agent shall promptly provide notice to the Trustee of any failure to pay principal of, premium, if any, or interest on such Series or the Purchase Price thereof.

(b) Reduction of Credit Facility. Upon any redemption or defeasance of any Bonds of a Series or upon cancellation of any Bonds of a Series upon purchase thereof as contemplated by Section 2.8, the Trustee shall send notice to the Applicable Credit Issuer to reduce the amount available to be drawn on the Applicable Credit Facility (with written notice of the same to the Company) and the Trustee shall, upon request, confirm to the Applicable Credit Issuer and the Company the principal amount of Bonds redeemed, canceled or defeased.

(c) Extensions of Credit Facility. In the event that the term of a Credit Facility is extended, unless it is automatically extended by its terms or is extended by amendment, the Trustee shall surrender the instrument evidencing such Credit Facility to the Applicable Credit Issuer in exchange for a new

instrument conforming, in the opinion of Counsel, in all material respects to the instrument evidencing such Credit Facility being surrendered, except that the term thereof shall reflect the new term of such Credit Facility. Upon discharge of the Indenture with respect to a Series of Bonds pursuant to Section 5.1, the Trustee shall promptly surrender the Applicable Credit Facility to the Applicable Credit Issuer for cancellation. Following the effective date of an Alternate Credit Facility delivered with respect to a Series of Bonds (or, if such Alternate Credit Facility results in the occurrence of a Credit Modification Date, following such Credit Modification Date), the Trustee shall promptly surrender the Applicable Credit Facility to the Applicable Credit Issuer for cancellation. If a Series of Bonds is rated by a Rating Agency, notice of any extension of the Applicable Credit Facility (unless automatically extended by its terms) shall be furnished to such Rating Agency by the Trustee.

(d) Expiration or Termination of Credit Facility. The Trustee shall give notice to the Remarketing Agent and the Applicable Paying Agent, in the name of the Applicable Credit Issuer, of the expiration or earlier termination of any Credit Facility then in effect, which notice shall specify the date of such expiration or earlier termination of the Credit Facility. If a Series of Bonds is rated by a Rating Agency, notice of any such expiration or termination of the Applicable Credit Facility shall be furnished to such Rating Agency by the Trustee. With respect to a Series of Bonds, in the event that the expiration or termination of the Applicable Credit Facility results in the occurrence of a Credit Modification Date, the Trustee shall not surrender the Applicable Credit Facility to be terminated until the Trustee shall have made such drawings, if any, and taken such other actions, if any, thereunder as shall be required under this Indenture in order to provide sufficient money for payment of the Purchase Price of Bonds of such Series tendered or deemed tendered on such Credit Modification Date to the extent necessary pursuant to Section 2.6(g), and shall have received the proceeds of such drawing from the Applicable Credit Issuer. Notwithstanding any provision hereof to the contrary, the Company may not cause a Credit Facility to be terminated prior to its stated expiration date (whether in connection with the delivery of an Alternate Credit Facility or otherwise) if such termination would result in the occurrence of a Credit Modification Date during a Flexible Term Rate Period or a Long-Term Rate Period.

(e) Alternate Credit Facility. At any time, upon at least sixty (60) days prior written notice to the Trustee, the Applicable Paying Agent, the Rating Agency, if any, rating the affected Series of Bonds, and the Remarketing Agent, the Company may, with the consent of the Remarketing Agent, provide for delivery to the Trustee of an Alternate Credit Facility with respect to a Series of Bonds in accordance with the terms and conditions contained in this Section. Not less than thirty (30) days prior to the proposed Alternate Credit Facility Effective Date (as defined below), the Trustee shall give each Holder of the affected Series of Bonds notice of the proposed Alternate Credit Facility by first-class mail, postage prepaid, which notice shall be in substantially the form of Exhibit E hereto, appropriately completed; provided, however, that if the provision of an Alternate Credit Facility results in a Credit Modification Date, the notice provisions of Section 2.6(h) shall apply; provided further, that if the Alternate Credit Facility Effective Date (as defined below) is also a Conversion Date, the notice provisions of Section 2.4(d) shall apply.

If the terms and conditions contained in this Section are satisfied, the Trustee shall accept an Alternate Credit Facility, and such Alternate Credit Facility shall become effective, on the date such Alternate Credit Facility is delivered to the Trustee (the "Alternate Credit Facility Effective Date"). If the Series of Bonds to which the Alternate Credit Facility relates then bears interest at a Weekly Rate or a Monthly Rate, the Alternate Credit Facility Effective Date must be either a Credit Modification Date or a day that could be an Optional Tender Date upon giving of proper notice by a Holder. If the Bonds of the Series to which the Alternate Credit Facility relates then bear interest at a Flexible Term Rate, the Alternate Credit Facility Effective Date must be an Interest Payment Date. If the Bonds of the Series to which the Alternate Credit Facility relates then bear interest at a Flexible Term Rate or Long-Term Rate, the Trustee shall not accept any Alternate Credit Facility if the provision thereof would result in a Credit Modification Date.

An Alternate Credit Facility for a Series of Bonds shall be an irrevocable, direct-pay letter of credit issued by a commercial bank organized and doing business in the United States or a branch or agency of a foreign commercial bank located in the United States and subject to regulation by state or federal banking regulatory authorities and shall have an expiration date that shall be at least one (1) year following the effective date thereof or on the second Business Day following the final maturity date of such Bonds, if sooner. On or before the date of the delivery of any Alternate Credit Facility for a Series of Bonds to the Trustee, as a condition to the acceptance of any Alternate Credit Facility by the Trustee, the Company shall furnish to the Trustee (i) written evidence that the issuer of such Alternate Credit Facility is a commercial bank organized and doing business in the United States or a branch or agency of a foreign commercial bank located and doing business in the United States and subject to regulation by state or federal banking regulatory

authorities, (ii) an opinion of Counsel satisfactory to the Company, the Trustee, the Rating Agency, if any, rating such Series, and the Remarketing Agent to the effect that the Alternate Credit Facility has been duly executed, issued and delivered by, and is the legal, valid and binding obligation of, the Credit Issuer (or, in the case of a branch or agency of a foreign commercial bank, the branch or agency) issuing the same, enforceable in accordance with its terms, that payments of principal, premium, if any, or Purchase Price of or interest on the Bonds of such Series from the proceeds of a drawing on the Alternate Credit Facility will not constitute avoidable preferences under the Bankruptcy Code and that the Alternate Credit Facility is not subject to the registration requirements of the Securities Act of 1933, as amended, and (iii) evidence of written consent of the Remarketing Agent. In the case of an Alternate Credit Facility issued for a Series of Bonds by a branch or agency of a foreign commercial bank there shall also be delivered an opinion of Counsel licensed to practice law in the jurisdiction in which the head office of such bank is located, satisfactory to the Trustee, the Rating Agency, if any, rating the Bonds, and the Remarketing Agent, to the effect that the Alternate Credit Facility has been duly executed, issued and delivered by and is the legal, valid and binding obligation of such bank enforceable in accordance with its terms. The Trustee shall accept any such Alternate Credit Facility only in accordance with the terms, and upon the satisfaction of the conditions, contained in this Section and any other provisions applicable to acceptance of an Alternate Credit Facility under this Indenture.

ARTICLE IV

FUNDS

Section 4.1 Establishment and Use of Bond Fund and Current Subaccounts. There is hereby created and established with the Trustee the Bond Fund and within such Fund a separate account relating to the Series 1999 Bonds. Within such account in the Bond Fund relating to the Series 1999 Bonds there is hereby created and established a special subaccount designated the "Current Subaccount." Upon issuance of a Series of Additional Bonds, there shall be created and established within the Bond Fund a separate account relating to such Series and within each such account relating to such Series a special subaccount designated the "Current Subaccount." With respect to each Series of Bonds, the Trustee shall establish with the Applicable Paying Agent a separate subaccount of the Bond Fund which, while a Credit Facility is in effect with respect to the Bonds of such Series, shall be used for depositing moneys drawn by the Trustee under the Applicable Credit Facility for the payment of principal and interest on the Bonds of such Series. Neither the Trustee nor the Paying Agents shall commingle proceeds of a drawing under a Credit Facility with any other funds. With respect to each Series of Bonds, there shall be deposited in the Bond Fund and credited to the account relating to such Series within the Bond Fund (a) all moneys received by the Trustee from the Company with respect to such Series for deposit by the Trustee in the Bond Fund, and (b) all moneys drawn under any Applicable Credit Facility to pay principal, premium, if any, or interest on the Bonds of such Series.

Each deposit into an account within the Bond Fund not constituting Eligible Funds shall be placed in the Current Subaccount within such account within the Bond Fund and shall not be commingled with other moneys in the Bond Fund. The Trustee shall establish separate subaccounts within each Current Subaccount for each deposit (including any investment income thereon) made into the Bond Fund so that the Trustee may at all times ascertain the date of deposit of the moneys in each subaccount.

With respect to each Series of Bonds, moneys in the account relating to such Series within the Bond Fund shall be held in trust for the Holders of the Bonds of such Series and, except as otherwise expressly provided herein, shall be used solely for the payment of the interest on the Bonds of such Series and for the payment of principal of and premium, if any, on the Bonds of such Series upon maturity, whether stated or accelerated, or upon mandatory or optional redemption.

With respect to each Series of Bonds, the Company hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to withdraw from the account relating to such Series or the subaccount established for such Series with the Applicable Paying Agent and make available at the principal office of the Applicable Paying Agent, sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds of such Series as the same become due and payable, but only in the following order of priority:

FIRST: Amounts drawn by the Trustee under the Applicable Credit Facility then in effect with respect to such Series (provided, however, that such amounts shall not be used to pay any premium on such Series unless such Credit Facility provides for the payment of such premium);

SECOND: From the sources provided in clause (i) of the

definition of Eligible Funds; and

THIRD: Any other amounts (whether or not Eligible Funds) in the account relating to such Series in the Bond Fund.

If moneys in the Bond Fund available pursuant to items FIRST and SECOND above are insufficient to make any payment of principal of, premium, if any or interest on a Series of Bonds, whether due by maturity, acceleration, redemption or otherwise, or if the Applicable Credit Issuer has dishonored its obligations under such Credit Facility, the Trustee, on or after the date such payment is to be made, shall apply any moneys described in item THIRD above.

With respect to each Series of Bonds, to the extent that an Applicable Credit Facility is drawn on to make a payment to any Holder, the Trustee shall use any moneys in the account relating to such Series within the Bond Fund not then needed to make payments to Holders, regardless of whether such moneys constitute Eligible Funds, to reimburse the Applicable Credit Issuer.

After payment in full of the Bonds, or provision for the payment of the Bonds having been made pursuant to Section 5.2, and the payment of all other amounts owing hereunder, any amounts remaining in the account within the Bond Fund established for a Series of Bonds shall be paid (i) first to the Applicable Credit Issuer, if there is then any amount owing by the Company to such Credit Issuer (and such amount shall be credited against the Company's reimbursement obligations to such Credit Issuer under the Credit Agreement pursuant to which such Credit Issuer issued its Applicable Credit Facility), and (ii) second to all other Credit Issuers, if any, in proportion to the respective amounts, if any, then owing by the Company to such other Credit Issuers, and (iii) third to the Company.

Section 4.2 Establishment and Use of Initial Fund. There is hereby created and established with the Trustee the Initial Fund and within such Fund a special account designated the "Series 1999 Account." The proceeds of the Series 1999 Bonds, as described in Section 4.5, shall be delivered to the Trustee for deposit into the Series 1999 Account. Funds in the Series 1999 Account shall be disbursed by the Trustee to the Company on the Issue Date of the Series 1999 Bonds.

Upon the issuance of a Series of Additional Bonds, the supplemental indenture authorizing the issuance of such Series shall create and establish with the Trustee a separate account within the Initial Fund for such Series. The proceeds of such Additional Bonds shall be delivered to the Trustee for deposit into the account within the Initial Fund established for such Series, which funds shall then be disbursed by the Trustee as provided in the supplemental indenture authorizing the issuance of such Series.

After payment in full of a Series of Bonds, or provision for the payment of such Series having been made pursuant to Section 5.2, and the payment of all other amounts owing hereunder with respect to such Series, any amounts remaining in the account within the Initial Fund established for such Series shall be paid (i) first to the Applicable Credit Issuer, if there is then any amount owing by the Company to such Credit Issuer (and such amount shall be credited against the Company's reimbursement obligations to such Credit Issuer under the Credit Agreement pursuant to which such Credit Issuer issued its Applicable Credit Facility), and (ii) second to all other Credit Issuers, if any, in proportion to the respective amounts, if any, then owing by the Company to such other Credit Issuers, and (iii) third to the Company.

Section 4.3 [Reserved].

Section 4.4 Establishment and Use of Bond Purchase Fund .

There is hereby established and created with the Trustee the Bond Purchase Fund and within such fund a separate account relating to the Series 1999 Bonds. Within such account in the Bond Purchase Fund relating to the Series 1999 Bonds there is hereby created and established a special subaccount designated the "Current Purchase Subaccount." Upon issuance of a Series of Additional Bonds, there shall be created and established within the Bond Purchase Fund a separate account relating to such Series and within such account relating to such Series a special subaccount designated the "Current Purchase Subaccount."

With respect to each Series of Bonds, there shall be deposited in the Bond Purchase Fund and credited to the account relating to such Series within the Bond Purchase Fund all moneys required to be paid by the Company to provide for the payment of the Purchase Price of Bonds of such Series pursuant to this Indenture, together with any other moneys received by the Trustee pursuant to this Indenture or otherwise (including draws under the Applicable Credit Facility pursuant to Section 3.8(a)(ii)) that are required or directed to be paid by or on behalf of the Company with respect to such Series into the Bond Purchase Fund. With respect to each Series of Bonds, the Trustee shall establish

with the Applicable Paying Agent a separate subaccount of the Bond Purchase Fund, into which the proceeds of the remarketing of Bonds of such Series to purchasers (other than the Company, any other Person obligated (as guarantor or otherwise) to make payments on such Series or under any Credit Agreement relating to such Series or any "affiliate" of the Company as defined in Bankruptcy Code ss. 101(2)) will be deposited and a separate subaccount of the Bond Purchase Fund into which all amounts drawn under the Credit Facility in effect with respect to such Series pursuant to Section 3.8(a)(ii) will be deposited. Neither the Trustee nor any Paying Agent shall commingle amounts in any of such subaccounts with any other funds.

Each deposit made with respect to a Series of Bonds into the Bond Purchase Fund not constituting Eligible Funds shall be placed in the Current Purchase Subaccount within the account relating to such Series within the Bond Purchase Fund and shall not be commingled with other moneys in the Bond Purchase Fund.

With respect to each Series of Bonds, moneys in the account relating to such Series within the Bond Purchase Fund shall be held in trust for the Holders of the Bonds of such Series and, except as otherwise expressly provided herein, shall be used solely for the payment of the Purchase Price of the Bonds of such Series required to be purchased as set forth in Section 2.6(g).

With respect to each Series of the Bonds, the Trustee is hereby authorized and directed, and the Trustee hereby agrees, to withdraw and to transfer to the Applicable Paying Agent, sufficient funds from the account relating to such Series within the Bond Purchase Fund as contemplated by Section 2.6(g) by 9:30 a.m., Local Time, on each date that Bonds of such Series are to be purchased pursuant to Section 2.6 from the Bond Purchase Fund to pay the Purchase Price of Bonds of such Series tendered (or deemed tendered) for purchase pursuant to Section 2.6. The Trustee shall give the Remarketing Agent prompt telephonic notice of each such transfer.

After payment in full of the Bonds, or provision for the payment of the Bonds having been made pursuant to Section 5.2, and the payment of all other amounts owing hereunder, any amounts remaining in the account within the Bond Purchase Fund established for a Series of Bonds shall be paid (i) first to the Applicable Credit Issuer, if there is then any amount owing by the Company to such Credit Issuer (and such amount shall be credited against the Company's reimbursement obligations to such Credit Issuer under the Credit Agreement pursuant to which such Credit Issuer issued its Applicable Credit Facility), and (ii) second to all other Credit Issuers, if any, in proportion to the respective amounts, if any, then owing by the Company to such other Credit Issuers, and (iii) third to the Company.

Section 4.5 Deposit of Bond Proceeds. The proceeds from the initial sale of the Series 1999 Bonds shall be deposited in the Series 1999 Account within the Initial Fund. The proceeds of any Series of Additional Bonds shall be delivered to the Trustee for deposit into the account within the Initial Fund established for such Series.

Section 4.6 Records. The Trustee shall cause to be kept and maintained records pertaining to the Initial Fund, the Bond Fund and the Bond Purchase Fund and all disbursements therefrom and shall periodically deliver to the Company statements of activity and statements indicating the investments made with moneys in all such funds during the applicable period. The Trustee shall provide the Company, by July 10 of each year, with a report stating the principal amount of each Series of Bonds outstanding and a list of the registered owners of the Bonds as of June 30 of each such year.

The Trustee shall provide the Company with a written report, not later than January 10 of each year, and not later than thirty (30) days following the retirement of the last obligation of any Series of Bonds, identifying the Permitted Investments in which the moneys held as part of the Initial Fund, the Bond Fund and the Bond Purchase Fund were invested during the preceding period and the dates of such investment.

Section 4.7 Investment of Initial Fund, Bond Fund and Bond Purchase Fund Moneys. Moneys held as part of the Initial Fund, the Bond Fund and the Bond Purchase Fund shall be invested and reinvested in Permitted Investments as instructed by a Company Representative; provided, however, that (i) any moneys from a drawing under a Credit Facility and any moneys held by the Trustee to pay the principal or Purchase Price of, premium, if any, or interest that has become payable with respect to the Bonds shall not be invested and (ii) no Paying Agent shall invest any moneys it receives under this Indenture. All Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times to be a part of the fund, account and subaccount (as applicable) which was used to purchase the same. All interest accruing thereon and any profit realized from Permitted Investments shall be credited to the respective fund or account and any loss resulting from Permitted Investments shall be similarly charged. The Trustee is authorized to cause to be sold and reduced to cash a sufficient amount of Permitted Investments whenever the cash

balance in any fund or account hereunder is or will be insufficient to make a requested or required disbursement. The Trustee shall not be responsible for any depreciation in the value of any Permitted Investment or for any loss resulting from such sale, so long as the Trustee performs its obligations hereunder in accordance with the provisions of Section 7.1(e). Absent specific instructions from the Company to invest cash balances in Permitted Investments hereunder, the Trustee shall invest in Permitted Investments constituting obligations of the U.S. Treasury or its agencies having a term to maturity of not more than 30 days or any money market fund or similar investment fund that purchases and holds exclusively obligations of the United States of America or its agencies that have a term to maturity of not more than 30 days. Notwithstanding anything to the contrary herein provided, moneys constituting Eligible Funds shall only be invested in Government Obligations maturing on or before the date such Eligible Funds will be required for disbursement.

Section 4.8 [Reserved].

Section 4.9 Non-presentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or tender thereof or otherwise, if funds sufficient to pay the principal of, premium (if any), and interest on such Bond shall have been made available to the Trustee for the benefit of the Holder or Holders thereof, payment of such Bond or portion thereof as the case may be, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee, subject to any applicable escheat laws, to hold such fund or funds uninvested in the Bond Fund, without liability to the Holder of such Bond for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his/her part on, or with respect to, said Bond, or portion thereof, or premium, if any.

ARTICLE V

DISCHARGE OF INDENTURE

Section 5.1 Discharge of Indenture. Upon payment in full of a Series of Bonds or delivery of such Series to the Trustee for cancellation, such Series shall no longer be Outstanding and will cease to be entitled to any lien, benefit or security under this Indenture. Upon payment in full of a Series of Bonds, the Trustee shall return the Applicable Credit Facility to the Applicable Credit Issuer. Upon payment in full of all of the Bonds, these presents shall cease, determine and be discharged, and thereupon the Trustee, upon receipt by the Trustee of an opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with shall (a) cancel and discharge this Indenture; and (b) execute and deliver to the Company, at the Company's expense, such instruments in writing as shall be required to cancel and discharge this Indenture, and assign and deliver to the Company all moneys in any fund established under this Indenture under its possession or subject to its control, except for moneys and Government Obligations held in the Bond Fund for the purpose of paying Bonds and except for moneys held in the Bond Purchase Fund for the purpose of paying the Purchase Price of the Bonds which have been purchased pursuant to Section 2.6(g); provided, however, that the cancellation and discharge of this Indenture pursuant to Section 5.2 shall not terminate the powers and rights granted to the Trustee, the Registrar, the Tender Agent and each Paying Agent with respect to the payment, registration of transfer and exchange of the Bonds; provided, further, that the rights of the Trustee, the Registrar, the Tender Agent and each Paying Agent to indemnity, non-liability and payment of all reasonable fees and expenses shall survive the cancellation and discharge of this Indenture pursuant to this Section or Section 5.2. If a Series of Bonds is rated by a Rating Agency, notice of payment in full of such Series shall be furnished to such Rating Agency.

Section 5.2 Provision for Payment of Bonds. A Series of Bonds shall be deemed to have been paid within the meaning of Section 5.1 if:

(a) there shall have been irrevocably deposited in the Bond Fund:

(i) if such Series does not bear interest at the Fixed Rate, sufficient Eligible Funds, or

(ii) if such Series bears interest at the Fixed Rate, either (1) sufficient Eligible Funds, or (2) Government Obligations purchased with Eligible Funds of such maturities and interest payment dates and bearing such interest as will, in the opinion of a nationally recognized firm of certified public accountants, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (said earnings also to be held in trust), be sufficient together with any moneys referred to in subsection (a)(ii)(1) above,

for the payment at their respective maturities or redemption or tender dates prior to maturity of the principal thereof and the redemption premium, if any, and interest to accrue thereon at such maturity or redemption or tender dates, as the case may be (assuming that the Bonds of such Series bear interest at the Ceiling Rate for such Series during any period during which the interest rate on such Series may change);

(b) there shall have been paid or provision duly made for the payment of all fees and expenses of the Trustee, the Registrar, the Applicable Paying Agent, the Remarketing Agent and the Tender Agent with respect to such Series due or to become due; and

(c) if any Bonds of such Series are to be redeemed on any date prior to their maturity, the Trustee shall have received in form satisfactory to it irrevocable instructions from a Company Representative to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by this Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices has been granted to the Trustee.

Limitations set forth elsewhere herein regarding the investment of moneys held by the Trustee in the Bond Fund shall not be construed to prevent the depositing and holding in the Bond Fund of the obligations described in paragraph (a)(ii) of this section for the purpose of defeasing the lien of this Indenture as to Bonds which have not yet become due and payable. Notwithstanding any other provision of this Indenture to the contrary, all Eligible Funds deposited with the Trustee as provided in this Section may be invested and reinvested, at the direction of the Company, in Government Obligations (or, in the case of a deposit under paragraph (a)(i) of this section, in a money market fund that invests solely in Government Obligations and is rated in the highest category by one of Fitch, Moody's or S&P and, if more than one of such rating agencies then rates such money market fund, is rated no less than the highest rating category by each of such rating agencies then rating such money market fund) maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations (or money market fund) in the hands of the Trustee pursuant to this Section which is not required for the payment of the Bonds and interest and redemption premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the Bond Fund. Notwithstanding the foregoing provisions of this paragraph, if the Bonds of a Series are rated by S&P at the time a deposit is made under paragraph (a)(i) of this section, such Eligible Funds may be invested solely in Government Obligations maturing or to be available to be withdrawn at par no later than the earlier of the maturity date, a mandatory tender date, redemption date or the next possible Optional Tender Date.

Notwithstanding any other provision of this Indenture to the contrary, if a Series of Bonds has been deemed to be paid under this section and the Holder or Beneficial Owner of any Bond of such Series delivers a tender notice with respect to such Bond that would result in the occurrence of an Optional Tender Date for such Bond prior to its maturity or redemption date: (1) the Remarketing Agent shall not remarket such Bond; (2) the Remarketing Agent shall notify the Trustee, the Paying Agent and the Tender Agent by the third Business Day prior to such Tender Date for such Bond that it has received a tender notice with respect to such Bond; (3) the Trustee shall transfer to the Paying Agent, not later than 9:30 a.m., Local Time, on such Optional Tender Date for such Bond, Eligible Funds from the deposit made with respect to such Series into the Bond Fund under paragraph (a)(i) of this section sufficient to pay the Purchase Price of such Bond; (4) the Paying Agent shall purchase such Bond on such Optional Tender Date applicable to such Bond; and (5) such Bond shall be delivered to the Trustee for cancellation and shall be cancelled.

Notwithstanding any other provision of this Indenture to the contrary, if all Bonds of a Series have been deemed to be paid because a deposit has been made under paragraph (a)(i) of this section, and such Series is rated by S&P at the time such deposit is made, then (i) if such deposit is made with proceeds of one or more drawings under the Applicable Credit Facility, then any excess funds remaining in the Bond Fund after payment of all of the Bonds of such Series at their respective maturities or redemption or tender dates shall be returned to the Applicable Credit Issuer, or (ii) if such deposit is made with Eligible Funds as described in clause (i) of that definition, then there shall be delivered a written opinion of Counsel experienced in bankruptcy law matters, in form satisfactory to S&P, that the portion of such deposit needed to pay principal of, interest on and Purchase Price of such Series when due will not be subject to the automatic stay under Section 362 of the Bankruptcy Code in the event of an Act of Bankruptcy.

Notwithstanding any other provision of this Indenture to the contrary, if all Bonds of a Series have been deemed to be paid because a deposit has been made under paragraph (a)(i) of this section, the Interest Rate Determination Method with respect to such Series may not thereafter be changed by the Company.

Notwithstanding any other provision of this Indenture to the contrary, if all Bonds of a Series have been deemed to be paid because a deposit has been made under paragraphs (a)(i) or (a)(ii) of this section with proceeds of one or more drawings under the Applicable Credit Facility securing such Series, then the surrender by the Trustee of such Applicable Credit Facility to the Applicable Credit Issuer for cancellation prior to the maturity or redemption date of the Bonds of such Series shall not constitute a Credit Modification Date.

If a Series of Bonds bears interest at the Fixed Rate and is to be rated by a Rating Agency at or prior to the time provision for payment shall be made there shall be delivered to such Rating Agency the opinion of nationally recognized certified public accountants referred to in paragraph (a)(ii) above and a written opinion of Counsel experienced in bankruptcy law matters and in form satisfactory to such Rating Agency that the deposit and use of such moneys will not constitute an avoidable preferential payment pursuant to Section 547 of the Bankruptcy Code, or an avoidable post-petition transfer pursuant to Section 549 of the Bankruptcy Code, recoverable from Holders of the Bonds of such Series pursuant to Section 550 of the Bankruptcy Code in the event of an Act of Bankruptcy.

ARTICLE VI

DEFAULT PROVISIONS AND REMEDIES

Section 6.1 Events of Default. Any one of the following shall constitute an Event of Default hereunder:

(a) Failure to pay interest on any Bond when and as the same shall have become due;

(b) Failure to pay the principal of or any premium on any Bond when and as the same shall become due, whether at the stated maturity or redemption date thereof or by acceleration;

(c) Failure to pay the Purchase Price of any Bond required to be purchased hereunder when and as the same shall become due;

(d) Failure to observe or perform any other of the covenants, agreements or conditions on the part of the Company included in this Indenture or in the Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Company and each Applicable Credit Issuer has been given by the Trustee; provided, however, that if such default cannot be fully remedied within such 30-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an Event of Default if the Company shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; provided, further, that no default under this subsection shall constitute an Event of Default unless any Applicable Credit Issuer shall have consented to the same constituting an Event of Default;

(e) Any representation or warranty of the Company contained herein, or in any document, instrument or certificate delivered pursuant hereto or in connection with the issuance and sale of the Bonds of any Series, shall be false, misleading or incomplete in any material respect on the date as of which made; provided, however, that no default under this subsection shall constitute an Event of Default unless any Applicable Credit Issuer shall have consented to the same constituting an Event of Default;

(f) The commencement by the Company of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to, or its acquiescence in the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of or the consent by it to any assignment for the benefit of creditors, or the taking of any action by the Company in furtherance of any of the foregoing;

(g) The commencement against the Company of an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or of any action or proceeding for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or for the winding-up or liquidation of its affairs and the continuance of any such case, action, or proceeding unstayed and in effect for a period of sixty (60) consecutive days;

(h) The Company defaults in the payment of principal or interest on any

other indebtedness for money borrowed (other than the indebtedness under the Bonds or otherwise arising hereunder) if the outstanding principal balance of such indebtedness at the time of the default exceeds $1,000,000 in the aggregate beyond any period of grace provided with respect thereto, or in performance of any other agreement, term or conditions contained in any agreement under which any such obligation is created, if the effect of such default is to cause, or permit the holder or holders of such obligation to cause such obligation to become due prior to its stated maturity; provided, however, that no default under this subsection shall constitute an Event of Default unless any Applicable Credit Issuer shall have consented to the same constituting an Event of Default;

(i) The Trustee shall have received a written notice from a Credit Issuer of the occurrence and continuance of an Event of Default as defined in the Credit Agreement pursuant to which such Credit Issuer issued its Credit Facility, together with a written request from such Credit Issuer that the Series of Bonds secured by such Credit Facility be accelerated; or

(j) The Trustee shall have received, within ten (10) calendar days following a drawing under any Credit Facility to pay interest on any Bonds, written notice from the Applicable Credit Issuer thereof that it has not been reimbursed for the amount of such drawing together with interest, if any, due pursuant to the Credit Agreement pursuant to which such Credit Facility was issued and that the amount of such drawing will not be reinstated as provided in such Credit Facility.

Section 6.2 Acceleration. Upon the occurrence of any Event of Default hereunder the Trustee may and upon (i) the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding or (ii) the occurrence of an Event of Default under Section 6.1(a), (b), (c), (i) or (j), the Trustee immediately shall, by notice in writing sent to the Company, each Paying Agent, the Tender Agent, and each Credit Issuer, declare the principal of all Bonds then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately, and, upon said declaration, such principal and interest shall become and be immediately due and payable; provided, however, the Trustee shall not accelerate any Series of Bonds (other than a Series with respect to which such payment default occurred or a Series secured by a Credit Facility issued by a Credit Issuer who consented to or gave notice of such default or of non-reinstatement) unless the Applicable Credit Issuer consents to such acceleration.

Upon any declaration of acceleration of a Series of Bonds hereunder, the Trustee shall immediately draw upon the Credit Facility for such Series as provided in Section 3.8(a)(iii). If the Applicable Credit Issuer honors the drawing under the Applicable Credit Facility upon a declaration of acceleration of such Series, interest on such Series of the Bonds shall accrue only to the date of such declaration and the Trustee shall pay the principal of and interest on such Series to the Holders thereof immediately following the receipt of funds from such drawing. If no Credit Facility is in effect with respect to a Series of Bonds, or if the Applicable Credit Issuer fails to honor the drawing under the Applicable Credit Facility upon acceleration of such Series, then interest on the Bonds of such Series shall cease to accrue as provided in Section 6.7.

Immediately following any such declaration of acceleration of a Series of Bonds, the Trustee shall cause to be mailed notice of such declaration by first-class mail, postage prepaid, to each Holder of a Bond of such Series at his/her last address appearing on the Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

Section 6.3 Other Remedies; Rights of Holders. Upon the happening and continuance of an Event of Default hereunder the Trustee may, with or without taking action under Section 6.2, pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of this Indenture; provided, however, the Trustee shall not pursue any remedy with respect to a Series of Bonds (other than a Series with respect to which such payment default occurred or a Series secured by a Credit Facility issued by a Credit Issuer who consented to or gave notice of such default or of non-reinstatement) unless the Applicable Credit Issuer consents to such action.

Upon the happening and continuance of an Event of Default, and if requested to do so by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding and if the Trustee is indemnified as provided in Section 7.1, the Trustee shall exercise such of the rights and powers conferred by this Section and by Section 6.2 as the Trustee, being advised by Counsel, shall deem most effective to enforce and protect the interests of the Holders and, except to the extent inconsistent with the interests of the Holders, each Credit Issuer; provided, however, the Trustee shall not exercise such rights with respect to a Series of Bonds (other than a Series with respect to which such payment default occurred or a Series secured by a Credit Facility issued by a Credit Issuer who consented to or gave notice of such default or of non-reinstatement) unless the Applicable Credit Issuer

consents to such exercise.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Holders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Holders hereunder or now or hereafter existing.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Holders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 6.4 Right of Holders and Credit Issuer to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, and subject to the rights of the Applicable Credit Issuer as provided in Sections 6.2 and 6.3, the Holders of a majority in aggregate principal amount of Bonds of a Series then Outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or any other proceedings hereunder with respect to such Series; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture, and provided that the Trustee shall be indemnified to its satisfaction and the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. No Holder shall individually have the right to present a draft to, or otherwise make a demand on, a Credit Issuer to collect amounts available under a Credit Facility.

No Holder of a Bond of a Series shall have the right to institute any proceeding for the enforcement of this Indenture unless such Holder has given the Trustee and the Company written notice of an Event of Default, the Holders of a majority in aggregate principal amount of the Bonds of such Series then Outstanding shall have requested the Trustee in writing to institute such proceeding, the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, there shall have been offered to the Trustee indemnity satisfactory to it against the cost, expense and liability to be incurred in connection with such request and the Trustee shall have thereafter failed or refused to exercise such powers or to institute such proceeding within sixty days (60) after receipt of notice with no inconsistent direction given during such sixty days (60) by the Holders of a majority in aggregate principal amount of the Bonds of such Series then Outstanding. Nothing in this Indenture shall affect or impair any right of any Holder to enforce (i) the payment of the principal of and premium, if any, and interest on Bonds at and after the maturity thereof, or (ii) the obligation of the Company to pay the principal of, premium, if any, and interest on Bonds to such Holder at the time, place, from the sources and in the manner as provided in this Indenture.

Section 6.5 Discontinuance of Default Proceedings. Prior to the drawing on a Credit Facility pursuant to Section 3.8(a)(iii), in case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Applicable Credit Issuer and the Trustee shall be restored to their former positions and rights hereunder and all rights, remedies and powers of the Trustee and such Credit Issuer shall continue as if no such proceedings had been taken subject to the limits of any adverse determination.

Section 6.6 Waiver. With respect to a Series of Bonds, the Trustee, with the consent of the Applicable Credit Issuer, may waive any default or Event of Default hereunder and its consequences and rescind any declaration of acceleration of maturity of principal, and shall do so upon the written request of the Applicable Credit Issuer; provided, however, that there shall be no such waiver or rescission unless the Purchase Price and all principal, premium, if any, and interest on the Bonds of such Series in arrears, together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Bonds of such Series and all fees and expenses of the Trustee relating to such Series shall have been paid or provided for. The Trustee may not waive any default or Event of Default until the Trustee has received notice in writing from the Applicable Credit Issuer that the amount available to be drawn under the Applicable Credit Facility then in effect in respect of the principal and Purchase Price of and interest on such Series of Bonds has been reinstated in full.

Section 6.7 Application of Moneys. All moneys received by the Trustee for a Series of Bonds pursuant to any right given or action taken under the provisions of this Article shall be deposited in the Bond Fund and, after payment (out of moneys derived from a source other than the Applicable Credit Facility, Eligible Funds, moneys held for the purchase of Untendered Bonds, moneys held for the redemption of Bonds and proceeds from the remarketing of Bonds) of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, including reasonable attorneys' fees, and all other outstanding fees and expenses of the Trustee, and thereafter any fees, expenses, liabilities and advances due to, or incurred or made by, the Applicable Paying Agent, the Tender Agent and the Registrar, such moneys shall be applied in the order set forth below:

(a) Unless the principal of all Bonds of such Series shall have become or been declared due and payable, all such moneys shall be applied:

FIRST: To the payment of all installments of interest then due on the Bonds of such Series in order of priority first to installments past due for the greatest period and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment; and

SECOND: To the payment of the unpaid principal of and premium, if any, of the Bonds of such Series which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), with interest on such Bonds from the respective dates upon which they became due (at the rate borne by the Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such premium, then to the ratable payment of the amounts due on such date.

(b) If the principal of all the Bonds of such Series shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds of such Series, without preference or priority as to the Bonds of such Series or as between principal, premium, interest, installments of interest on Bonds of such Series, ratably according to the amounts due respectively for principal, premium and interest to the persons entitled thereto.

(c) If the principal on all Bonds of such Series shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under this Article then, subject to subsection (b) of this Section in the event that the principal of all the Bonds of such Series shall again become or be declared due and payable, the moneys shall be applied in accordance with subsection (a) of this Section.

Notwithstanding the foregoing, (a) except with respect to a Credit Facility that permits drawings to pay premium with respect to Bonds, the Trustee shall be obligated to apply moneys received under a Credit Facility then in effect only to principal and Purchase Price of, and interest on the Series of Bonds secured by such Credit Facility (except Bonds of such Series that are not entitled to any benefit of a Credit Facility as provided in Section 3.8); and (b) proceeds of a drawing under a Credit Facility shall be applied solely to the payment of principal, interest, Purchase Price and premium (but only to the extent such Credit Facility permits drawings to pay premium) of the Bonds of the Series specifically secured by such Credit Facility. Whenever moneys (other than moneys received under a Credit Facility) are to be applied pursuant to this Section, the Trustee shall fix the date which shall be not more than seven (7) calendar days after such acceleration upon which such application is to be made and upon such date interest on the principal amount of Bonds to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date. As provided in Section 6.2, moneys received under a Credit Facility in effect with respect to a Series of Bonds upon declaration of acceleration of such Series are to be applied as soon as is practicable following receipt to pay the principal of and interest on such Bonds to the Holders thereof.

Section 6.8 Rights of a Credit Issuer. All rights of a Credit Issuer under this Indenture to consent to certain extensions, remedies, waivers, actions and amendments hereunder shall, with respect to such Credit Issuer, be suspended (i) for so long as such Credit Issuer wrongfully dishonors any draft (or other appropriate form of demand) presented in strict conformity with the requirements of its Credit Facility and has not honored a subsequent draft (or other appropriate form of demand), if any, thereunder or (ii) if no Credit Facility issued by such Credit Issuer is in effect or any Credit Facility issued by such Credit Issuer terminates in accordance with its terms.

ARTICLE VII

THE TRUSTEE; THE PAYING AGENT; THE TENDER AGENT;
THE REGISTRAR; THE UNDERWRITER; THE REMARKETING AGENT

Section 7.1 Appointment of Trustee. The Trustee is hereby appointed and does hereby agree to act in such capacity, and to perform the duties of the Trustee under this Indenture, but only upon and subject to the following express terms and conditions (and no implied covenants or other obligations shall be read into this Indenture against the Trustee):

(a) The Trustee may execute any of its trusts or powers hereunder and perform any of its duties by or through attorneys, agents, receivers or employees and shall not be held liable for their actions if such agents are selected with reasonable care. The Trustee shall be entitled to advice of Counsel concerning all matters hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees. The Trustee may act upon the opinion or advice of Counsel, accountants, engineers or surveyors selected by it in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein or in the Bonds, or for the recording, re-recording, filing or re-filing of this Indenture, of any financing statements or continuation statements, or for the validity of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby. The Trustee shall not be liable to the Company, any Holder, any Beneficial Owner or any other Person for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.7. The Trustee shall not be liable to the Company for any loss suffered as a result of or in connection with any investment of funds made by the Trustee in good faith as instructed by or approved by a Company Representative. The Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted to or delivered to any Holder in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder after such Bonds shall have been delivered in accordance with instructions of the Company or for the use by the Company of the proceeds of the Bonds advanced to the Company as provided in this Indenture or for the use or application of any moneys received by any Paying Agent. The Trustee may become the owner of Bonds secured hereby with the same rights as any other Holder.

(d) The Trustee shall be protected in acting upon opinions of Counsel and upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Holder of any Bond shall be conclusive and binding upon all future Holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee may conclusively rely upon a certificate furnished by a Credit Issuer as to amounts owing under the Credit Agreement to which such Credit Issuer is a party.

(e) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as duties. The Trustee shall only be responsible for the performance of the duties expressly set forth herein and shall not be answerable for other than its negligence or bad faith in the performance of those express duties.

(f) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trust and powers or otherwise in respect of the premises.

(g) Before taking any action requested hereunder by the Holders (except for acceleration of the Bonds as required by Section 6.2, for drawing on any Credit Facility as required by Section 3.8(a) and with respect to the payment of principal, interest and Purchase Price to Holders), the Trustee may require satisfactory security or indemnity bond for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own gross negligence or bad faith by reason of any action so taken.

(h) All moneys received by the Trustee or any Paying Agent, until used or applied or invested as herein provided, shall be held as special trust funds for the purposes specified in this Indenture and for the benefit and security of the Holders of the Bonds and each Credit Issuer as herein provided. Such moneys need not be segregated from other funds except to the extent required by law or

herein provided, and neither the Trustee nor any Paying Agent shall otherwise be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(i) The Trustee shall not be bound to ascertain or inquire as to the performance of the obligations of the Company under this Indenture, and shall not be deemed to have, or be required to take, notice of default under this Indenture (other than under Section 6.1(a), (b) or (c) if notice thereof has been received from a Paying Agent or under Section 6.1(i) or (j)), except (i) in the event of an insufficient amount in the Bond Fund (or any account therein) to make a principal or interest payment on the Bonds, (ii) written notification of such default by two or more Holders with combined holdings of not less than twenty-five percent (25%) of the principal amount of Outstanding Bonds or (iii) written notification from a Credit Issuer pursuant to Section 6.1, and in the absence of such notice the Trustee may conclusively presume there is no default except as aforesaid. The Trustee may nevertheless require the Company to furnish information regarding performance of its obligations under this Indenture, but is not obligated to do so.

(j) The Trustee shall, prior to any Event of Default and after the curing of all Events of Default which may have occurred, perform such duties and only such duties of the Trustee as are specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his/her own affairs. The foregoing shall not limit the Trustee's obligations under Section 3.8(a) or Section 6.2.

(k) Each Paying Agent, the Tender Agent and the Registrar shall each be entitled to the same rights and immunities with respect to their respective duties under this Indenture as the Trustee is under this Section 7.1 with respect to its duties hereunder.

(l) In addition to the Trustee's other duties hereunder, the Trustee shall authenticate and cancel Bonds as provided herein, keep such books and records relating to such duties as shall be consistent with prudent industry practice and make such books and records available for inspection by the Company at all reasonable times. All Bonds shall be made available for authentication, exchange and registration of transfer at the principal office of the Trustee.

Section 7.2 Compensation and Indemnification of Trustee, Paying Agent, Tender Agents and Registrar; Trustee's Prior Claim. The Company agrees to pay the reasonable fees and expenses of the Trustee, the Tender Agent, each Paying Agent, each Underwriter, the Remarketing Agent and the Registrar under this Indenture and all other amounts which may be payable to the Trustee, each Paying Agent, Registrar or Tender Agent under this Section, and the reasonable fees and expenses of the Remarketing Agent, such fees and expenses to be paid when due and payable by the Company directly to the Trustee, Tender Agent, each Paying Agent, Registrar, each Underwriter and the Remarketing Agent, respectively, for their own account.

The Company shall (a) pay the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), (b) pay each Paying Agent, the Tender Agent and the Registrar and any other agent of the Company acting hereunder (each Paying Agent, the Tender Agent and the Registrar and any other agent of the Company being herein referred to as a "Company Agent") reasonable compensation, (c) pay or reimburse each of the Trustee and any Company Agent upon request for all reasonable expenses, disbursements and advances incurred or made, in accordance with any of the provisions of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its Counsel and of all agents and other persons not regularly in its employ), except to the extent that any such expense, disbursement or advance is due to its own gross negligence or bad faith, and (d) indemnify each of the Trustee and any Company Agent for, and to hold it harmless against, any loss, liability or expense incurred by it, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder or the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against or investigating any claim of liability in the premises, except to the extent that any such loss, liability or expense was due to its own gross negligence or bad faith. Such additional indebtedness shall be a senior claim to that of the Bonds upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of the Bonds, funds held with respect to Untendered Bonds and unredeemed Bonds for which notice of redemption has been given. Notwithstanding the foregoing, neither the Trustee nor any Company Agent shall have any claim upon or shall be paid, prior to any Holder, from any Credit Facility, Eligible Funds or proceeds from the remarketing of Bonds, or the proceeds thereof, with respect to any such compensation, payment, reimbursement

or indemnity. "Trustee", "Company Agent", "Paying Agent", "Tender Agent" and "Registrar" for purposes of this Section shall include (i) officers, directors, employees or agents of any such party and (ii) any predecessor Trustee, Company Agent, Paying Agent, Tender Agent and Registrar but the gross negligence or bad faith of any Trustee, Company Agent, Paying Agent, Tender Agent or Registrar shall not affect the indemnification of any other Person. The obligations of the Company under this Section shall survive the termination of this Indenture.

Section 7.3 Intervention in Litigation. In any judicial proceedings to which the Company is a party, the Trustee may intervene on behalf of Holders, and shall intervene if requested in writing by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding.

Section 7.4 Resignation; Successor Trustees. The Trustee and any successor Trustee may resign only upon giving sixty (60) days prior written notice to the Company, each Credit Issuer, and each Holder of Bonds then Outstanding as shown on the Register. Such resignation shall take effect only upon the appointment of a successor Trustee by the Company with the written consent of each Credit Issuer, if any, and the acceptance of such appointment by the successor Trustee. If no successor is appointed within sixty (60) days after the notice of resignation, the resigning party may appoint a successor or petition any court of competent jurisdiction to appoint a successor. Upon appointment of a successor Trustee, the resigning Trustee shall assign all of its right, title and interest in this Indenture, including its right, title and interest in any Credit Facility then in effect and the Indenture, to the successor Trustee. The successor Trustee shall be a national banking association or a bank or trust company with trust powers organized under the laws of the United States of America or any state of the United States, or the District of Columbia, having a combined capital stock, surplus and undivided profits aggregating at least $50,000,000. Any successor Trustee shall accept in writing its duties and responsibilities hereunder and such writing shall be filed with the Company and each Credit Issuer, if any.

Section 7.5 Removal of Trustee. The Trustee may be removed at any time (a) by an instrument or concurrent instruments in writing delivered to the Trustee, the Company and each Credit Issuer, and signed by the Holders of a majority in aggregate principal amount of Bonds then Outstanding, and (b) if no Event of Default has occurred and is continuing, by an instrument or concurrent instruments in writing delivered to the Trustee and each Credit Issuer and signed by the Company. Such removal shall take effect only upon the appointment of a successor Trustee by the Company with the written consent of each Credit Issuer and the acceptance of such appointment by the successor Trustee. Upon such removal, the Trustee shall assign to the successor Trustee all of its right, title and interest in this Indenture in the same manner as provided in Section 7.4. If a Series of Bonds is rated by a Rating Agency, notice concerning any change in the Trustee shall be furnished to such Rating Agency.

Section 7.6 Paying Agent. The Bank of New York, is hereby appointed by the Company as the initial Paying Agent with respect to the Series 1999 Bonds. The supplemental indenture authorizing the issuance of a Series of Additional Bonds shall designate the initial Paying Agent for such Series, subject to the conditions set forth in Section 7.8. The Company shall appoint any successor Paying Agent for a Series of Bonds, with the approval of the Remarketing Agent and the Applicable Credit Issuer, subject to the conditions set forth in Section 7.8. Each Paying Agent shall designate to the Company and the Trustee its principal office for all purposes hereof and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer and the Trustee under which such Paying Agent shall agree, particularly:

(a) to hold all sums held by it for the payment of the principal of, premium, if any, or interest on a Series of Bonds in trust for the benefit of the Holders of such Series of Bonds until such sums shall be paid to such Holders of such Bonds or otherwise disposed of as herein provided;

(b) to perform its obligations under this Indenture; and

(c) to keep such books and records relating to its duties as Paying Agent as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Company and the Trustee at all reasonable times.

The Company shall cooperate with the Trustee and each Paying Agent to cause the necessary arrangements to be made and to be thereafter continued whereby:

(i) funds derived from the sources specified in this Indenture will be made available at the principal office of such Paying Agent for the timely payment of principal, premium, if any, and interest on the Series of Bonds for which such Paying Agent is serving hereunder; and

(ii) each Paying Agent shall be furnished such records and other information, at such times, as shall be required to enable such Paying Agent to perform the duties and obligations imposed upon it hereunder.

In carrying out its responsibilities hereunder each Paying Agent will act for the benefit of the Holders of the Series of Bonds for which such Paying Agent is serving hereunder. Notwithstanding anything to the contrary in this Indenture, no Paying Agent shall invest any moneys it receives from a draw on any Credit Facility.

No purchase of Bonds by a Paying Agent shall constitute a redemption of Bonds or any extinguishment of the debt represented thereby or constitute a Paying Agent the owner of such Bonds for any purpose whatsoever.

Section 7.7 Tender Agent. Wachovia Bank, N.A., is hereby appointed by the Company as the initial Tender Agent. The Company, with the approval of the Remarketing Agent and each Credit Issuer, shall appoint any succeeding Tender Agent for the Bonds, subject to the conditions set forth in Section 7.8. The Tender Agent shall designate to the Company and the Trustee its principal office for all purposes hereof and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Company and the Trustee under which the Tender Agent shall agree, particularly:

(a) to hold all sums held by it for the payment of the principal of, premium, if any, or interest on the Bonds in trust for the benefit of the Holders of the Bonds until such sums shall be paid to such Holders of the Bonds or otherwise disposed of as herein provided;

(b) to perform its obligations under this Indenture; and

(c) to keep such books and records relating to its duties as Tender Agent as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Company and the Trustee at all reasonable times.

The Company shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby the Tender Agent shall be furnished such records and other information, at such times, as shall be required to enable the Tender Agent to perform the duties and obligations imposed upon it hereunder.

No delivery of Bonds to the Tender Agent shall constitute a redemption of Bonds or any extinguishment of the debt represented thereby or constitute the Tender Agent the owner of such Bonds for any purpose whatsoever.

Section 7.8 Qualifications of Paying Agents and Tender Agent; Resignation; Removal; Successors.

(a) Each Paying Agent and the Tender Agent shall each be a bank or trust company with trust powers duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least $15,000,000 and authorized by law to perform all the duties imposed upon it by this Indenture. The principal office of each Paying Agent and the Tender Agent for all purposes hereof shall be the office of such Paying Agent or the Tender Agent, as the case may be, at which all deliveries to it hereunder shall be made and any and all notices and other communications in connection herewith shall be delivered. Each Paying Agent or the Tender Agent may at any time resign and be discharged of its duties and obligations created by this Indenture by giving at least sixty (60) days' notice to the Company and the Trustee. Each Paying Agent or the Tender Agent may be removed at any time by an instrument signed by the Company, filed with such Paying Agent or Tender Agent, as the case may be, and with the Trustee.

(b) In the event of the resignation or removal of a Paying Agent or the Tender Agent, such Paying Agent or the Tender Agent, as the case may be, shall deliver any moneys and any Bonds and any related books and records held by it in such capacity to its successor or, if there be no successor, to the Trustee.

(c) In the event that a Paying Agent or the Tender Agent shall resign or be removed, or be dissolved, or if the property or affairs of a Paying Agent or the Tender Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Company shall not have appointed a successor Paying Agent or Tender Agent, as the case may be, the Trustee shall ipso facto be deemed to be the Paying Agent (with respect to the applicable series of Bonds) or Tender Agent, as the case may be, for all purposes of this Indenture until the appointment by the Company of a successor Paying Agent or Tender Agent, as the case may be.

Section 7.9 Instruments of Holders. Any instrument required by this Indenture to be executed by Holders may be in any number of writings of similar

tenor and may be executed by Holders in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds given in any of the following forms shall be sufficient for any of the purposes of this Indenture:

(a) A certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him/her the execution thereof; or

(b) A certificate executed by any trust company or bank stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank, as the property of such party, the Bonds therein mentioned.

The Trustee may rely on such an instrument of Holders unless and until the Trustee receives notice in the form specified in (a) or (b) above that the original such instrument is no longer reliable. In the event that the Trustee shall receive conflicting directions from two or more groups of Holders, each with combined holdings of not less than twenty-five percent (25%) of the principal amount of Outstanding Bonds, the directions given by the group of Holders which holds the largest percentage of Bonds shall be controlling and the Trustee shall follow such directions to the extent required herein.

Section 7.10 Power to Appoint Co-Trustees. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction in which the Company may at the time be doing business, the Company and the Trustee shall have power to appoint and, upon the request of the Trustee or of the Holders of a majority of the aggregate principal amount of the Bonds then Outstanding, the Company shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons approved by the Trustee and the Company either to act as co-trustee or co-trustees, jointly with the Trustee, or to act as separate trustee or separate co-trustees, and to vest in such person or persons, in such capacity, such rights, powers, duties, trusts or obligations as the Company and the Trustee may consider necessary or desirable, subject to the remaining provisions of this section.

The Trustee and co-trustee, if any, may by written instrument between them designate and assign either the Trustee or the co-trustee or both of them to perform all or any part of the responsibilities and duties of the Trustee under this Indenture.

If the Company shall not have joined in such appointment within thirty (30) days after the receipt by it of a written request to do so, or in case an Event of Default shall have occurred and be continuing, the Trustee and the Company shall have the power to make such appointment.

The Company shall execute, acknowledge and deliver all such instruments as may be required by any such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts, duties and obligations to such co-trustee or separate trustee.

Every co-trustee or separate trustee appointed pursuant to this section, to the extent permitted by law or any applicable contract, shall be subject to the following terms, namely:

(a) This Indenture shall become effective at the time the Bonds shall be authenticated and delivered, and thereupon such co-trustee or separate trustee shall have all rights, powers, trusts, duties and obligations by this Indenture conferred upon the Trustee in respect of the custody, control or management of moneys, papers, securities and other personal property.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Trustee, or by the Trustee and such co-trustee or co-trustees, or separate trustee or separate trustees, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(d) Any co-trustee or separate trustee, to the extent permitted by law, may delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Trustee at any time, by an instrument in writing, with the concurrence of the Company evidenced by a resolution, may accept the resignation of any co-trustee or separate trustee appointed under this Section, and, in case an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the request of the Trustee, the Company shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section.

(f) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

(g) Any moneys, paper, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such rights, powers, duties, trusts or obligations, as shall be specified in the instrument of appointment jointly with the Trustee (except insofar as applicable law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms of this Indenture. Every such acceptance shall be filed with the Trustee. If a Series of Bonds is rated by a Rating Agency, any co-trustee or separate trustee shall be a bank or trust company with trust powers.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the same manner as provided for with respect to the appointment of a successor Trustee pursuant to Section 7.4 hereof.

Section 7.11 Underwriters for Additional Bonds. The Company shall appoint an Underwriter for each Series of Additional Bonds, provided that such Underwriter shall be a financial institution or registered broker/dealer authorized by law to perform all the duties imposed upon it as Underwriter.

Section 7.12 Remarketing Agent. The Company hereby appoints Wachovia Securities, Inc. as the initial Remarketing Agent. The Company, with the consent of each Credit Issuer, which consent shall not be unreasonably withheld, shall appoint any successor Remarketing Agent for the Bonds (except for assignees permitted under the following sentence), subject to the conditions set forth in Section 7.13. To the extent permitted by any Remarketing Agreement then in effect, the Remarketing Agent may at any time transfer all of its duties and obligations as Remarketing Agent hereunder to an affiliate of such Remarketing Agent that satisfies the conditions set forth in Section 7.13 and, upon such transfer, such affiliate shall automatically become the Remarketing Agent hereunder without any further action.

Any Remarketing Agent shall designate to the Company and the Trustee its principal office for purposes hereof, which shall be the office of such Remarketing Agent at which all notices and other communications in connection herewith may be delivered to it, and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Company, the Trustee and each Credit Issuer under which such Remarketing Agent shall agree particularly (i) to hold all Bonds delivered to it hereunder in trust for the benefit of the respective Holders of Bonds that delivered such Bonds until moneys representing the Purchase Price of such Bonds are delivered to or for the account of or to the order of such Holders of Bonds; (ii) to hold all moneys delivered to it hereunder for the purchase of Bonds in trust for the benefit of the person or entity that has delivered such moneys until the Bonds purchased with such moneys are delivered to or for the account of such person or entity; and (iii) to keep books and records with respect to its activities hereunder available for inspection by the Company, the Trustee and each Credit Issuer at all reasonable times.

Section 7.13 Qualifications of Remarketing Agent; Resignation; Removal. The Remarketing Agent shall be a financial institution or registered broker/dealer authorized by law to perform all the duties imposed upon it by this Indenture. The Remarketing Agent may at any time resign and be discharged of its duties and obligations created by this Indenture by giving at least thirty (30) days' notice to the Company, the Tender Agent, each Paying Agent, the Trustee and each Credit Issuer; provided, however, that if no successor Remarketing Agent has been appointed in accordance with Section 7.12 and this Section on or prior to the effective date of such resignation, the resigning Remarketing Agent shall give written notice to Holders on the effective date of such resignation that all optional tender notices under Sections 2.6(a) and (b) should be delivered to the Tender Agent and the Trustee until a successor

Remarketing Agent has been appointed. The Remarketing Agent may be removed at any time, upon not less than thirty (30) days' notice by an instrument signed by the Company and filed with the Remarketing Agent, the Trustee, each Paying Agent, the Tender Agent and each Credit Issuer; provided that no such removal shall be effective until a successor Remarketing Agent has been appointed in accordance with Section 7.12 and this Section and such successor Remarketing Agent has accepted such appointment.

Section 7.14 Several Capacities. Anything in this Indenture to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, the Credit Issuer with respect to one or more Series of Bonds, the Paying Agent with respect to one or more Series of Bonds, the Tender Agent, the Registrar, the Remarketing Agent and the Underwriter with respect to one or more Series of Bonds, and in any other combination of such capacities, to the extent permitted by law.

Section 7.15 Trustee Not Responsible for Duties of Remarketing Agent, Tender Agent, Registrar and Paying Agents. Notwithstanding anything to the contrary in this Indenture, the Trustee shall not be liable or responsible for any of the duties or obligations of the Remarketing Agent, the Tender Agent, the Registrar or any Paying Agent under this Indenture (or be liable or responsible for the acts or omissions of any Paying Agent, the Tender Agent, the Registrar or the Remarketing Agent or any action taken by the Trustee or failure to act in reasonable reliance upon any action or failure to act by any Paying Agent, the Tender Agent, the Registrar or the Remarketing Agent) except for the duties imposed upon, or the acts and omissions of, the Trustee as the Tender Agent or any Paying Agent after receipt of the written notice provided for in Section 7.8(c) to the effect that a successor agent has not been appointed by the Company. The Trustee shall not be bound to ascertain or inquire as to the truth or accuracy of any information provided to it by any Paying Agent, the Tender Agent, the Registrar or the Remarketing Agent but may for any purpose conclusively rely upon any information given to the Trustee by any Paying Agent, the Tender Agent, the Registrar or the Remarketing Agent.

Section 7.16 Cooperation of the Trustee, the Tender Agent, the Registrar and the Paying Agents. The Trustee, the Tender Agent, the Registrar and each Paying Agent shall cooperate in all respects and shall provide to the other in a timely fashion the information and knowledge each possesses so that the Trustee and each of such parties may faithfully exercise their respective obligations hereunder.

ARTICLE VIII

AMENDMENTS, SUPPLEMENTAL INDENTURES

Section 8.1 Supplemental Indentures. The Company and the Trustee, with the consent of each Credit Issuer, but without the consent of or notice to any Holders (except in the case of supplemental indentures described in (j) below, in which case prior notice shall be given to Holders by the Trustee), may enter into an indenture or indentures supplemental to this Indenture that do not materially adversely affect the interest of the Holders for one or more of the following purposes:

(a) to grant to or confer upon the Trustee for the benefit of the Holders and the Credit Issuers, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;

(b) to grant or pledge to the Trustee for the benefit of Holders and the Credit Issuers, any additional security other than that granted or pledged under this Indenture; provided that no additional security shall be granted or pledged to the Trustee for the benefit of a Credit Issuer unless such Credit Issuer agrees that the Trustee shall hold such security in trust for the equal or ratable benefit of such Credit Issuer, on the one hand, and the Holders, on the other hand;

(c) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;

(d) to appoint a successor Trustee, separate trustees or co-trustees in the manner provided in Article VII hereof;

(e) to modify, amend or supplement this Indenture for the purpose of obtaining or retaining a rating on one or more Series of Bonds from a Rating Agency;

(f) to modify, amend or supplement this Indenture to permit a transfer of Bonds from one Securities Depository to another or the discontinuance of the

Book Entry System and issuance of replacement Bonds to the Beneficial Owners;

(g) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture that may be defective or inconsistent with any provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture which shall not materially adversely affect the interest of the Holders or the Credit Issuers;

(h) to modify, amend or supplement this Indenture to permit any Paying Agent, the Tender Agent or the Registrar to assume any administrative duties of the Trustee hereunder (except any duties of the Trustee with respect to the acceptance, modification, reduction or release of or drawing on, any Credit Facility) or for the Trustee to assume any administrative duties of any Paying Agent or the Registrar hereunder;

(i) to make any change to the administrative provisions hereof, to accommodate the provisions of an Alternate Credit Facility, bond insurance or a liquidity facility;

(j) to provide for the issuance of a Series of Additional Bonds pursuant to Section 2.12(b) and for the inclusion of any additional security in connection therewith; and

(k) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to increase or accommodate the increase of the Ceiling Rate applicable to a Series of Bonds pursuant to Section 2.3(a).

When requested by the Company, and if all conditions precedent under this Indenture have been met, the Trustee shall join the Company in the execution of any such supplemental indenture unless it imposes additional obligations on the Trustee or adversely affects the Trustee's rights and immunities under this Indenture or otherwise. A copy of all such supplemental indentures shall be promptly furnished to each Credit Issuer and each Paying Agent, and the Tender Agent and the Registrar shall be promptly advised of any modifications of their rights, duties and obligations hereunder.

The Trustee shall file copies of all such supplemental indentures with the Company and, if a Series of Bonds is rated by a Rating Agency, shall forward copies of all such supplemental indentures to such Rating Agency.

Section 8.2 Amendments to Indenture; Consent of Holders and the Credit Issuers. Exclusive of supplemental indentures covered by Section 8.1 and subject to the terms and provisions contained in this Section, and not otherwise, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and affected by such indenture or indentures supplemental hereto, with the consent of each Credit Issuer, shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and direct the execution by the Trustee of such other indenture or indentures supplemental hereto as shall be consented to by the Company in its sole discretion for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing contained in this Section shall permit, or be construed as permitting, without the consent of the Holders of all Outstanding Bonds of a Series, (a) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond of such Series, (b) a reduction in the principal amount of, or the premium or the rate of interest on, any Bond of such Series, or (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds of such Series; provided further, however, that nothing contained in this Section shall permit, or be construed as permitting, without the consent of the Holders of all Outstanding Bonds, (y) a reduction in the aggregate principal amount of the Bonds required for any consent to any supplemental indenture, or (z) a modification or change in the duties of the Trustee hereunder without the consent of the Trustee. The giving of notice to and consent of the Holders to any such proposed supplemental indenture shall be obtained pursuant to Section 8.4.

If a Series of Bonds is rated by a Rating Agency, the Trustee shall furnish copies of all such supplemental indentures to such Rating Agency.

Section 8.3 Amendments, Changes and Modifications to a Credit Facility. Except as otherwise provided in this Indenture, subsequent to the initial issuance of a Series of Bonds and prior to payment of the Bonds of such Series in full (or provision for the payment thereof having been made in accordance with the provisions of this Indenture), the Applicable Credit Facility may not be effectively amended, changed or modified without the prior written consent of the Trustee and the Applicable Paying Agent. The Trustee may, without the consent of the Holders of the Bonds of such Series, consent to any amendment of the Applicable Credit Facility that, in the Trustee's and the Applicable Paying Agent's judgment, does not prejudice in any material respect the interests of

the Holders of Bonds of such Series, as may be required (a) to extend the term thereof; (b) to increase the amount available to be drawn thereunder in respect of the interest on the Bonds of such Series (or the portion of the Purchase Price of such Bonds corresponding to interest); (c) for purposes of curing any ambiguity, formal defect or omission; or (d) for obtaining or retaining a rating on such Series from a Rating Agency. Except for such amendments, and as otherwise provided herein, the Applicable Credit Facility may be amended only with the consent of the Company, the Trustee and the Holders of a majority in aggregate principal amount of the Outstanding Bonds of such Series, except that no such amendment may be made that would reduce the amounts required to be paid thereunder, change the time for payment of such amounts or accelerate the expiration date of such Credit Facility without the written consent of the Holders of all Outstanding Bonds of such Series. The foregoing shall not limit the Trustee's obligation to send notice to a Credit Issuer to reduce amounts available to be drawn under a currently effective Credit Facility under the circumstances set forth therein.

The Trustee shall file copies of all such amendments, changes or modifications with the Rating Agency, if any, rating such Series of Bonds.

Section 8.4 Notice to and Consent of Holders. If consent of the Holders is required under the terms of this Indenture for the amendment of this Indenture or the Credit Facility or for any other similar purpose, the Trustee shall cause notice of the proposed execution of the amendment or supplemental indenture to be given by first-class mail, postage prepaid, (a) in the case of an amendment to a Credit Facility in effect for a Series of Bonds, to the Holders of the Outstanding Bonds of such Series then shown on the Register, or (b) in any other case, to the Holders of all the Outstanding Bonds then shown on the Register. Such notice shall briefly set forth the nature of the proposed amendment, supplemental indenture or other action and shall state that copies of any such amendment, supplemental indenture or other document are on file at the principal office of the Trustee for inspection by Holders. If, within sixty (60) days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Holders of a majority or all, as the case may be, of the principal amount of the Bonds Outstanding (or, in the case of an amendment to a Credit Facility in effect for a Series of Bonds, the principal amount of the Bonds Outstanding for such Series) by instruments filed with the Trustee shall have consented to the amendment, supplemental indenture or other proposed action, then the Trustee may execute such amendment, supplemental indenture or other document or take such proposed action and the consent of the Holders shall thereby be conclusively presumed.

ARTICLE IX

MISCELLANEOUS

Section 9.1 [Reserved].

Section 9.2 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Holders and the Credit Issuers any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions herein being intended to be and being for the sole and exclusive benefit of the parties hereto, the Holders and the Credit Issuers as herein provided.

Section 9.3 Severability. If any provision of this Indenture is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses or sections of this Indenture, shall not affect the remaining portions of this Indenture or any part thereof.

Section 9.4 Notices. Except as otherwise provided herein, all notices, approvals, consents, requests, and other communications hereunder shall be in writing and shall be deemed to have been given when the writing is delivered if given or delivered by hand, overnight delivery service or facsimile transmitter (with confirmed receipt) to the address or facsimile number set forth below and shall be deemed to have been given on the date deposited in the mail, if mailed, by first-class, registered or certified mail, postage prepaid, addressed as set forth below. Where required herein, notice shall be given by telephone, and promptly confirmed in writing, and shall be deemed given when given by telephone to the telephone numbers set forth below. The Company, each Credit Issuer, the Trustee, the Tender Agent, the Remarketing Agent and each Paying Agent may, by written notice given hereunder, designate any different addresses, phone numbers

and facsimile numbers to which subsequent notices, certificates, approvals, consents, requests or other communications shall be sent.

To the Company: Atlantic American Corporation
4370 Peachtree Road, N.E.
Atlanta, Georgia 30319-3000
Attention: Mr. Edward L. Rand, Jr.
Telephone: (404) 266-5500 (ext. 5535)
Facsimile: (404) 266-5702

To the Trustee: The Bank of New York
100 Ashford Center North, Suite 520
Atlanta, Georgia 30338
Attention: Corporate Trust Department
Telephone: (770) 698-5190
Facsimile: (770) 698-5195

To the Series 1999 Credit Issuer: Wachovia Bank, N.A.
International Operations
Standby Letters of Credit, NC-30034
401 Linden Street
Winston-Salem, North Carolina 27101
Telephone: (800) 522-9487
Facsimile: (336) 735-0950

With a copy to: Wachovia Bank, N.A.
Mail Code GA-3940
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attention: Mr. William J. Darby
Telephone: (404) 332-1371
Facsimile: (404) 332-5016

To any other Credit Issuer: As provided in the supplemental indenture authorizing such Series of Bonds

To the Remarketing Agent: Wachovia Securities, Inc.
100 North Main Street
Winston-Salem, North Carolina 27101
Attention: Fixed Income Sales and Trading/
Money Market Desk
Telephone: (336) 732-4646
Facsimile: (336) 732-6744

To the Series 1999 Paying Agent: The Bank of New York
100 Ashford Center North, Suite 520
Atlanta, Georgia 30338
Attention: Corporate Trust Department
Telephone: (770) 698-5190
Facsimile: (770) 698-5195

To any other Paying Agent: As provided in the supplemental indenture authorizing such Series of Bonds

To the Tender Agent: Wachovia Bank, N.A.
100 North Main Street
Winston-Salem, North Carolina 27101
Attention: Fixed Income Sales and Trading/
Money Market Desk
Telephone: (336) 732-4646
Facsimile: (336) 732-6744

To the Rating Agency (if a Series of Bonds is rated by S&P): Standard & Poor's Ratings Services
55 Water Street
New York, New York 10041-0003

Section 9.5 Payments Due on Non-Business Days. In any case where the date of maturity of interest on or premium, if any, or principal of the Bonds or the date fixed for redemption of any Bonds shall not be a Business Day, then payment of such interest, premium or principal need not be made on such date but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of such payment, no interest shall accrue for the period from and after such date.

Section 9.6 Binding Effect. This instrument shall inure to the benefit of

and shall be binding upon the Company and the Trustee and their respective successors and assigns, subject, however, to the limitations contained in this Indenture.

Section 9.7 Captions. The captions or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Indenture.

Section 9.8 Governing Law. This Indenture shall be governed by and interpreted in accordance with the laws of the State.

Section 9.9 Notices to Rating Agency. If a Series of Bonds is rated by a Rating Agency, the Trustee shall provide written notice to such Rating Agency with respect to (i) the appointment of any successor Trustee, Remarketing Agent or Tender Agent, (ii) the appointment of any agent by the Trustee to perform any material duties of the Trustee under this Indenture, (iii) any material amendment or supplement to this Indenture, the Remarketing Agreement or the Tender Agent Agreement, (iv) the appointment of a successor Paying Agent for such Series, (v) the expiration, termination, extension (other than an automatic extension) or substitution of any Credit Facility in effect for such Series, (vi) any Fixed Rate Conversion Date for such Series or any conversion of such Series to a Long-Term Rate, (vii) any Mandatory Purchase Date (except Conversion Dates) for such Series, (viii) any material amendment or supplement to the Credit Facility in effect for such Series or the Credit Agreement pursuant to which such Credit Facility was issued, (ix) acceleration of such Series, and (x) the payment in full of all of the Bonds of such Series (whether at stated maturity or upon redemption, acceleration or defeasance). Failure of the Trustee to provide any such notice shall not have any effect on the occurrence of such event.

Section 9.10 Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[The remainder of this page is left blank intentionally]

IN WITNESS WHEREOF, the Company has caused this Indenture to be executed in its name and on its behalf by its President and Chief Executive Officer and its seal affixed and attested by its Secretary and the Trustee has caused this Indenture to be executed, sealed and attested in its name by its duly authorized officers, all as of the day and year first above written.

ATLANTIC AMERICAN CORPORATION

(SEAL) By:
- ----------
Hilton H. Howell, Jr.
President and Chief Executive Officer

ATTEST:

- ----------
Janie L. Ryan
Secretary

THE BANK OF NEW YORK,
as Trustee

(SEAL) By:
- ----------
Janet F. Holton
Authorized Agent

ATTEST:

- ----------
Name:_____
_____ Secretary

EXHIBIT "A"

- ---

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to issuer or its agent for registration of transfer, exchange, or payment and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

- ---

Atlantic American Corporation

Taxable Variable Rate Demand Bonds

Series 1999

No. R-__

Interest Rate	Maturity Date	Issue Date	CUSIP
As Stated Below	June 1, 2009	June __, 1999	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: Twenty-Five Million Dollars ($25,000,000)

FOR VALUE RECEIVED, Atlantic American Corporation, a corporation duly organized and existing under the laws of the State of Georgia (the "Company"), hereby promises to pay to the Holder specified above, or registered assigns, upon surrender hereof, at the principal office of the Paying Agent named below, on the Maturity Date specified above, unless redeemed prior thereto, the Principal Amount specified above, together with interest thereon at the rates determined as set forth herein from the Issue Date specified above, but only from the sources and in the manner hereinafter provided on the first day of each month during any Weekly Rate Period or Monthly Rate Period, on the first Business Day immediately following the last day of each Flexible Term Rate Period (but only as to Bonds for which such Flexible Term Rate Period is applicable) or on each June 1 and December 1 during any Medium-Term Rate Period or Fixed Rate Period (an "Interest Payment Date") until the principal hereof is paid or duly provided for upon redemption or maturity. Payment of the principal and redemption premium, if any, and interest on this Bond shall be made in lawful money of the United States of America which on the respective dates of payment thereof shall be legal tender for the payment of public and private debts. Unless other arrangements are made pursuant to the Indenture (hereinafter defined), interest is payable by check or draft drawn upon The Bank of New York, as Paying Agent (the "Paying Agent"), mailed on the Interest Payment Date (or, if such day is not a Business Day, the next succeeding Business Day) to the Holder hereof at the close of business on the Record Date immediately preceding each Interest Payment Date at the address of such Holder as it appears on the Register. Interest on this Bond shall be computed on the basis of a 360-day year for the actual days elapsed during any Short-Term Rate Period (calculated by multiplying the principal amount of Bonds by the interest rate, dividing that sum by 360, and multiplying that amount by the actual days elapsed) and a 360-day year consisting of twelve months of thirty days each during any Long-Term Rate Period. In any case where the date of maturity of interest on or premium, if any, or principal of this Bond or the date fixed for redemption of this Bond shall not be a Business Day, then payment of such interest, premium or principal need not be made on such date but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of such payment, no interest shall accrue for the period from and after such date.

This Bond is one of the Bonds of a duly authorized issue of Taxable Variable Rate Demand Bonds of the Company in the aggregate principal amount of $25,000,000 known as Atlantic American Corporation Taxable Variable Rate Demand Bonds, Series 1999 (herein called the "Bonds"), dated as of the Issue Date

referenced above. All of the Bonds are issued under and pursuant to an Indenture of Trust (as amended or supplemented from time to time, the "Indenture"), dated as of June 1, 1999, by and between the Company and The Bank of New York, as Trustee (the "Trustee"). Reference is hereby made to the Indenture for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds, the collection and disposition of revenues, a description of the funds charged with and pledged to the payment of the principal of and redemption premium, if any, and interest on the Bonds, the nature and extent of the security for the Bonds, the terms and conditions under which the Bonds are or may be issued, the rights, duties and obligations of the Company and of the Trustee and the rights of the Holders of the Bonds, and, by the acceptance of this Bond, the Holder hereof assents to all of the provisions of the Indenture. Capitalized terms used herein and not defined shall have the meaning ascribed to them in the Indenture.

The Bonds are secured by an irrevocable, direct-pay letter of credit (the "Original Credit Facility") from Wachovia Bank, N.A. (the "Credit Issuer"), in the amount of the aggregate principal amount of the Bonds outstanding from time to time, plus 52 days interest computed at an assumed interest rate of 12% per annum, which Original Credit Facility will expire on July 5, 2000, unless extended or earlier terminated in accordance with its terms. Under certain circumstances described in the Indenture, the Company may obtain an Alternate Credit Facility in substitution for the Original Credit Facility.

The Bonds are issuable as fully registered Bonds in the principal amount of $100,000 and integral multiples thereof (during any Short-Term Rate Period or Medium-Term Rate Period, an "Authorized Denomination"). This Bond, upon surrender hereof at the principal office of the Registrar with a written instrument of transfer satisfactory to the Registrar executed by the Holder hereof or his/her attorney duly authorized in writing, may, at the option of the Holder hereof, be exchanged for an equal aggregate principal amount of Bonds of the same aggregate principal amount and tenor as the Bonds being exchanged and of any Authorized Denomination. This Bond may be registered as transferred as provided in the Indenture, subject to certain limitations therein contained, only upon the Register, and only upon surrender of this Bond for registration of transfer to the Registrar accompanied by a written instrument of transfer (in substantially the form of the assignment attached hereto) duly executed by the Holder hereof or his/her duly authorized attorney. Thereupon, one or more new Bonds of any Authorized Denomination and in the same aggregate principal amount and tenor as the Bond surrendered (or for which registration of transfer has been effected) will be issued to the designated transferee or transferees.

1. Interest Rates on Bonds.

(a) Initial Rate -- General. This Bond shall bear interest as provided in the Indenture from the Issue Date to the date of payment in full hereof. Interest accrued on this Bond shall be paid on each Interest Payment Date (or, if such day is not a Business Day, the next succeeding Business Day) commencing on July 1, 1999. The interest rate on this Bond will be determined as provided in the Indenture; provided, that no Rate shall exceed the lesser of (i) the Ceiling Rate and (ii) the maximum rate permitted by applicable law. The Bonds shall bear interest at the Weekly Rate from the Issue Date until the date, if any, on which the Interest Rate Determination Method is changed as described in the Indenture. The Weekly Rate for the initial Interest Period shall be determined by the Underwriter on the Issue Date.

(b) Determination of Rate. After the determination of the Weekly Rate for the initial Interest Period, the applicable Rate shall be determined by the Remarketing Agent at the time and in the manner specified in the Indenture; provided, that if for any reason such Rate is not established by the Remarketing Agent, no Remarketing Agent shall be serving as such under the Indenture or the rate so established is held to be invalid or unenforceable, then the applicable Rate shall be determined as provided in the Indenture. The determination of any Rate in accordance with the terms of the Indenture shall be conclusive and binding.

2. Tender of Bonds for Purchase.

(a) Optional Tender. Except as set forth in the Indenture, during any Weekly Rate Period or Monthly Rate Period, the Holders of the Bonds shall have the right to tender any such Bond (or portion thereof in an Authorized Denomination, provided that any Bond or portion thereof remaining is also in an Authorized Denomination) for purchase on any Optional Tender Date, but only upon:

(1) delivery to the Remarketing Agent at its principal office, not later than 4:00 p.m., Local Time, on the seventh (7th) day (or on the immediately preceding Business Day if such seventh (7th) day is not a Business Day) next preceding such Optional Tender Date, of an irrevocable written, telephonic (followed, if requested by the Remarketing Agent, by written or facsimile confirmation delivered to the Remarketing Agent no

later than the close of business on the next succeeding Business Day), facsimile or telegraphic notice (with a written or facsimile copy to the Tender Agent) stating (i) that such Holder will tender for purchase all or any portion of his/her Bonds in an Authorized Denomination and the amount of Bonds to be tendered, and (ii) the Optional Tender Date on which such Bonds will be tendered; and

(2) delivery of such Bond (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 10:00 a.m., Local Time, on such Optional Tender Date; provided, however, that no Bond (or portion thereof) shall be purchased unless such Bond as delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

Any election of a Holder to tender a Bond for purchase on an Optional Tender Date in accordance with the Indenture shall be irrevocable and shall be binding on the Holder making such election and on any transferee of such Holder.

(b) Certain Required Tenders for Purchase. All Bonds are subject to mandatory tender for purchase as provided in the Indenture on any Mandatory Purchase Date (i.e., certain Conversion Dates, any Credit Modification Date and certain dates designated by the Credit Issuer or the Company) at the Purchase Price thereof.

(c) Bonds Deemed Tendered. If (1) with respect to a Mandatory Purchase Date, a Holder fails to deliver such Bond to the Tender Agent on or before the Mandatory Purchase Date, or (2) with respect to an Optional Tender Date, a Holder gives notice pursuant to Section 2.6(a) of the Indenture to the Remarketing Agent and thereafter fails to deliver such Bonds (or portion thereof), to the Tender Agent, as required, then such Bond (or portion thereof), that is not delivered to the Tender Agent shall be deemed to have been properly tendered (such Bond being hereinafter referred to as an "Untendered Bond") and, to the extent that there shall be on deposit with the Paying Agent on the date purchase thereof is required as provided in the Indenture, an amount sufficient to pay the Purchase Price thereof, such Untendered Bond shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date.

(d) Purchase Notice. If the Bonds are held in a Book Entry System, a purchase notice pursuant to 2(a)(1) above may be delivered by a Beneficial Owner. Such purchase notice must be delivered as set forth in 2(a)(1) above and must state that such Beneficial Owner will cause its beneficial interest (or portion thereof in an Authorized Denomination) to be tendered, the amount of such interest to be tendered, the Optional Tender Date on which such interest will be tendered and the identity of the Participant through which the Beneficial Owner maintains its interest. Upon delivery of such notice, the Beneficial Owner must make arrangements to have its beneficial ownership interest in the Bonds being tendered transferred to the Tender Agent at or prior to 10:00 a.m., on the Optional Tender Date, but need not otherwise comply with 2(a)(2) above.

3. Conversion of the Interest Rate Determination Method for the Bonds. The Indenture provides that the Company may change the Interest Rate Determination Method for the Bonds, subject to the terms and conditions set forth therein.

4. Issuance of Alternate Credit Facility. The Indenture provides that the Company may arrange for the issuance of an Alternate Credit Facility with respect to the Bonds, subject to the terms and conditions set forth therein.

5. Optional Redemption.

(a) During a Short-Term Rate Period. During any Weekly Rate Period, the Bonds are subject to redemption, at the direction of the Company, in whole on any Business Day or in part on any Interest Payment Date at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date. During any Monthly Rate Period the Bonds are subject to redemption, at the direction of the Company, in whole, on the first Business Day of any calendar month or in part on any Interest Payment Date at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date. During any Flexible Term Rate Period, each of the Bonds is subject to redemption, at the direction of the Company, in whole or in part on any Interest Payment Date applicable to such Bond to be redeemed, at a redemption price equal to the principal amount of such Bond to be redeemed plus accrued interest thereon to the redemption date.

(b) During a Long-Term Rate Period. During any Long-Term Rate Period, the Bonds are subject to redemption, at the direction of the Company, in whole or in part, on any Interest Payment Date occurring on or after the First Day of Redemption Period as described below, at a redemption price equal to the principal amount thereof, plus a redemption premium (expressed as a percentage

of principal amount) plus accrued interest thereon to the redemption date as follows, provided, however, if a Credit Facility is then in effect with respect to the Bonds, such redemption premium shall be paid only from Eligible Funds described in clause (i) of the definition of Eligible Funds on deposit in the Bond Fund, unless such Credit Facility provides for payment of such premium:

[Remainder of this page left blank intentionally]

Length of Long-Term Rate Period From Conversion Date Until End of Rate Period (Expressed in Years)	First Day of Redemption Period	Redemption Premium as a Percentage of Principal Amount of Bonds
More than 7	5th Anniversary of the Conversion Date	2% declining by 1% every year after the 5th Anniversary of the Conversion Date until reaching 0%, and thereafter 0%.
More than 5 but not more than 7	4th Anniversary of Conversion Date	1% declining by 1% to 0% the first year after the 4th Anniversary of the Conversion Date, and thereafter 0%.
5 or less	Bonds not redeemable pursuant to this paragraph.	N/A

The above premiums may be changed upon the conversion to a Long-Term Rate in accordance with the provisions of Section 2.3(f) and (g) of the Indenture.

6. Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first-class mail, postage prepaid, at least thirty (30) days before the redemption date to each Holder of the Bonds to be redeemed in whole or in part at his/her last address appearing on the Register, but no defect in or failure to give such notice of redemption shall affect the validity of the redemption. A notice of optional redemption may state that redemption of the Bonds is conditioned upon the deposit with the Trustee of sufficient Eligible Funds on or prior to the date selected for redemption to reimburse the Credit Issuer for the drawing under the Credit Facility to redeem the Bonds or to retire the Bonds to be redeemed if the Credit Issuer fails to honor such drawing, and that if sufficient Eligible Funds are not so available on the date selected for redemption, such call for redemption shall be revoked. All Bonds so called for redemption will cease to bear interest on the date fixed for redemption, provided funds for their redemption have been duly deposited with the Trustee pursuant to the Indenture and, thereafter, the Holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed.

7. Miscellaneous.

Under certain circumstances as described in the Indenture, the principal of all the Bonds may be declared due and payable in the manner and with the effect provided in the Indenture.

Modifications or alterations to the Indenture or the Credit Facility may be made only to the extent and in the circumstances permitted by the Indenture.

The Holder of this Bond shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to a default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided under certain limited circumstances described in the Indenture; provided, however, that nothing contained in the Indenture shall affect or impair any right of the Holder hereof to enforce (i) the payment of the principal of and premium, if any, and interest on this Bond at and after the maturity hereof, or (ii) the obligation of the Company to pay the principal of and premium, if any, and interest on this Bond to the Holder hereof at the time, place, from the source and in the manner as provided in the Indenture.

It is hereby certified that all acts, conditions and things required to happen, exist and be performed under the Indenture precedent to and in the issuance of this Bond have happened, exist and have been performed as so required and that the issuance, authentication and delivery of this Bond have been duly authorized by the Company.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature of one of its authorized signers, this Bond shall

not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

[Signatures appear on next page.]

IN WITNESS WHEREOF, Atlantic American Corporation has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its President and Chief Executive Officer and its seal to be impressed or imprinted hereon and attested by manual or facsimile signature of the Secretary of the Company, all as of the Issue Date referenced above.

ATLANTIC AMERICAN CORPORATION

(SEAL) By:
- ----------

Hilton H. Howell, Jr.
President and Chief Executive Officer

ATTEST:

By: _____
Janie L. Ryan
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 1999 Bonds issued under the provisions of the within-mentioned Indenture.

THE BANK OF NEW YORK

By: _____

Authorized Agent

Dated: _____

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ (Please print or typewrite the Name and Address, including the Zip Code of the Transferee, and the federal taxpayer identification or social security number) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration and transfer thereof, with full power of substitution in the premises.

Dated: _____

- ----------

NOTICE: The signature on this Assignment must correspond with the name as it appears upon the face of the within-mentioned Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed

By: _____

NOTICE: Signature(s) must be guaranteed by a member firm of the STAMP, SEMP or MSP signature guaranty medallion program.

EXHIBIT "B"

CONVERSION NOTICE

[Name and Address of Holder]

This Conversion Notice is delivered pursuant to that certain Indenture of Trust dated as of June 1, 1999, between The Bank of New York, as trustee (the "Trustee"), and Atlantic American Corporation (the "Company"), relating to the Company's $_____ principal amount Taxable Variable Rate Demand Bonds, Series _____ (the "Bonds"). You are hereby notified that:

1. The Company has elected to change the Interest Rate Determination Method pertaining to the Bonds to a new Interest Rate Determination Method (or the interest rate applicable during a Medium-Term Rate Period to a new interest rate during a new Medium-Term Rate Period).

2. The Conversion Date shall be _____.

3. As a result of a conversion, a Mandatory Purchase Date, as defined in the Indenture, shall occur and the Bonds shall be subject to mandatory tender for purchase at the Purchase Price thereof, as defined in the Indenture.

4. If certain conditions set forth in the Indenture are not satisfied or if the conversion is revoked, the Interest Rate Determination Method shall not be changed, and all Bonds shall be deemed to have been tendered for purchase on the Mandatory Purchase Date.

5. All Bonds should be presented to the Tender Agent at Wachovia Bank, N.A., Attention: Fixed Income Sales and Trading/Money Market Desk, 100 North Main Street, Winston-Salem, North Carolina 27101.

6. Holders have no right to retain Bonds subject to mandatory tender. The Bonds will be remarketed by Wachovia Securities, Inc. as Remarketing Agent. Holders interested in repurchasing Bonds on the Conversion Date may contact the Remarketing Agent at (336) 732-4646.

7. All capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Indenture.

Very truly yours,

[Trustee]

EXHIBIT "C"

NOTICE OF CREDIT MODIFICATION DATE

[Name and Address of Holder]

This Notice of Credit Modification Date is delivered pursuant to that certain Indenture of Trust dated as of June 1, 1999, between The Bank of New York, as trustee (the "Trustee"), and Atlantic American Corporation (the "Company"), relating to the Company's $_____ principal amount Taxable Variable Rate Demand Bonds, Series _____ (the "Bonds"). You are hereby notified that:

1. The undersigned Trustee is Trustee under the Indenture.

2. A Credit Modification Date, as defined in the Indenture, shall occur on _____ __, ____. Bonds shall be subject to mandatory tender for purchase at the Purchase Price thereof, as defined in the Indenture.

3. The rating, if any, assigned to the Bonds could be lowered or eliminated following the Credit Modification Date.

4. All Bonds should be presented to the Tender Agent at Wachovia Bank, N.A., Attention: Fixed Income Sales and Trading/Money Market Desk, 100 North Main Street, Winston-Salem, North Carolina 27101.

5. Holders have no right to retain Bonds subject to mandatory tender. The Bonds will be remarketed by Wachovia Securities, Inc. as Remarketing Agent. Holders interested in repurchasing Bonds on the Credit Modification Date may contact the Remarketing Agent at (336) 732-4646.

6. All capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Indenture.

Very truly yours,

[Trustee]

EXHIBIT "D"

NOTICE OF MANDATORY PURCHASE DATE

[Name and Address of Holder]

This Notice of Mandatory Purchase Date is delivered pursuant to that certain Indenture of Trust dated as of June 1, 1999, between The Bank of New York, as trustee (the "Trustee"), and Atlantic American Corporation (the "Company"), relating to the Company's $_____ principal amount Taxable Variable Rate Demand Bonds Series _____ (the "Bonds"). You are hereby notified that:

1. The undersigned Trustee is Trustee under the Indenture.

2. [The Company, with the consent of the Remarketing Agent and the Credit Issuer, if any, has designated _____ as a Mandatory Purchase Date.] [The Applicable Credit Issuer has notified the Trustee that an event of default under the Credit Agreement pursuant to which such Credit Issuer issued its Applicable Credit Facility has occurred and is continuing and has requested that the Bonds be required to be tendered for purchase. Under the terms of the Indenture, _____ has been designated as a Mandatory Purchase Date.] The Bonds are subject to mandatory tender for purchase at the Purchase Price thereof, as defined in the Indenture, on such date.

3. All Bonds should be presented to the Tender Agent at Wachovia Bank, N.A., Attention: Fixed Income Sales and Trading/Money Market Desk, 100 North Main Street, Winston-Salem, North Carolina 27101.

4. Holders have no rights to retain Bonds subject to mandatory tender. [The Bonds will be remarketed by Wachovia Securities, Inc. as Remarketing Agent. Holders interested in repurchasing Bonds on the Mandatory Purchase Date may contact the Remarketing Agent at (336) 732-4646.]

5. All capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Indenture.

Very truly yours,

- ----------

[Trustee]

EXHIBIT "E"

NOTICE OF ALTERNATE CREDIT FACILITY

[Name and Address of Holder]

This Notice of Alternate Credit Facility is being sent to you as a Holder of Atlantic American Corporation Taxable Variable Rate Demand Bonds, Series _____ (the "Bonds"), issued pursuant to that certain Indenture of Trust dated as of June 1, 1999, between The Bank of New York, as trustee (the "Trustee"), and Atlantic American Corporation (the "Company"). You are hereby notified that:

1. The undersigned is the Trustee under the Indenture.

2. The Company has delivered notice pursuant to the Indenture that on _____ (the "Alternate Credit Facility Effective Date"), the Company, with the consent of the Remarketing Agent, intends to deliver to the Trustee an Alternate Credit Facility with respect to the Bonds issued by
- ----------.

3. Under the terms of the Indenture, the Bonds are NOT subject to mandatory tender for purchase on the proposed Alternate Credit Facility Effective Date[, but Holders have the right to tender Bonds for purchase on ____[describe optional tender date(s) for applicable Rate Period]_____ in accordance with the Indenture].

4. In the event that certain conditions set forth in the Indenture are not satisfied, the Trustee shall not accept the Alternate Credit Facility.

5. [The anticipated rating(s) from _____ will be _____ upon issuance of the Alternate Credit Facility.] or [The Bonds will not be rated.]

6. All capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Indenture.

Very truly yours,

(TRUSTEE)

REIMBURSEMENT AND SECURITY AGREEMENT

between

ATLANTIC AMERICAN CORPORATION

and

WACHOVIA BANK, N.A.

Dated as of June 1, 1999

Relating To $25,000,000
Atlantic American Corporation Taxable Variable Rate Demand Bonds,
Series 1999

REIMBURSEMENT AND SECURITY AGREEMENT

THIS REIMBURSEMENT AND SECURITY AGREEMENT, dated as of June 1, 1999, is made and entered into by and between ATLANTIC AMERICAN CORPORATION, a Georgia corporation (the "Company"), and WACHOVIA BANK, N.A., a national banking association (the "Bank").

W I T N E S S E T H:

WHEREAS, the Company intends to issue its Taxable Variable Rate Demand Bonds, Series 1999 in the aggregate principal amount of $25,000,000 (the "Bonds") pursuant to an Indenture of Trust dated as of even date herewith (as the same may be supplemented pursuant to its terms, the "Indenture"), between the Issuer and The Bank of New York, as trustee (together with any successors in trust, the "Trustee"); and

WHEREAS, to provide additional security for the payment of the Bonds, the Company has requested that the Bank issue an irrevocable, direct-pay letter of credit substantially in the form of Exhibit A attached hereto and by this reference made a part hereof (as the same may be amended from time to time, the "Letter of Credit"); and

WHEREAS, the Bank is willing to issue the Letter of Credit subject to the following terms and conditions;

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I.

DEFINITIONS

Section 1.1 Defined Terms. In addition to the words and terms defined above, the following terms when used herein shall have the following respective meanings:

"Affiliate" means, as to any Person, (i) any other Person which directly, or indirectly through one or more intermediaries, controls such Person, (ii) any other Person which directly, or indirectly through one or more intermediaries, is controlled by or is under common control with such Person, or (iii) any other Person of which such Person owns, directly or indirectly, 20% or more of the common stock or equivalent equity interests. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or otherwise.

"Agreement" means this Reimbursement and Security Agreement, as the same may be amended, modified, supplemented or restated from time to time.

"Alternate Credit Facility" has the meaning ascribed thereto in Article I of the Indenture.

"Business Day" means any day on which the offices of the Bank at which drawings on the Letter of Credit are made, the Trustee, the Paying Agent, the Tender Agent, the Registrar (as each such term is defined in the Indenture) and the Remarketing Agent are each open for business and on which The New York Stock Exchange is not closed.

"Collateral" means all the collateral described in the Pledge Agreement and all of the Pledged Bond Collateral.

"Credit Agreement" means the Credit Agreement to be entered into between the Company and the Bank in the form of Exhibit C attached hereto, as amended, restated, supplemented or otherwise modified from time to time. References to the Credit Agreement, and to any Section thereof or definitions contained therein, shall be determined without regard to whether the Credit Agreement is ever executed by the Company or the Bank, and without giving effect to any termination thereof and shall be effective regardless of whether Loans (as defined therein) are outstanding thereunder or the Commitment (as defined therein) is in effect thereunder.

"Date of Issuance" means the date on which the Bonds are initially issued.

"Default" means any event that, with the passage of time or giving of notice, or both, would constitute an Event of Default.

"Default Rate" means a per annum interest rate equal to the lesser of (i) the Prime Rate plus two percent (2%) per annum, or (ii) the maximum rate permitted by applicable law.

"Environmental Law" means any federal, state or local law, statute, ordinance, rule, regulation, permit, license, approval, interpretation, order, guidance or other legal requirement (including without limitation any subsequent enactment, amendment or modification) relating to the protection of human health or the environment, including, but not limited to, any requirement pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of materials that are or may constitute a threat to human health or the environment.

"Event of Default" means any of the events specified in Section 8.7 hereof.

"Expiration Date" means the Initial Expiration Date or, if the stated term of the Letter of Credit is extended as contemplated in Section 2.2(b) hereof, the last day of each Successive Extension Period.

"Fee Percentage" means (i) on or prior to the Initial Expiration Date, 1.80% per annum, and (ii) after the Initial Expiration Date, either (A) 1.80% per annum, or (B) the figure to which the Fee Percentage has been adjusted by the Bank pursuant to Section 2.4(b) hereof.

"Generally Accepted Accounting Principles" means generally accepted accounting principles, as recognized by the American Institute of Certified Public Accountants, consistently applied and maintained on a consistent basis for the Company and its Subsidiaries on a consolidated basis throughout the period indicated and consistent with the financial practice of the Company and its Subsidiaries after the date hereof; provided, however, that, in the event that changes in Generally Accepted Accounting Principles shall be mandated by the Financial Accounting Standards Board, or any similar accounting body of comparable standing, or shall be recommended by the Company's certified public accountants, to the extent that such changes would modify accounting terms used in this Agreement or the interpretation or computation thereof, such changes shall be followed in defining such accounting terms only from and after the date this Agreement shall have been amended to the extent necessary to reflect any such changes in the financial covenants and other terms and conditions of this Agreement.

"Governmental Authority" means any nation or government, any state, department, agency or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government, and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing.

"Hazardous Material" means any substance or material meeting any one or more of the following criteria: (i) it is or contains a substance designated as a hazardous waste, hazardous substance, pollutant, contaminant or toxic

substance under any Environmental Law; (ii) it is toxic, explosive, corrosive, ignitable, infectious, radioactive, mutagenic or otherwise hazardous, (iii) its presence requires investigation or remediation under an Environmental Law or common law; (iv) it constitutes a danger, nuisance, trespass or health or safety hazard to persons or property; and/or (v) it is or contains, without limiting the foregoing, petroleum hydrocarbons.

"Initial Expiration Date" means August 5, 2000.

"Letter of Credit Amount" means, at any time, the aggregate of the Letter of Credit - Principal Component and the Letter of Credit - Interest Component, subject to reduction or reinstatement as provided in the Letter of Credit.

"Letter of Credit - Interest Component" has the meaning ascribed thereto in Section 2.1 hereof.

"Letter of Credit - Principal Component" has the meaning ascribed thereto in Section 2.1 hereof.

"Lien" means any interest in property securing an obligation owed to, or claim by, a Person other than the owner of such property, whether such interest arises by virtue of contract, statute or common law, including but not limited to the lien or security interest arising from a mortgage, security agreement, pledge, lease, conditional sale, consignment or bailment for security purposes or from attachment, judgment or execution. The term "Lien" shall include any easements, covenants, restrictions, conditions, encroachments, reservations, rights-of-way, leases and other title exceptions and encumbrances affecting real property. For the purpose of this Agreement, the Company shall be deemed to own, subject to a Lien, any proceeds of a sale with recourse of accounts receivable, any asset leased under any "sale and lease back" or similar arrangement and any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, financing lease or other title retention agreement relating to such asset.

"Material Adverse Effect" or "Material Adverse Change" means a material adverse effect upon, or a material adverse change in, any of (i) the financial condition, operations, business or properties of the Company and its Subsidiaries, taken as a whole; (ii) the ability of the Company or any Subsidiary to perform under this Agreement or any Related Document in any material respect; (iii) the legality, validity or enforceability of this Agreement or any Related Document; or (iv) the perfection or priority of the Liens of the Bank granted under this Agreement or any Related Document or the rights and remedies of the Bank under this Agreement or any Related Document (other than a change resulting from any act or omission by the Bank).

"Moody's" means Moody's Investors Service, Inc. and any successor thereto which is a nationally recognized rating agency.

"Notice of Adjustment" has the meaning ascribed thereto in Section 2.4(b) hereof.

"Notice of Non-Extension" means a written notice delivered by the Bank to the Trustee, the Company and the Rating Agency to the effect that the Letter of Credit will not be extended for a Successive Extension Period.

"Official Statement" means collectively the Preliminary Official Statement and the Official Statement with respect to the initial offering and sale of the Bonds.

"Payment Date" means March 31, June 30, September 30 and December 31 of each year, commencing September 30, 1999.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Pledge Agreement" means the Pledge Agreement of even date herewith executed by the Company in favor of the Bank, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Pledged Bond Collateral" has the meaning set forth in Section 8.1 hereof.

"Pledged Bonds" means those Bonds which have been purchased from monies drawn under the Letter of Credit pursuant to Section 2.6(g)(ii) of the Indenture and not remarketed by the Remarketing Agent pursuant to Section 2.7 of the Indenture.

"Prime Rate" means that rate of interest so denominated and set by the Bank from time to time as an interest rate basis for borrowings. The Prime Rate

is but one of several interest rate bases used by the Bank, which lends at rates above and below the Prime Rate. For purposes of calculating any interest rate hereunder which is based on the Prime Rate, such interest rate shall be adjusted automatically on the effective date of any change in the Prime Rate.

"Purchase Agreement" means the Purchase Agreement as defined in the Indenture.

"Purchase Price" has the same meaning given that term in Article I of the Indenture.

"Rating Agency" means Moody's, Standard & Poor's and any other national rating service acceptable to the Trustee, the Remarketing Agent, the Bank and the Company that has a rating of the Bonds in effect at that time.

"Reimbursement Note" means the promissory note dated as of even date herewith from the Company to the Bank evidencing all Tender Advances, if any, to be made under this Agreement, which note shall be substantially in the form of Exhibit B attached hereto and by this reference made a part hereof.

"Reimbursement Obligations" means any one or more of the obligations of the Company to the Bank under this Agreement and the Reimbursement Note, including but not limited to the obligations specified in Section 2.5 of this Agreement.

"Related Documents" means the Bonds, the Indenture, the Pledge Agreement, the Purchase Agreement, the Remarketing Agreement, the Reimbursement Note and any other instrument, document, agreement or certificate relating thereto or otherwise executed and delivered in connection with the issuance of the Bonds or the Letter of Credit.

"Remarketing Agent" means Wachovia Securities, Inc. and its successors appointed and serving in such capacity under the Indenture.

"Remarketing Agreement" means the Remarketing Agreement as defined in the Indenture.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, and any successor thereto which is a nationally recognized rating agency.

"Subsidiary" means any corporation, partnership, limited liability company, association or other business entity of which the Company owns, directly or indirectly, more than fifty percent (50%) of the voting securities thereof.

"Successive Extension Period" has the meaning ascribed thereto in Section 2.2(b) hereof.

"Tender Advance" means a loan by the Bank to the Company made pursuant to Section 2.6 hereof and evidenced by the Reimbursement Note, the proceeds of which are used to reimburse the Bank for the amount of a corresponding Tender Drawing.

"Tender Agent" has the meaning ascribed thereto in Article I of the Indenture.

"Tender Drawing" means a drawing under the Letter of Credit to pay the portion of the Purchase Price of the Bonds allocable to principal.

"Termination Date" means the earliest of (i) the close of business on the Expiration Date, (ii) the date on which the principal amount of and interest on the Bonds shall have been paid in full, (iii) the close of business on the second Business Day following conversion of the interest rate on the Bonds to a Fixed Rate (as defined in the Indenture), (iv) the date on which the Bank honors the draft drawn on the Letter of Credit pursuant to Section 3.8(a)(iii) of the Indenture following the occurrence of an Event of Default (as defined in the Indenture) and an acceleration, (v) the date on which the Bank honors the draft drawn on the Letter of Credit to purchase the Bonds following receipt by the Trustee of written notice from the Bank that an Event of Default has occurred and is continuing and a written request from the Bank that the Bonds be required to be tendered for purchase, (vi) the date the Letter of Credit is surrendered to the Bank by the Trustee for cancellation following the acceptance by the Trustee of an Alternate Credit Facility in accordance with Section 3.8(e) of the Indenture or (vii) the date the Bank honors the final drawing available under the Letter of Credit.

"Underwriter" means Wachovia Securities, Inc., in its capacity as underwriter under the Purchase Agreement.

Section 1.2 Accounting Terms. Any accounting terms used in this Agreement that are not specifically defined shall have the meanings customarily given them in accordance with Generally Accepted Accounting Principles.

Section 1.3 Singular/Plural. Unless the context otherwise requires, words in the singular include the plural and words in the plural include the singular.

Section 1.4 Other Terms. All other terms contained in this Agreement shall, when the context so indicates, have the meanings provided for by the Uniform Commercial Code of the State of Georgia to the extent the same are used or defined therein.

ARTICLE II.

THE LETTER OF CREDIT

Section 2.1 Agreement to Issue Letter of Credit. Subject to the terms and conditions hereinafter set forth, the Bank hereby agrees to issue the Letter of Credit on the Date of Issuance. The Letter of Credit shall be issued in an amount equal to the sum of (i) the aggregate principal amount of the Bonds (the "Letter of Credit - Principal Component"), plus (ii) an amount equal to fifty-two (52) days' interest on the Bonds, computed as though the Bonds bore interest at the rate of twelve percent (12%) per annum, notwithstanding the actual rate borne by the Bonds from time to time, based on a 360-day year for the actual number of days elapsed (the "Letter of Credit - Interest Component").

Section 2.2 Term of the Letter of Credit; Extensions of the Stated Term; Cancellation or Replacement of the Letter of Credit.

(a) The term of the Letter of Credit shall end on the Termination Date.

(b) The initial term of the Letter of Credit is stated to expire, subject to earlier termination, on the Initial Expiration Date. The Initial Expiration Date will be automatically extended, subject to earlier termination, for successive additional periods of one calendar month each ("Successive Extension Periods") until the fifth day of the thirteenth calendar month following the calendar month during which the Company, the Trustee, and the Rating Agency receive a Notice of Non-Extension from the Bank. The Bank's decision to deliver a Notice of Non-Extension shall be made in its sole discretion and no course of dealing or other circumstance shall be deemed to require the Bank to refrain from delivering a Notice of Non-Extension. The Company shall provide prior written notice to the Trustee of any amendment or modification of this Section 2.2(b).

(c) The Letter of Credit may be cancelled or replaced at any time without penalty or premium at the request of the Company upon satisfaction of all conditions specified in subsections (i), (ii) and (iii) hereof:

(i) the Company shall have given not less than thirty (30) days' prior written notice to the Bank that the Company desires to cancel or replace the Letter of Credit;

(ii) the Letter of Credit shall have been returned to the Bank for cancellation; and

(iii)all Reimbursement Obligations (including all Letter of Credit fees) shall have been paid in full.

Upon the cancellation or replacement of the Letter of Credit in accordance with this Section, the Bank will within ten (10) days of the effective date of such cancellation or replacement refund to the Company any unearned portion of the letter of credit fee previously paid by the Company to the Bank pursuant to Section 2.4(a).

Section 2.3 Reduction of Letter of Credit Amount; Restoration of Letter of Credit Amount. Without limiting the provisions of the Letter of Credit, the Letter of Credit Interest Component shall be reduced in an amount equal to any draw to pay interest on the Bonds (including interest constituting a portion of the Purchase Price of Bonds), but shall be reinstated automatically ten (10) calendar days after drawing unless the Bank shall have notified the Trustee that (i) the Bank has not been reimbursed for said drawing or (ii) that an Event of Default has occurred and is continuing. In addition, and without limiting the provisions of the Letter of Credit, the Letter of Credit - Principal Component shall be reduced in an amount equal to any draw to pay principal of the Bonds (including any Tender Drawing), but, with respect to any Tender Drawing, such amount will be reinstated upon receipt by the Trustee of notice from the Bank that the Tender Advance applicable thereto has been repaid.

Section 2.4 Fees Relating to Letter of Credit.

(a) The Company hereby agrees to pay to the Bank quarterly in advance commencing on the Date of Issuance and thereafter on each Payment Date a letter of credit fee in an amount equal to one-quarter (.25) of the product of the Letter of Credit Amount in effect on the date of such payment (after giving effect to any reduction in the Letter of Credit Amount resulting from a redemption of Bonds on such date) multiplied by the Fee Percentage. The letter of credit fee shall be computed on the basis of the actual number of days elapsed over a 360-day year. If a Tender Advance is outstanding on any Payment Date, the Company shall pay to the Bank an additional letter of credit fee on any date when all or a portion of the principal amount of such Tender Advance is repaid equal to the product of the principal amount of the Tender Advance being repaid, multiplied by (1) the Fee Percentage, and (2) the number of days from the date of such repayment until the next Payment Date divided by 360.

(b) The Bank shall have the right from time to time, by written notice delivered to the Company not less than sixty (60) days prior to the Initial Expiration Date or prior to each successive anniversary of the Initial Expiration Date (each a "Notice of Adjustment"), to adjust the Fee Percentage. Any such adjustment of the Fee Percentage shall become effective beginning on the day following the Initial Expiration Date or the next succeeding anniversary of the Initial Expiration Date, as the case may be, immediately succeeding the delivery of the related Notice of Adjustment and shall continue to be effective until a subsequent Notice of Adjustment is delivered in accordance with this subsection.

(c) If, after the date hereof, any law or regulation shall be adopted or any change in any law or regulation or in the interpretation thereof by any Governmental Authority shall occur, which adoption or change shall either: (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by, or assets held by, or deposits in or for the account of, the Bank, or (ii) impose on the Bank any other condition relating, directly or indirectly, to this Agreement, the Reimbursement Note or the Letter of Credit, and the result of any event referred to in clause (i) or (ii) of this subsection shall be to increase the cost to the Bank of issuing or maintaining the Letter of Credit, then the Company shall pay to the Bank, upon demand therefor by the Bank, such additional amounts as the Bank shall reasonably determine are necessary to compensate the Bank for such increased cost, and which accrued within 90 days immediately prior to such demand, together with interest on such amount calculated at the Default Rate from the date of such demand until payment in full if such amount is not paid in full within thirty (30) days after such demand. The Bank shall deliver to the Company a certificate as to such increased cost incurred by the Bank as a result of any event mentioned in this subsection, setting forth in reasonable detail the basis therefor and the manner of calculation thereof, as soon as practicable after the Bank becomes aware of such change, which certificate shall be conclusive (absent manifest error) as to the amount set forth therein.

(d) If after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, or compliance by the Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority, has or would have the effect of reducing the rate of return on the Bank's capital as a consequence of its obligations under the Letter of Credit to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy), then the Company shall pay to the Bank, upon demand therefor by the Bank, such additional amounts as the Bank shall reasonably determine are necessary to compensate the Bank for such reduced rate of return, and which accrued within 90 days immediately prior to such demand, together with interest on such amount calculated at the Default Rate from the date of such demand until payment in full if such amount is not paid in full within thirty (30) days after such demand. The Bank shall deliver to the Company a certificate as to such reduced rate of return incurred by the Bank as a result of any event mentioned in this subsection, setting forth in reasonable detail the basis therefor and the manner of calculation thereof, as soon as practicable after the Bank becomes aware of such change, which certificate shall be conclusive (absent manifest error) as to the amount set forth therein. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

(e) The Company hereby agrees to pay to the Bank upon each drawing under the Letter of Credit in accordance with its terms a drawing fee equal to $100.00 per drawing, unless the Bank or one of its Affiliates is serving as Paying Agent pursuant to the terms of the Indenture on the date of such drawing. Such fee is due and payable on the date each drawing under the Letter of Credit is made.

Section 2.5 Reimbursement of Drawings under Letter of Credit.

(a) The Company hereby agrees to pay to the Bank immediately after and on the same Business Day as any amount is drawn and paid under the Letter of Credit

a sum equal to the amount so drawn; provided, however, that if the Bank makes a Tender Advance pursuant to Section 2.6 on account of a Tender Drawing, the Company's obligation to reimburse the Bank for the amount of such Tender Drawing shall be deemed satisfied by the Bank's application of the proceeds of such Tender Advance.

(b) If the Company fails to pay to the Bank any amount when due under this Agreement, interest shall accrue on any and all such amounts at the Default Rate (in the case of interest on interest, to the maximum extent permitted by law), commencing the day after such amounts first became due until payment in full, and the Company hereby agrees to pay such accrued interest to the Bank upon demand.

Section 2.6 Tender Advances, Prepayments, Interest Computations and Notices.

(a) The Bank agrees to make Tender Advances to the Company for the purpose of paying Tender Drawings arising from time to time (other than a Tender Drawing upon conversion of the interest rate on the Bonds to a "Fixed Rate" as defined in the Indenture) without further notice or request from the Company, subject to the following conditions precedent: (i) the representations and warranties contained in Article V hereof shall be true and correct on and as of the date of such Tender Drawing as if made on and as of such date; and (ii) after giving effect to the foregoing clause (i), no Default or Event of Default under this Agreement shall have occurred and be continuing. Each Tender Advance shall be in an amount equal to a corresponding Tender Drawing and the proceeds of such Tender Advance shall be applied by the Bank automatically to the payment in full of such Tender Drawing. The Company hereby agrees to pay to the Bank the aggregate unpaid principal amount of all Tender Advances, together with all accrued and unpaid interest thereon, on the Termination Date. The Tender Advances shall be made against and evidenced by and repayable as provided in the Reimbursement Note. The Company hereby authorizes the Bank to endorse on the schedule attached to the Reimbursement Note (or any continuation thereof) the amount of each Tender Advance made by the Bank to the Company hereunder, the date such Tender Advance is made and the amount of each payment or prepayment of principal of such Tender Advance received by the Bank; provided, however, that any failure by the Bank to make any such endorsement shall not limit, modify or affect the obligations of the Company hereunder or under the Reimbursement Note in respect of such Tender Advances.

(b) The Company hereby promises to pay to the Bank interest at a rate per annum equal to the Prime Rate plus two percent (2%) on the unpaid principal amount of each Tender Advance for the period commencing on the date of such Tender Advance to, but excluding, the date such Tender Advance is paid in full; provided, however, that if the Company fails to pay any portion of the principal of or accrued interest on any Tender Advance when due, interest on the unpaid principal amount of each Tender Advance shall accrue and be payable in accordance with the provisions of Section 2.5(b). Accrued interest on each Tender Advance shall be payable (i) on each Payment Date, (ii) upon the payment or prepayment thereof (but only on the principal so paid or prepaid), and (iii) on the Termination Date.

(c) All Tender Advances may be prepaid: (i) at any time by the Company on one (1) Business Day's notice stating the amount to be prepaid (which shall be $5,000 or a whole number multiple thereof); and (ii) at any time on behalf of the Company on one (1) Business Day's notice from the Company or the Remarketing Agent directing the Bank to deliver (or, if the Bonds are then maintained in book-entry form, authorize the release of) a specified principal amount of Pledged Bonds held by or for the benefit of the Bank for remarketing pursuant to Section 2.7 of the Indenture. Each such notice of prepayment shall be irrevocable and shall specify the Tender Advance to be prepaid and the amount of the Tender Advance to be prepaid and the date of prepayment (which date shall be a Business Day). Upon payment to the Bank of the amount to be prepaid pursuant to clause (i) or (ii) above, together with accrued interest, as set forth in Section 2.6(b)(ii) hereof, to the date of such prepayment on the amount to be prepaid, the outstanding obligations of the Company under the Reimbursement Note shall be reduced by the amount of such prepayment, interest shall cease to accrue on the amount prepaid, and the Bank shall release or authorize the release from the pledge and security interest created under Section 8.1 hereof a principal amount of Pledged Bonds equal to the amount of such prepayment. Such Bonds shall be delivered to (or, if the Bonds are then maintained in book-entry form, registered for the account of) the Company, in the event of a prepayment pursuant to clause (i) above, or the Remarketing Agent pursuant to Section 2.7 of the Indenture, in the event of a prepayment pursuant to clause (ii) above, as appropriate.

Section 2.7 Form and Place of Payments; Computation of Interest. All payments by the Company to the Bank hereunder shall be made in lawful currency of the United States and in immediately available funds at the Bank's office located at 191 Peachtree Street N.E., Atlanta, Georgia 30303. Whenever any payment hereunder shall be due on a day which is not a Business Day, the date

for payment thereof shall be extended to the next succeeding Business Day, and any interest payable thereof shall be payable for such extended time at the specified rate. All interest (including, without limitation, interest on Tender Advances) and fees hereunder shall be computed on the basis of the actual number of days elapsed over a 360-day year and shall include the first day but exclude the last day of the relevant period.

ARTICLE III.

OBLIGATIONS ABSOLUTE

Section 3.1 Obligations Absolute, Unconditional and Irrevocable. The obligations of the Company under this Agreement and the Related Documents shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms hereof and thereof, under all circumstances whatsoever, irrespective of any of the following circumstances:

(a) any lack of validity or enforceability of this Agreement, the Letter of Credit, the Bonds or any of the other Related Documents;

(b) any amendment or waiver of or any consent to departure from this Agreement, the Letter of Credit, the Bonds or all or any of the other Related Documents (except to the extent such amendment or waiver expressly relieves the Company of an obligation under this Agreement or the Related Documents);

(c) the existence of any claim, setoff, defense or other rights which the Company or any other Person may have at any time against the Trustee, the Underwriter, the Remarketing Agent, the Paying Agent, the Tender Agent, any beneficiary or any transferee of the Letter of Credit (or any Person for whom the Trustee, the Underwriter, the Remarketing Agent, the Paying Agent, the Tender Agent, any such beneficiary or any such transferee may be acting), the Bank, or any other Person, whether in connection with this Agreement, the Letter of Credit, the Bonds or any of the other Related Documents or any unrelated transaction;

(d) any statement or any other document presented under the Letter of Credit proves to be forged, fraudulent or invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever (absent gross negligence or willful misconduct by the Bank);

(e) payment by the Bank under the Letter of Credit against presentation of a draft or certificate that does not comply with the terms of the Letter of Credit (absent gross negligence or willful misconduct by the Bank); and

(f) any other circumstance or happening whatsoever whether or not similar to any of the foregoing.

Nothing contained herein shall act as a waiver of any rights or claims the Company may have against the Bank or any other party listed in Section 3.1(c) above.

ARTICLE IV.

CONDITIONS PRECEDENT TO ISSUANCE OF LETTER OF CREDIT

Section 4.1 Conditions Precedent to Issuance of Letter of Credit. Each of the following is a condition precedent to the obligation of the Bank to issue the Letter of Credit.

(a) On or before the Date of Issuance, the Bank shall have received the following documents, instruments, opinions and certificates, each in form and substance satisfactory to the Bank:

(i) the duly executed original Reimbursement Note, together with a duly executed original counterpart of this Agreement and each of the other Related Documents;

(ii) the opinion of counsel for the Company dated the Date of Issuance, addressed to it, in substantially the form attached to the Purchase Agreement as Exhibit "A";

(iii) a certificate, dated the Date of Issuance, signed by the Secretary or an Assistant Secretary of the Company, certifying: (1) that attached thereto is a copy of the articles or certificate of incorporation of the Company and all amendments thereto certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of incorporation, and that such organizational documents have not been amended since such date; (2) that attached thereto is a true and complete copy of the bylaws of the Company as in effect on the Date of Issuance; (3) that attached

thereto is a true and complete copy of resolutions adopted by the Board of Directors of the Company, authorizing the execution, delivery and performance of this Agreement and the Related Documents, as applicable; and (4) as to the incumbency and genuineness of the signature of each officer of the Company executing this Agreement or any of the Related Documents;

(iv) a certificate of good standing for the Company from the State of Georgia.

(v) a certificate, dated the Date of Issuance, signed by authorized officers of the Company, certifying that there is no action, suit, proceeding, inquiry or investigation known to the Company before or by any court, public board or body pending or threatened against or affecting the Company wherein an unfavorable decision, ruling or finding would materially adversely affect (1) the validity or enforceability of, or the authority or ability of the Company to perform its obligations under this Agreement or the Related Documents, or (2) the transactions contemplated thereby;

(vi) a certificate, dated the Date of Issuance, signed by authorized officials of the Company, certifying that (1) the representations and warranties of the Company contained in this Agreement are true and accurate in all material respects on and as of the Date of Issuance, (2) that the Company is not in violation of any of the covenants contained in this Agreement as of the Date of Issuance, (3) no Default or Event of Default has occurred and is continuing or would result from the issuance of the Letter of Credit, and (4) the Company has complied or is presently in compliance with all agreements and satisfied all conditions on its part to be observed or satisfied under the Related Documents at or prior to the Date of Issuance;

(vii) certified copies of all approvals, authorizations, or consents of, or notices to or registrations with, any Governmental Authority required to be obtained, given or effected by the Company with respect to the Bonds or any of the Related Documents; and

(viii) such other documents, instruments, opinions, certificates, approvals or consents as the Bank may reasonably request.

(b) As of the Date of Issuance the Bank shall be satisfied that there has been no Material Adverse Change, and that all information, representations and materials submitted to the Bank by the Company in connection with the issuance of the Letter of Credit are accurate and complete in all material respects.

(c) On or before the Date of Issuance:

(i) the Company and the Trustee shall have duly authorized and executed the Indenture and the Indenture shall be in full force and effect;

(ii) all conditions precedent to the issuance of the Bonds (and to their sale under the Purchase Agreement as specified therein) shall have occurred; and

(iii) the Company shall have duly executed, issued and delivered the Bonds.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Bank as of the date of this Agreement (and on the date of each Tender Advance, if any, made pursuant to this Agreement) as follows:

Section 5.1 Representations and Warranties in the Credit Agreement. Each of the representations and warranties of the Company set forth in Article IV of the Credit Agreement is complete, true and correct as if made on and as of the date this representation and warranty is made or deemed made; provided that (i) references to the "Agreement" in Article IV of the Credit Agreement, and in any definitions of capitalized terms used in such Article, shall be deemed to be references to this Agreement, (ii) references to the "Loan Documents" in Article IV of the Credit Agreement, and in any definitions of capitalized terms used in such Article, shall be deemed to be references to the Related Documents, (iii) references to the "Note" in Article IV of the Credit Agreement, and in any definitions of capitalized terms used in such Article, shall be deemed to be references to the Reimbursement Note, (iv) references to "Default" or "Event of Default" in Article IV of the Credit Agreement, and in any definitions of capitalized terms used in such Article, shall be deemed to be references to a

Default or an Event of Default under this Agreement, (v) references to "Closing Date" in Article IV of the Credit Agreement, and in any definitions of capitalized terms used in such Article (other than the definition of the capitalized term "Subsidiary"), shall be deemed to be references to the Date of Issuance, and (vi) the representation and warranty contained in Section 4.04(b) of the Credit Agreement shall not be made or deemed to be made at any time prior to the Closing Date (as such term is defined in the Credit Agreement).

Section 5.2 Official Statement. The information relating to the Company contained or incorporated by reference in the Official Statement or otherwise supplied by the Company in writing for inclusion therein does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

ARTICLE VI.

COVENANTS

Until the Letter of Credit has terminated and all Reimbursement Obligations have been paid in full, the Company:

Section 6.1 Covenants in the Credit Agreement. Shall observe and perform each of the covenants set forth in Article V of the Credit Agreement; provided that (i) references to the "Agreement" in Article V of the Credit Agreement, and in any definitions of capitalized terms used in such Article, shall be deemed to be references to this Agreement, (ii) references to the "Loan Documents" in Article V of the Credit Agreement, and in any definitions of capitalized terms used in such Article, shall be deemed to be references to the Related Documents, (iii) references to the "Note" in Article V of the Credit Agreement, and in any definitions of capitalized terms used in such Article, shall be deemed to be references to the Reimbursement Note, and (iv) references to "Default" or "Event of Default" in Article V of the Credit Agreement, and in any definitions of capitalized terms used in such Article, shall be deemed to be references to a Default or an Event of Default under this Agreement.

Section 6.2 Modifications. Will not enter into or consent to any alteration, modification, supplement or amendment to, or accept the benefit of any waiver of any provision of, the Bonds or any Related Document.

ARTICLE VII.

EVENTS OF DEFAULT; REMEDIES

Section 7.1 Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default hereunder:

(a) The Company shall fail to pay within 5 days following the date when due any amount payable under this Agreement or under the Reimbursement Note;

(b) The Company shall fail to observe or perform (i) any covenant incorporated by reference from the Credit Agreement pursuant to Section 6.1 of this Agreement (and if a notice or knowledge requirement and/or cure period is associated with such covenant under the Credit Agreement prior to any violation thereof becoming an Event of Default under the Credit Agreement, such notice or knowledge requirement shall have been met and/or such cure period shall have expired, as applicable), or (ii) the covenant contained in Section 6.2 of this Agreement;

(c) Any representation, warranty, certification or statement made or deemed made by the Company in Article V of this Agreement, in any Related Document, or in any certificate, financial statement or other document delivered pursuant to this Agreement or any Related Document shall prove to have been incorrect in any material respect when made or deemed made;

(d) An Event of Default under the Credit Agreement shall occur and be continuing (provided that the reference to Material Adverse Effect contained in Section 6.01(n) of the Credit Agreement shall be determined as if the reference to "Loan Documents" in the definition of Material Adverse Effect contained in the Credit Agreement was a reference to this Agreement or any Related Document); or

(e) A default or event of default as defined in any Related Document shall occur and be continuing.

Section 7.2 Remedies. Upon the occurrence and during the continuance of any Event of Default:

(a) Acceleration of Indebtedness. The Bank may, in its sole discretion,

(i) declare all Tender Advances and all other amounts due hereunder and all interest accrued thereon to be immediately due and payable, and upon such declaration the same shall become and be immediately due and payable, without presentment, protest or other notice of any kind, all of which are, except as expressly provided herein, hereby waived by the Company, (ii) notify the Trustee in writing that an Event of Default has occurred and is continuing and request that (1) the Bonds be accelerated pursuant to Section 6.2 of the Indenture, or (2) all of the Bonds be required to be tendered for purchase, and (iii) pursue all remedies available to it by contract, at law or in equity, including but not limited to its rights under the Pledge Agreement.

(b) Right of Set-off. The Bank may, and is hereby authorized by the Company, at any time and from time to time, to the fullest extent permitted by applicable laws, without advance notice to the Company (any such notice being expressly waived by the Company), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and any other indebtedness at any time owing by, the Bank or any of its Affiliates, to or for the credit or the account of the Company against any or all of the obligations of the Company under this Agreement now or hereafter existing, whether or not such obligations have matured. The Bank agrees promptly to notify the Company after any such set-off or application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

(c) Rights and Remedies Cumulative; Non-Waiver; etc. The enumeration of the Bank's rights and remedies set forth in this Agreement is not intended to be exhaustive and the exercise by the Bank of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder, under any Related Documents or under any other agreement between the Company and the Bank or that may now or hereafter exist in law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Bank in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between the Company and the Bank or their agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the Related Documents or to constitute a waiver of any Event of Default.

ARTICLE VIII.

PLEDGED BONDS

Section 8.1 The Pledge. The Company hereby pledges, assigns, hypothecates, transfers, and delivers to the Bank all its right, title and interest to, and hereby grants to the Bank a first lien on, and security interest in, all right, title and interest of the Company in and to the following (hereinafter collectively called the "Pledged Bond Collateral"):

(i) all Pledged Bonds;

(ii) all income, earnings, profits, interest, premium or other payments in whatever form in respect of the Pledged Bonds; and

(iii) all proceeds (cash and non-cash) arising out of the sale, exchange, collection, enforcement or other disposition of all or any portion of the Pledged Bonds.

The Pledged Bond Collateral shall serve as security for the payment and performance when due of the Reimbursement Obligations. The Company shall deliver, or cause to be delivered, the Pledged Bonds to the Bank or to a pledge agent designated by the Bank immediately upon receipt thereof or, in the case of Pledged Bonds held under a book-entry system administered by The Depository Trust Company ("DTC"), New York, New York (or any other clearing corporation), the Company shall cause the Pledged Bonds to be reflected on the records of DTC (or such other clearing corporation) as a position held by the Bank (or a pledge agent acceptable to the Bank) as a DTC participant (or a participant in such other clearing corporation) and the Bank (or its pledge agent) shall reflect on its records that the Pledged Bonds are owned beneficially by the Company subject to the pledge in favor of the Bank.

Section 8.2 Remedies Upon Default. If any Event of Default shall have occurred and be continuing, the Bank, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Company or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Pledged Bond Collateral, or any part thereof, and/or may forthwith sell,

assign, give option or options to purchase, contract to sell or otherwise dispose of and deliver said Pledged Bond Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Bank's offices or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right to the Bank upon any such sale or sales, public or private, to purchase the whole or any part of said Pledged Bond Collateral so sold, free of any right or equity of redemption in the Company, which right or equity is hereby expressly waived and released. The Bank shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any and all of the Pledged Bond Collateral or in any way relating to the rights of the Bank hereunder, including reasonable attorneys' fees and legal expenses, to the payment in whole or in part of the Reimbursement Obligations in such order as the Bank may elect, the Company remaining liable for any deficiency remaining unpaid after such application, and only after so applying such net proceeds and after the payment by the Bank of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Uniform Commercial Code, need the Bank account for the surplus, if any, to the Company. The Company agrees that the Bank need not give more than ten (10) days' notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to the Company if it has signed after Default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights and remedies granted to the Bank in this Agreement and in any other instrument or agreement securing, evidencing or relating to any of the Reimbursement Obligations, the Bank shall have all the rights and remedies of a secured party under the Uniform Commercial Code in effect in the State of Georgia at that time.

If the Bank sells any of the Pledged Bond Collateral pursuant to this Section 8.2, the Bank agrees that it will reinstate the Letter of Credit in an amount sufficient to cover all principal and accrued interest on the Bonds so sold for up to fifty-two (52) days at twelve percent (12%) per annum (computed on the basis of a 360-day year).

Section 8.3 Valid Perfected First Lien. The Company covenants that the pledge, assignment and delivery of the Pledged Bond Collateral hereunder will create a valid, perfected, first priority security interest in all right, title or interest of the Company in or to such Pledged Bond Collateral, and the proceeds thereof, subject to no prior pledge, lien, mortgage, hypothecation, security interest, charge, option or encumbrance or to any agreement purporting to grant to any third party a security interest in the property or assets of the Company which would include the Pledged Bond Collateral. The Company covenants and agrees that it will defend the Bank's right, title and security interest in and to the Pledged Bond Collateral and the proceeds thereof against the claims and demands of all persons whomsoever.

Section 8.4 Release of Pledged Bonds. Pledged Bonds shall be released from the security interest created hereunder upon satisfaction of the Reimbursement Obligations with respect to such Pledged Bonds as provided in Section 2.8 of the Indenture.

ARTICLE IX.

MISCELLANEOUS

Section 9.1 Costs, Expenses and Taxes. The Company agrees to pay on demand all reasonable out-of-pocket expenses of the Bank, including reasonable fees and disbursements of counsel, in connection with: (i) the preparation, execution, delivery, and filing, if required, of this Agreement, the Letter of Credit, the Related Documents and otherwise in connection with the issuance of the Bonds, (ii) any amendments, supplements, consents or waivers hereto or thereto, and (iii) the enforcement of this Agreement, the Bonds, the Letter of Credit and the Related Documents and any other documents which may be delivered in connection herewith or therewith. In addition, the Company shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement and the Related Documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. It is the intention of the parties hereto that the Company shall pay amounts referred to in this Section directly. In the event the Bank pays any of the amounts referred to in this Section directly, the Company will reimburse the Bank for such advances and interest on such advance shall accrue, if not reimbursed within 10 days of notice from the Bank, until reimbursed at the Default Rate.

Section 9.2 Indemnification. From and at all times after the date of this Agreement, and in addition to all of the Bank's other rights and remedies against the Company, the Company agrees to indemnify, defend and hold harmless the Bank, and each director, officer, employee, agent, successor, assign and affiliate of the Bank from and against the following (collectively "Costs"): any and all claims (whether valid or not), losses, damages, actions, suits, inquiries, investigations, administrative proceedings, judgments, liens, liabilities, penalties, fines, amounts paid in settlement, requirements of Governmental Authorities, punitive damages, interest, damages to natural resources and other costs and expenses of any kind or nature whatsoever (including without limitation reasonable attorneys' fees and expenses actually incurred, court costs and fees, and consultant and expert witness fees and expenses) arising in any manner, directly or indirectly, out of or by reason of (a) the negotiation, preparation, execution or performance of this Agreement or the Related Documents, or any transaction contemplated herein or therein, whether or not the Bank or any other party protected under the indemnity agreement under this paragraph is a party to any action, proceeding or suit in question, or the target of any inquiry or investigation in question; provided, however, that no indemnified party shall have the right to be indemnified hereunder for any liability resulting from the willful misconduct or gross negligence of such indemnified party (as finally determined by a court of competent jurisdiction), (b) any breach of any of the covenants, warranties or representations of the Company hereunder or under any Related Document, (c) any violation or alleged violation of any Environmental Law, federal or state securities law, common law, equitable requirement or other legal requirement by the Company or with respect to any property owned, leased or operated by the Company (in the past, currently or in the future), (d) by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement, or in any supplement or amendment thereto, or the omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading (other than statements or information supplied by the Bank for incorporation in the Official Statement); (e) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to pay under, the Letter of Credit (unless such Cost was caused by the willful misconduct or gross negligence of the Bank); and/or (f) any presence, generation, treatment, storage, disposal, transport, movement, release, suspected release or threatened release of any Hazardous Material on, in, to or from any property (or any part thereof including without limitation the soil and groundwater thereon and thereunder) owned, leased or operated by the Company (in the past, currently or in the future).

All of the foregoing Costs and obligations of the Company shall be additional obligations hereunder. In the event the Bank or any other indemnified party shall suffer or incur any Costs, the Company shall pay to the indemnified party the total of all such Costs suffered or incurred by the party, and fulfill its other obligations hereunder, on demand.

Without limiting the foregoing, the Company shall be obligated to pay, on demand, the costs of any investigation, monitoring, assessment, enforcement, removal, remediation, restoration or other response or corrective action undertaken by the Bank or any other indemnified party, or their respective agents, with respect to any property owned, leased or operated by the Company.

It is expressly understood and agreed that the obligations of the Company under this Section shall not be limited to any extent by the term of the Letter of Credit or this Agreement and shall remain in full force and effect unless and until expressly terminated by Bank in writing.

Section 9.3 Notices. All demands, notices, approvals, consents, requests, and other communications hereunder shall be in writing and shall be deemed to have been given when the writing is delivered, if given or delivered by hand, overnight delivery service or facsimile transmitter (with confirmed receipt), or five (5) days after being mailed, if mailed by first class, registered or certified mail, postage prepaid, to the address or telecopy number set forth below:

Party	Address
Company	Atlantic American Corporation 4370 Peachtree Street N.E. Atlanta, Georgia 30319-3000 Attention:Hilton H. Howell, Jr. President and Chief Executive Officer Telephone:(404) 266-5505 Telecopy: (404) 231-2123
with a copy to:	Mark L. Hanson, Esq. Jones, Day, Reavis & Pogue 3500 SunTrust Plaza

303 Peachtree Street
Atlanta, Georgia 30308
Telephone:(404) 521-3939
Telecopy: (404) 581-8330

Bank Wachovia Bank, N.A.
191 Peachtree Street N.E.
Atlanta, Georgia 30303-1757
Attention:William J. Darby
Telephone:(404) 332-1371
Telecopy: (404) 332-5016

with copies to:Wachovia Bank, N.A.
International Operations
Standby Letters of Credit, NC-30034
401 Linden Street
Winston-Salem, North Carolina 27101

Wachovia Securities, Inc.
100 North Main Street
Winston-Salem, North Carolina 27101
Attention: Fixed Income Sales and
Trading/Money Market Desk

Trustee The Bank of New York
100 Ashford Center North, Suite 520
Atlanta, Georgia 30338
Attention:Corporate Trust Department
Telephone:(770) 698-5190
Facsimile:(770) 698-5195

The Company, the Bank or the Trustee may, by notice given hereunder, designate any further or different addresses or telecopy numbers to which subsequent demands, notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed.

Section 9.4 Payment from Bank's Funds. The Bank hereby covenants and agrees that any payments under the Letter of Credit will be made with the Bank's own funds and not with funds of the Issuer or the Company.

Section 9.5 Limited Liability of the Bank. As between the Company and the Bank, the Company agrees to assume, absent gross negligence or willful misconduct by the Bank, all risk of the acts or omissions of the Trustee (and any transferee of the Letter of Credit) with respect to its use of the Letter of Credit. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Trustee (or transferee) and any beneficiary in connection therewith; (b) the validity, or genuineness of documents, or of any endorsement(s) thereon, accepted by the Bank in good faith, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except that the Company shall have a claim against the Bank, and the Bank shall be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Company which were caused by: (y) the Bank's willful misconduct or gross negligence in determining whether documents presented under the Letter of Credit comply with the terms thereof; or (z) the Bank's willful failure to pay under the Letter of Credit after the presentation to it by the Trustee (or a successor trustee under the Indenture to whom the Letter of Credit has been transferred in accordance with its terms) of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Bank may in good faith accept documents that appear on their face to be in order without responsibility for further investigation.

Section 9.6 Continuing Obligations; Revival of Obligations. The obligations of the Company under this Agreement shall continue until all amounts due and owing to the Bank hereunder as of the Termination Date shall have been paid in full; provided, however, that the obligations of the Company pursuant to Sections 9.1 and 9.2 hereof shall survive the termination of this Agreement. The Company further agrees that to the extent the Company makes a payment to the Bank, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver, or any other party under any bankruptcy, insolvency or other similar state or federal statute, common law or principles of equity, then, to the extent of such repayment by the Bank, the Reimbursement Obligations or part thereof intended to be satisfied by such payment shall be revived and continued in full force and effect as if such payment had not been received by the Bank.

Section 9.7 Confirmation of Lien. The Company hereby grants to the Bank, to secure payment by the Company of sums due hereunder, a lien on moneys or

instruments (at such times as they become payable to the Company under the Indenture) which the Company has an interest in or title to pursuant to Sections 4.1, 4.2 or 4.4 of the Indenture, now or hereafter held in the Bond Fund, Initial Fund or Bond Purchase Fund (as such terms are defined in the Indenture) or otherwise by the Trustee under any provision of the Indenture and in the right of the Company to receive any such moneys or instruments. The Bank hereby confirms that such lien is and shall be junior and subordinate to the lien on such moneys in favor of the holders of the Bonds and the Trustee.

Section 9.8 Notice of Certain Controlling Acquisitions. The Bank shall provide or cause to be provided written notice to the Trustee, the Remarketing Agent, and the Holders (as defined in the Indenture) thirty days prior, where reasonable, and not more than thirty days subsequent to the consummation of any transaction that would result in the Company controlling or being controlled by the Bank. The Bank acknowledges that the foregoing sentence supercedes any exemptions from the continuing disclosure requirement pursuant to Rule 15c2-12(b)(5) of the Securities and Exchange Act of 1934.

Section 9.9 Controlling Law. This Agreement has been executed, delivered and accepted at, and shall be deemed to have been made in, the State of Georgia and shall be interpreted in accordance with the internal laws (as opposed to conflicts of laws provisions) of the State of Georgia.

Section 9.10 Successors and Assigns. This Agreement shall be binding upon the Company, its successors and assigns and all rights against the Company arising under this Agreement shall be for the sole benefit of the Bank.

Section 9.11 Assignment and Sale. Without the prior written consent of the Bank, the Company may not sell, assign or transfer this Agreement or any of the Related Documents or any portion hereof or thereof, including without limitation the Company's rights, title, interests, remedies, powers, and duties hereunder or thereunder.

Section 9.12 Amendment. This Agreement can be amended or modified only by an instrument in writing signed by the parties. The Company must provide the Trustee with written notice of any amendment or modification of this Agreement, including but not limited to an amendment or modification of Section 2.2(b).

Section 9.13 Severability. In the event that any provision of this Agreement shall be determined to be invalid or unenforceable by any court of competent jurisdiction, such determination shall not invalidate or render unenforceable any other provision hereof.

Section 9.14 Entire Agreement. THIS AGREEMENT AND THE DOCUMENTS AND INSTRUMENTS EXECUTED AND DELIVERED CONTEMPORANEOUSLY HEREWITH EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES HERETO AND SUPERSEDE ALL PRIOR AGREEMENTS AND UNDERSTANDINGS OF SUCH PERSONS, VERBAL OR WRITTEN, RELATING TO THE SUBJECT MATTER HEREOF. THIS AGREEMENT AND THE DOCUMENTS AND INSTRUMENTS EXECUTED IN CONNECTION HEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 9.15 Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which, together shall constitute but one and the same instrument.

Section 9.16 Captions. The captions to the various sections and subsections of this Agreement have been inserted for convenience only and shall not limit or affect any of the terms hereof.

[The remainder of this page is left blank intentionally.]

IN WITNESS WHEREOF, the parties hereto have caused this Reimbursement and Security Agreement to be duly executed and delivered by their respective duly authorized officers as of the date first above written.

ATLANTIC AMERICAN CORPORATION

By:
_____(SEAL)
Name:_____
Title:

WACHOVIA BANK, N.A.

By:
_____(SEAL)
Name:_____
Title:

EXHIBIT A

IRREVOCABLE LETTER OF CREDIT
No. LC ___-_____

June 24, 1999

The Bank of New York, as Trustee
100 Ashford Center North, Suite 520
Atlanta, Georgia 30338
Attention: Corporate Trust Department

Ladies and Gentlemen:

1. We hereby establish, at the request and for the account of Atlantic American Corporation, a Georgia corporation (the "Company"), in your favor, as Trustee, for the benefit of the holders of the Bonds (as hereinafter defined), under the Indenture of Trust dated as of June 1, 1999 (the "Indenture") between the Company and the Trustee, pursuant to which $25,000,000 in aggregate principal amount of the Company's Taxable Variable Rate Demand Bonds, Series 1999 (the "Bonds") are being issued, our Irrevocable Letter of Credit No. LC ___-_____ (the "Letter of Credit"), in the amount of $25,433,334 (as more fully described below), effective immediately and expiring on the earliest to occur of any of the following (the "Termination Date"): (i) the close of business on July 5, 2000, or, if such date is extended pursuant to Section 2.2(b) of the Reimbursement and Security Agreement dated as of June 1, 1999 between the Company and us (the "Reimbursement Agreement"), the date as so extended, (ii) the date on which the principal amount of and interest on the Bonds shall have been paid in full, (iii) the close of business on the second Business Day following conversion of the interest rate on the Bonds to a Fixed Rate (as defined in the Indenture), (iv) the date on which we honor the draft drawn hereunder pursuant to Section 3.8(a)(iii) of the Indenture following the occurrence of an Event of Default under the Indenture and an acceleration, (v) the date on which we honor a draft drawn hereunder to purchase the Bonds following your receipt of written notice from us that an Event of Default under the Reimbursement Agreement has occurred and is continuing and a written request from us that the Bonds be required to be tendered for purchase, (vi) the date this Letter of Credit is surrendered to us by you for cancellation following the acceptance by you of an Alternate Credit Facility (as defined in the Indenture) in accordance with Section 3.8(e) of the Indenture, or (vii) the date we honor the final drawing available hereunder.

2. We hereby irrevocably authorize you to draw on us in accordance with the terms and conditions, and subject to reductions in amount and reinstatement, as hereinafter set forth, by your drafts, an aggregate amount not exceeding $25,433,334 (the "Letter of Credit Amount"), of which an aggregate amount not exceeding $25,000,000 may be drawn upon with respect to payment of principal of the Bonds or that portion of the purchase price of Bonds tendered for purchase ("Purchase Price") corresponding to principal (the "Letter of Credit Amount-Principal Component"), and of which an aggregate amount not exceeding $433,334 (but no more than an amount equal to accrued interest on the Bonds for the immediately preceding fifty-two (52) days, computed as though the Bonds bore interest at the rate of twelve percent (12%) per annum notwithstanding the actual rate borne by the Bonds from time to time, based on a 360-day year) may be drawn upon with respect to payment of interest on the Bonds or that portion of the Purchase Price of Bonds corresponding to interest (the "Letter of Credit Amount-Interest Component"). The foregoing maximum amounts comprising the Letter of Credit Amount-Principal Component and the Letter of Credit Amount-Interest Component will be reduced upon redemption of any Bonds as provided in Section 2.18 of the Indenture or upon payment of Bonds at maturity or upon defeasance of any Bonds pursuant to Article V of the Indenture, and in such circumstances you shall deliver to us a certificate in the form of Exhibit 5 attached hereto.

3. Only you, as Trustee may make drawings under this Letter of Credit. Upon the payment to you or your account of the amount specified in a draft drawn hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to such draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such draft to you or to any other person who may have made to you or who makes to you a demand for purchase of, or payment of principal of or interest on any Bond. Bonds that are registered in the name of, or held by or for the account of the Company or are held or required to be held for our benefit pursuant to Section 2.8(b) of the Indenture ("Pledged Bonds") shall not be entitled to any benefit of this Letter of Credit.

4. The Letter of Credit Amount-Principal Component and the Letter of Credit Amount-Interest Component, as the case may be, shall be reduced immediately following our honoring any draft drawn hereunder to pay principal of, or interest on, the Bonds, to pay the interest portion of the Purchase Price of the Bonds, or to pay the principal portion of the Purchase Price of the Bonds (a "Tender Drawing"), in each case by an amount equal to the amount of such draft.

5. On the tenth calendar day following each drawing hereunder to pay interest on the Bonds (including interest constituting a portion of the Purchase Price of Bonds), the amount so drawn shall be reinstated to the Letter of Credit Amount-Interest Component unless you shall have theretofore received written notice from us to the effect that (i) we have not been reimbursed in full by the Company for the amount of such drawing, together with interest, if any, owing thereon pursuant to the Reimbursement Agreement and the amount of such drawing will not be reinstated or (ii) an Event of Default under the Reimbursement Agreement between the Company and us has occurred and is then continuing and a written request that (1) the Bonds be accelerated pursuant to Section 6.2 of the Indenture, or (2) all of the Bonds be required to be tendered for purchase.

6. Immediately upon our written notice to you that we have been reimbursed for any loan or advance made by us to the Company, the proceeds of which loan or advance were used by the Company to reimburse us for a Tender Drawing hereunder, the amount so drawn shall be restored, as of the date of the Tender Drawing, to the Letter of Credit Amount-Principal Component.

7. Subject to the provisions of Paragraphs 5 and 6 hereof, drawings hereunder honored by us shall not, in the aggregate, exceed the Letter of Credit Amount, as reduced from time to time pursuant to the terms hereof.

8. Funds under this Letter of Credit are available to you against (a) your draft payable on the date such draft is drawn on us, stating on its face: "Drawn under Wachovia Bank, N.A. Irrevocable Letter of Credit No. LC ___-_____"; (b) if the drawing is being made with respect to payment of principal of the Bonds, a certificate signed by you in the form of Exhibit 1 attached hereto appropriately completed; (c) if the drawing is being made with respect to payment of interest on the Bonds, a certificate signed by you in the form of Exhibit 2 attached hereto appropriately completed; (d) if the drawing is a Tender Drawing, a certificate signed by you in the form of Exhibit 3 attached hereto appropriately completed; and (e) simultaneously with any Tender Drawing being made hereunder, a certificate signed by you in the form of Exhibit 4 attached hereto appropriately completed regarding the portion of the Purchase Price of the Bonds corresponding to interest. Such draft(s) and certificate(s) shall be dated the date of presentation, which shall be made at our office located at 401 Linden Street, Winston-Salem, North Carolina 27101, Attention: International Operations, Standby Letters of Credit, NC-30034 (or any other office which may be designated by us by written notice delivered to you). If we receive your draft(s) and certificate(s) at such office, all in strict conformity with the terms and conditions of this Letter of Credit, at or prior to 11:00 a.m., Winston-Salem, North Carolina time, on a Business Day on or prior to the Termination Date, we will honor the same no later than 1:00 p.m., Winston-Salem, North Carolina time, on the same Business Day in accordance with your payment instructions. Presentation of drawings to pay the Purchase Price of Bonds also may be made by a telecopy transmission of the documents described in the applicable subparagraphs (a) through (e) above to Telecopier No. (336) 735-0950 (with transmission confirmed by call to Telephone No. (800) 522-9487) or such other telecopier and telephone numbers that we hereafter designate by written notice delivered to you. If we receive your drafts and certificates (as referenced in subparagraphs (a) through (e) above) after 11:00 a.m., Winston-Salem, North Carolina time, on a Business Day, on or prior to the Termination Date, we will honor the same no later than 11:00 a.m., Winston-Salem, North Carolina time, on the next succeeding Business Day. Advance notification of drawings to pay principal of and interest on the Bonds under this Letter of Credit also may be made by a telecopy transmission of the documents described in the applicable subparagraphs (a) through (e) above not less than one Business Day prior to the date of presentation to the telecopier number set forth above (with transmission confirmed by call to the telephone number set forth above) or such other telecopier and telephone numbers that we hereafter designate by written notice delivered to you. If presentation of a drawing to pay Purchase Price of Bonds or an advance notification of a drawing to pay principal of and interest on the Bonds is made by telecopier, it must contain an additional certification by you that the originals of the draft and the certificate on your letterhead manually signed by one of your officers will be concurrently forwarded to us by express courier to reach us by the next Business Day or the date of payment, as the case may be. Payment under this Letter of Credit will be made out of our funds and, if requested by you, will be made by wire transfer of federal funds to your account with any bank which is a member of the Federal Reserve System, or by deposit of immediately available funds into a designated account that you maintain with us.

9. As used herein, the term "Business Day" shall mean any day on which our office at which drawings on this Letter of Credit are made and the offices of the Trustee, the Paying Agent, the Tender Agent, the Registrar and the Remarketing Agent (as each term is defined in the Indenture) are each open for business and on which The New York Stock Exchange is not closed.

10. Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at our office address set forth in or designated pursuant to Paragraph 8 above and shall specifically refer to the number of this Letter of Credit.

11. This Letter of Credit is transferable in its entirety (but not in part) to any transferee who has succeeded you as Trustee under the Indenture and may be successively so transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate substantially in the form of Exhibit 6 attached hereto and payment of our customary transfer fee.

12. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds, the Indenture and the Reimbursement Agreement), except the forms of the certificates and the drafts referred to herein, and any such reference (except as aforesaid) shall not be deemed to incorporate herein, any document, instrument or agreement except for such certificates or drafts.

13. This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500 or by subsequent Uniform Customs and Practice for Documentary Credits fixed by subsequent Congresses of the International Chamber of Commerce (the "UCP") and, to the extent not inconsistent with the UCP, the laws of the State of Georgia.

Very truly yours,

WACHOVIA BANK, N.A.

By:

Authorized Officer

EXHIBIT 1

CERTIFICATE FOR THE PAYMENT OF PRINCIPAL OF THE
ATLANTIC AMERICAN CORPORATION
TAXABLE VARIABLE RATE DEMAND BONDS, SERIES 1999

The undersigned, a duly authorized officer of The Bank of New York (the "Trustee"), hereby certifies as follows to Wachovia Bank, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. LC ___-_____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

(1) The Trustee is the Trustee under the Indenture.

(2) The Trustee is making a drawing under the Letter of Credit with respect to the payment of principal of the Bonds in accordance with Section 3.8 of the Indenture.

(3) The amount of principal of the Bonds which is due and payable (or which has been declared to be due and payable) is $_____, and the amount of the draft accompanying this Certificate does not exceed such amount of principal.

(4) The amount of the draft accompanying this Certificate does not include any amount in respect of the principal amount of any Pledged Bonds, does not exceed the amount available to be drawn under the Letter of Credit in respect of payment of principal of the Bonds and was computed in accordance with the terms and conditions of the Bonds and the Indenture.

[(5) The draft accompanying this certificate is the final draft to be drawn under the Letter of Credit with respect to principal and, upon the honoring of such draft, the Letter of Credit will expire in accordance with its terms and the Trustee will surrender the Letter of Credit to the Bank.]*

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, _____.

THE BANK OF NEW YORK,
as Trustee

By:

[Name and Title]

* To be used only upon stated or accelerated maturity or optional or mandatory redemption of the Bonds as a whole.

EXHIBIT 2

CERTIFICATE FOR THE PAYMENT OF INTEREST ON THE
ATLANTIC AMERICAN CORPORATION
TAXABLE VARIABLE RATE DEMAND BONDS, SERIES 1999

The undersigned, a duly authorized officer of The Bank of New York (the "Trustee"), hereby certifies as follows to Wachovia Bank, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. LC ___-_____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

(1) The Trustee is the Trustee under the Indenture.

(2) The Trustee is making a drawing under the Letter of Credit with respect to the payment of interest accrued on the Bonds in accordance with Section 3.8 of the Indenture.

(3) The amount of interest on the Bonds which is due and payable (or which has been declared to be due and payable) is $_____, and the amount of the draft accompanying this Certificate does not exceed such amount of interest.

(4) The amount of the draft accompanying this Certificate does not include any amount in respect of the interest on any Pledged Bonds, does not exceed the amount available to be drawn under the Letter of Credit in respect of payment of interest accrued on the Bonds, and was computed in accordance with the terms and conditions of the Bonds and the Indenture.

[(5) The draft accompanying this certificate is the final draft to be drawn under the Letter of Credit with respect to interest and, upon the honoring of such draft, the Letter of Credit will expire in accordance with its terms and the Trustee will surrender the Letter of Credit to the Bank.]*

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____.

THE BANK OF NEW YORK,
as Trustee

By:

[Name and Title]

- ---
* To be used only upon stated or accelerated maturity or optional or mandatory redemption of the Bonds as a whole.

EXHIBIT 3

CERTIFICATE FOR THE PAYMENT OF THAT PORTION OF
THE PURCHASE PRICE OF BONDS CORRESPONDING TO
PRINCIPAL OF THE ATLANTIC AMERICAN CORPORATION
TAXABLE VARIABLE RATE DEMAND BONDS, SERIES 1999

The undersigned, a duly authorized officer of The Bank of New York (the "Trustee"), hereby certifies as follows to Wachovia Bank, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. LC ___-_____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

(1) The Trustee is the Trustee under the Indenture.

(2) The Trustee is making a Tender Drawing under the Letter of Credit pursuant to Section 3.8(a)(ii) of the Indenture with respect to the purchase of Bonds corresponding to the principal of Bonds tendered or deemed tendered pursuant to Section 2.6 of the Indenture and not remarketed by the Remarketing Agent on or before the date such Bonds are to be purchased.

(3) The amount of Purchase Price corresponding to principal of such Bonds less the amount of monies on deposit in the Bond Purchase Fund and available for the purchase of such Bonds as contemplated in Section 2.6(g)(i) of the Indenture is $_____ and the amount of the draft accompanying this Certificate does not exceed such amount of principal.

(4) The amount of the draft accompanying this Certificate does not exceed the amount available to be drawn under the Letter of Credit in respect of the Purchase Price corresponding to principal of such Bonds and was computed in accordance with the terms and conditions of the Bonds and the Indenture.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____.

THE BANK OF NEW YORK,
as Trustee

By:

[Name and Title]

EXHIBIT 4

CERTIFICATE FOR THE PAYMENT OF THAT PORTION OF THE PURCHASE PRICE OF BONDS CORRESPONDING TO INTEREST ON THE ATLANTIC AMERICAN CORPORATION TAXABLE VARIATE RATE DEMAND BONDS, SERIES 1999

The undersigned, a duly authorized officer of The Bank of New York (the "Trustee"), hereby certifies as follows to Wachovia Bank, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. LC ___-_____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

(1) The Trustee is the Trustee under the Indenture.

(2) The Trustee is making a Tender Drawing under the Letter of Credit pursuant to Section 3.8(a)(ii) of the Indenture simultaneously herewith with respect to the purchase of Bonds corresponding to principal on Bonds tendered or deemed tendered pursuant to Section 2.6 of the Indenture and not remarketed by the Remarketing Agent on or before the date such Bonds are to be purchased.

(3) A portion of the Purchase Price of Bonds corresponding to interest on such Bonds less the amount of monies on deposit in the Bond Purchase Fund and available for the purchase of such Bonds as contemplated in Section 2.6(g)(i) of the Indenture is $_____ and the amount of the draft accompanying this Certificate does not exceed such amount of interest.

(4) The amount of the draft accompanying this Certificate does not exceed the amount available to be drawn under the Letter of Credit in respect of the Purchase Price corresponding to interest on such Bonds and was computed in accordance with the terms and conditions of the Bonds and the Indenture.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, _____.

THE BANK OF NEW YORK,
as Trustee

By:

[Name and Title]

EXHIBIT 5

CERTIFICATE FOR THE PERMANENT
REDUCTION OF LETTER OF CREDIT AMOUNT

The undersigned, a duly authorized officer of The Bank of New York (the "Trustee"), hereby certifies as follows to Wachovia Bank, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. LC ___-_____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

(1) The Trustee is the Trustee under the Indenture.

(2) The aggregate principal amount of the Bonds Outstanding (as defined in the Indenture) has been reduced to $----------.

(3) The Letter of Credit Amount-Principal Component is hereby correspondingly reduced to $_____.

(4) The Letter of Credit Amount-Interest Component is hereby reduced to $_____ [calculated by multiplying the amount of the principal amount in the last line of paragraph (2) hereof by 12% and multiplying the product thereof by the quotient of 52 divided by 360] to reflect the amount of interest allocable to the reduced amount of principal set forth in paragraph (3) hereof.

IN WITNESS WHEREOF, the Trustee has executed this Certificate as of the _____ day of _____, ____.

THE BANK OF NEW YORK,
as Trustee

By:

[Name and Title]

EXHIBIT 6

INSTRUCTION TO TRANSFER

---------------, -----

Wachovia Bank, N.A.
International Operations
Standby Letters of Credit, NC-30034
401 Linden Street
Winston-Salem, North Carolina 27101

Re: Irrevocable Letter of Credit No. LC ___-_____

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably instructs you to transfer to:

(Name of Transferee)

(Address)

all rights of the undersigned beneficiary to draw under the above-captioned Letter of Credit (the "Letter of Credit"). The transferee has succeeded the undersigned as Trustee under the Indenture of Trust dated as of June 1, 1999 between Atlantic American Corporation and The Bank of New York, as trustee.

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; provided, however, that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit pertaining to transfers.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, ___.

THE BANK OF NEW YORK,
as Trustee

By:

[Name and Title]

EXHIBIT B

June 1, 1999

PROMISSORY NOTE

1. FOR VALUE RECEIVED, the undersigned, ATLANTIC AMERICAN CORPORATION, a corporation organized and existing under the laws of the State of Georgia (the "Company"), promises to pay to the order of WACHOVIA BANK, N.A. (the "Bank"), at the office of the Bank in Atlanta, Georgia, or at such other place as the Bank hereafter may direct in writing, in legal tender of the United States of America, the principal sum of $25,000,000 or so much thereof as may be disbursed and remain outstanding from time to time hereafter as Tender Advances (as defined below) on the Termination Date (as defined below) with interest thereon (computed on the daily outstanding principal balance, for the actual number of days outstanding and a 360-day year) on each advance made hereunder from date of advance until paid in full at a rate per annum equal to the Prime Rate (as defined below) plus two percent (2%) with any change in such interest rate resulting from a change in the Prime Rate to become effective as of the opening of business on each date on which such change in the Prime Rate has occurred; provided, however, that if the Company fails to pay any portion of the principal of or accrued interest on any Tender Advance when due, interest on the unpaid principal amount of each Tender Advance shall accrue and be payable at the Default Rate (as defined below) from the date of such default until paid in full. Each Tender Advance may be endorsed on the schedule attached hereto and by this reference incorporated herein by the Bank (provided, however, that any failure by the Bank to make any such endorsement shall not limit, modify or affect the obligations of the Company hereunder). Accrued interest on the unpaid principal balance hereof from time to time outstanding shall be due and payable (i) on each Payment Date (as defined below), and (ii) upon payment or prepayment of any Tender Advance (but only on the principal so paid or prepaid), and (iii) at maturity. All principal hereunder shall be due and payable on the Termination Date.

2. This Promissory Note evidences borrowings under, is subject to and secured by, and shall be paid and enforced in accordance with, the terms of that certain Reimbursement and Security Agreement dated as of even date herewith between the Bank and the Company (such Agreement as it may be amended or supplemented from time to time is hereinafter called the "Reimbursement Agreement"), the terms and provisions of which are hereby incorporated herein by reference and made a part hereof, and is the "Reimbursement Note" as that term is defined in Section 1.1 of the Reimbursement Agreement.

3. Nothing herein shall limit any right granted to the Bank by any other instrument or by law or equity.

4. The Company hereby waives demand, protest, notice of demand, protest and nonpayment and any other notice required by law relative hereto, except to the extent as otherwise may be provided for in the Reimbursement Agreement.

5. The Company may prepay any Tender Advance at any time or from time to time without penalty or premium, provided that the Company shall give the Bank notice of each prepayment as set forth in the Reimbursement Agreement.

6. The Company agrees that if the Company fails to pay any amount when due under this Promissory Note and any such amount is thereafter collected by law or through an attorney at law, the Company shall pay all reasonable costs of collection, including, without limitation, reasonable attorneys' fees, all as set forth in the Reimbursement Agreement.

As used herein, the terms "Tender Advance", "Termination Date", "Prime Rate", "Default Rate" and "Payment Date" shall have the same meaning given each such term in Article I of the Reimbursement Agreement.

IN WITNESS WHEREOF, the Company has caused this Promissory Note to be duly executed under seal as of the day and year first above written.

ATLANTIC AMERICAN CORPORATION

By:
_____(SEAL)
Name:_____
Title:

SCHEDULE

DATE	AMOUNT OF TENDER ADVANCE	AMOUNT OF PAYMENT OR PREPAYMENT

(10.3)

CREDIT AGREEMENT

dated as of

July 1, 1999

between

ATLANTIC AMERICAN CORPORATION

and

WACHOVIA BANK, N.A.

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CREDIT AGREEMENT

AGREEMENT dated as of July 1, 1999 between ATLANTIC AMERICAN CORPORATION and WACHOVIA BANK, N.A.

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The terms as defined in this Section 1.01 shall, for all purposes of this Agreement and any amendment hereto (except as herein otherwise expressly provided or unless the context otherwise requires), have the meanings set forth herein:

"Adjusted London Interbank Offered Rate" has the meaning set forth in Schedule 2.05(c).

"Affiliate" of any Person means (i) any other Person which directly, or indirectly through one or more intermediaries, controls such Person, (ii) any other Person which directly, or indirectly through one or more intermediaries, is controlled by or is under common control with such Person, or (iii) any other Person of which such Person owns, directly or indirectly, 20% or more of the common stock or equivalent equity interests. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Aggregate Value of NAIC Rated Bonds" shall mean the aggregate cost, without duplication, of all bonds rated "2" or better by NAIC, owned by the Borrower or any Consolidated Subsidiary and held as investments, as shown on the books and records of the Borrower or such Consolidated Subsidiary and as determined in accordance with GAAP.

"Aggregate Value of Total Investments" shall mean the aggregate cost, without duplication, of all bonds, redeemable preferred stocks, non-redeemable preferred stocks, common stocks, mortgage loans, loans to policy holders, other long term investments, short term investments and other properties of the Borrower or any Consolidated Subsidiary held for investment purposes, as shown on the books and records of the Borrower or such Consolidated Subsidiary and as determined in accordance with GAAP.

"Agreement" means this Credit Agreement, together with all amendments and supplements hereto.

"Amortization" means for any period the sum of all amortization expenses of the Borrower and its Consolidated Subsidiaries for such period, determined in accordance with GAAP.

"Annual Statement" means, with respect to any Insurance Subsidiary, the annual report, statement or other filing made by such Insurance Subsidiary with the insurance department or other governmental authority of the state in which such Insurance Subsidiary is formed or incorporated which regulates, supervises or otherwise has jurisdiction over such Insurance Subsidiary, all in accordance with statutory accounting principles.

"Applicable Commitment Fee Rate" has the meaning set forth in Section 2.06(a).

"Applicable Margin" has the meaning set forth in Section 2.05(a).

"Assignee" has the meaning set forth in Section 8.07(c).

"Assignment and Acceptance" means an Assignment and Acceptance executed in accordance with Section 8.07(c) in the form attached hereto as Exhibit F.

"Authorized Control Level Risk-Based Capital" means, at any time and as to any Insurance Subsidiary, the amount of "Authorized Control Level Risk-Based Capital" as set forth or reflected on the most recent Annual Statement or Quarterly Statement of such Insurance Subsidiary, prepared in accordance with statutory accounting principles.

"Authority" has the meaning set forth in Section 7.02.

"Bank" means Wachovia Bank, N.A., a national banking association, and its successors and assigns.

"Base Rate" means for any day, the rate per annum equal to the higher as of such day of (i) the Prime Rate, and (ii) one-half of one percent above the Federal Funds Rate for such day. For purposes of determining the Base Rate for any day, changes in the Prime Rate and the Federal Funds Rate shall be effective on the date of each such change.

"Base Rate Loan" means a Loan which bears or is to bear interest at a rate based upon the Base Rate.

"Book Value" means with respect to any asset, the cost of such asset, minus accumulated depreciation or amortization, if any, with respect to such asset.

"Borrower" means Atlantic American Corporation, a Georgia corporation, and its successors and permitted assigns.

"Borrowing" means a borrowing hereunder consisting of a Loan made to the Borrower by the Bank. A Borrowing is a "Base Rate Borrowing" if such Loan is a Base Rate Loan and a "Euro-Dollar Borrowing" if such Loan is a Euro-Dollar Loan.

"Capital Expenditures" means for any period the sum of all capital expenditures incurred during such period by the Borrower and its Consolidated Subsidiaries, as determined in accordance with GAAP.

"Capital Stock" means any redeemable or nonredeemable capital stock of the Borrower or any Consolidated Subsidiary (to the extent issued to a Person other than the Borrower), whether common or preferred.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. ss.9601 et seq. and its implementing regulations and amendments.

"CERCLIS" means the Comprehensive Environmental Response Compensation and Liability Information System established pursuant to CERCLA.

"Change of Law" shall have the meaning set forth in Section 7.02.

"Closing Certificate" has the meaning set forth in Section 3.01(d).

"Closing Date" means July 1, 1999.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code. Any reference to any provision of the Code shall also be deemed to be a reference to any successor provision or provisions thereof.

"Commitment" means $30,000,000, as such amount may be reduced from time to time pursuant to Section 2.07.

"Commitment Fee Determination Date" has the meaning set forth in Section 2.06(a).

"Commitment Fee Payment Date" means each March 31, June 30, September 30 and December 31.

"Compliance Certificate" has the meaning set forth in Section 5.01(c).

"Consolidated Interest Expense" for any period means interest, whether expensed or capitalized, in respect of Debt of the Borrower and any of its Consolidated Subsidiaries outstanding during such period.

"Consolidated Net Income" means, for any period, the Net Income of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis, but excluding (i) extraordinary gains and (ii) any equity interests of the Borrower or any Subsidiary in the unremitted earnings of any Person that is not a Subsidiary.

"Consolidated Subsidiary" means at any date with respect to any Person, any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of such Person in its consolidated financial statements as of such date; provided, that for purposes of this Agreement, American Southern Insurance Company and its Subsidiaries shall be deemed to be "Consolidated Subsidiaries" of the Borrower as of the Closing Date.

"Consolidated Tangible Net Worth" means, at any time, Stockholders' Equity, less the sum of the value, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, prepared in accordance with GAAP, of

(A) Any surplus resulting from any write-up of assets subsequent to December 31, 1998 (other than the usual and customary valuation of the investment portfolio of the Borrower or any Consolidated Subsidiary from time to time);

(B) All assets which would be treated as intangible assets for balance sheet presentation purposes under GAAP, including without limitation goodwill (whether representing the excess of cost over book value of assets acquired, or otherwise), trademarks, tradenames, copyrights, patents and technologies, and unamortized debt discount and expense; provided, however, deferred acquisition costs, as determined in accordance with GAAP, shall not be deducted from Stockholders Equity;

(C) To the extent not included in (B) of this definition, any amount at which shares of capital stock of the Borrower appear as an asset on the balance sheet of the Borrower and its Consolidated Subsidiaries;

(D) To the extent not included in (B) of this definition, deferred expenses, other than deferred acquisition costs, as determined in accordance with GAAP; and

(E) Loans or advances to stockholders, directors, officers or employees.

"Consolidated Total Assets" means, at any time, the total assets of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, prepared in accordance with GAAP.

"Consolidated Total Capitalization" means, at any time, the sum of (i) Consolidated Tangible Net Worth, and (ii) Funded Debt.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414 of the Code.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases, (v) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance, (vi) all Redeemable Preferred Stock of such Person (in the event such Person is a corporation), (vii) all obligations (absolute or contingent) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (viii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (ix) all Debt of others Guaranteed by such Person.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived in writing, become an Event of Default.

"Default Rate" means, on any day, the sum of 2% plus the then highest interest rate (including the Applicable Margin) which may be applicable to any Loans hereunder (irrespective of whether any such type of Loans are actually outstanding hereunder).

"Depreciation" means for any period the sum of all depreciation expenses of the Borrower and its Consolidated Subsidiaries for such period, as determined in accordance with GAAP.

"Dividends" means for any period the sum of all dividends paid or declared during such period in respect of any Capital Stock and Redeemable Preferred Stock (other than dividends paid or payable in the form of additional Capital Stock).

"Dollars" or "$" means dollars in lawful currency of the United States of America.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Georgia are authorized or required by law to close.

"EBITDA" for any period means the sum of (i) Consolidated Net Income, (ii) taxes on income, (iii) Consolidated Interest Expense, (iv) Depreciation and (v) Amortization, all determined with respect to the Borrower and its Consolidated Subsidiaries on a consolidated basis for such period and in accordance with GAAP. In determining EBITDA for any period, (i) any Consolidated Subsidiary acquired during such period by the Borrower or any other Consolidated Subsidiary shall be included on a pro forma, historical basis as if it had been a Consolidated Subsidiary during such entire period and (ii) any amounts which would be included in a determination of EBITDA for such period with respect to assets acquired during such period by the Borrower or any Consolidated Subsidiary shall be included in the determination of EBITDA for such period and the amount thereof shall be calculated on a pro forma, historical basis as if such assets had been acquired by the Borrower or such Consolidated Subsidiary prior to the first day of such period.

"Environmental Authority" means any foreign, federal, state, local or regional government that exercises any form of jurisdiction or authority under any Environmental Requirement.

"Environmental Authorizations" means all licenses, permits, orders, approvals, notices, registrations or other legal prerequisites for conducting the business of the Borrower or any Subsidiary required by any Environmental Requirement.

"Environmental Judgments and Orders" means all judgments, decrees or orders arising from or in any way associated with any Environmental Requirements, whether or not entered upon consent or written agreements with an Environmental Authority or other entity arising from or in any way associated with any Environmental Requirement, whether or not incorporated in a judgment, decree or order.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment, including, without limitation, ambient air, surface water, groundwater or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

"Environmental Liabilities" means any liabilities, whether accrued, contingent or otherwise, arising from and in any way associated with any Environmental Requirements.

"Environmental Notices" means written notice from any Environmental Authority of possible or alleged noncompliance with or liability under any Environmental Requirement, including without limitation any complaints, citations, demands or requests from any Environmental Authority for correction of any violation of any Environmental Requirement or any investigations concerning any violation of any Environmental Requirement.

"Environmental Proceedings" means any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

"Environmental Releases" means releases as defined in CERCLA or under any applicable state or local environmental law or regulation.

"Environmental Requirements" means any legal requirement relating to health, safety or the environment and applicable to the Borrower, any Subsidiary or the Properties, including but not limited to any such requirement under CERCLA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees and common law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"Euro-Dollar Business Day" means any Domestic Business Day on which dealings in Dollar deposits are carried out in the London interbank market.

"Euro-Dollar Loan" means a Loan which bears or is to bear interest at a rate based upon the London Interbank Offered Rate.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.05(c).

"Event of Default" has the meaning set forth in Section 6.01.

"Fair Market Value" means, with respect to any asset, the greater of: (i) the Gross Proceeds received by the Borrower or any Subsidiary in connection with the sale, transfer or other disposition by the Borrower or such Subsidiary (as the case may be) of such asset, or (ii) the Book Value of such asset.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the next higher 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to the Bank on such day on such transactions as determined by the Bank.

"Financing" shall mean (i) any transaction or series of transactions for the incurrence by the Borrower of any Debt or for the establishment of a commitment to make advances which would constitute Debt of the Borrower, which Debt is not by its terms subordinate and junior to other Debt of the Borrower, (ii) an obligation incurred in a transaction or series of transactions in which assets of the Borrower are sold and leased back, or (iii) a sale of accounts or other receivables or any interest therein, other than a sale or transfer of accounts or receivables attendant to a sale permitted hereunder of an operating division.

"Fiscal Quarter" means any fiscal quarter of the Borrower.

"Fiscal Year" means any fiscal year of the Borrower.

"Forfeiture Proceeding" means any action, proceeding or investigation affecting the Borrower or any of its Subsidiaries before any court, governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, if such action, proceeding or investigation could result in (i) the seizure or forfeiture of any of their assets, revenues or share capital, which when the Fair Market Value of such assets, revenues or share capital subject to such seizure or forfeiture when aggregated with the Fair Market Value of all other assets, revenues and share capital of the Borrower and its Subsidiaries seized or forfeited since the Closing Date exceeds $1,000,000, or (ii) a Material Adverse Effect.

"Funded Debt" means, at any date, the total Debt of the Borrower and its Subsidiaries determined on a consolidated basis.

"GAAP" means generally accepted accounting principles applied on a basis consistent with those which, in accordance with Section 1.02, are to be used in making the calculations for purposes of determining compliance with the terms of this Agreement.

"Gross Proceeds" means any and all cash, plus the face amount of any and all notes, bonds, debentures, instruments and evidences of indebtedness, and the value of any other property, of whatever kind or nature, received by the Borrower or any Subsidiary in connection with the sale, transfer or other disposition by the Borrower or such Subsidiary (as the case may be) of any of its assets.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Materials" includes, without limitation, (a) solid or hazardous waste, as defined in the Resource Conservation and Recovery Act of 1980, 42 U.S.C. ss.6901 et seq. and its implementing regulations and amendments, or in any applicable state or local law or regulation, (b) any "hazardous substance", "pollutant" or "contaminant", as defined in CERCLA, or in any applicable state or local law or regulation, (c) gasoline, or any other petroleum product or by-product, including crude oil or any fraction thereof, (d) toxic substances, as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation and (e) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any applicable state or local law or regulation, as each such Act, statute or regulation may be amended from time to time.

"Insurance Subsidiaries" means those Persons set forth on Schedule 4.08A attached hereto, together with their respective successors, and any other Subsidiary which at any time after the Closing Date is engaged principally in the property and casualty insurance business, the accident and health insurance business or the life insurance business or any combination thereof.

"Interest Period" means: (1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the first, second, third or sixth month thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period (subject to clause (c) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of the appropriate subsequent calendar month; and

(c) no Interest Period may be selected which begins before the Termination Date and would otherwise end after the Termination Date.

(2) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 30 days thereafter; provided that:

(a) any Interest Period (subject to clause (b) below) which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(b) no Interest Period may be selected which begins before the Termination Date and would otherwise end after the Termination Date.

"Investment" means any investment in any Person, whether by means of purchase or acquisition of obligations or securities of such Person, capital contribution to such Person, loan or advance to such Person, making of a time deposit with such Person, Guarantee or assumption of any obligation of such Person or otherwise.

"Investment Properties" for any period means all real property owned by the Borrower and its Consolidated Subsidiaries during the applicable period; provided, however, the definition of Investment Properties shall exclude any real property if: (i) at least fifty percent (50%) of the net leasable area with respect to such real property is occupied by the Borrower and/or its Subsidiaries; and (ii) the primary use of such real property is the operation of the Borrower's and/or Subsidiaries' respective businesses.

"Lending Office" means, as to the Bank, its office located at its address set forth on the signature pages hereof (or identified on the signature pages hereof as its Lending Office) or such other office as the Bank may hereafter designate as its Lending Office by notice to the Borrower.

"Lien" means, with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement which has the practical effect of constituting a security interest or encumbrance, servitude or encumbrance of any kind in respect of such asset to secure or assure payment of a Debt or a Guarantee, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Base Rate Loan or a Euro-Dollar Loan and "Loans" means Base Rate Loans or Euro-Dollar Loans, or any or all of them, as the context shall require.

"Loan Documents" means this Agreement, the Note, the Pledge Agreement, any other document evidencing, relating to or securing the Loans, and any other document or instrument delivered from time to time in connection with this Agreement, the Notes or the Loans, as such documents and instruments may be amended or supplemented from time to time.

"London Interbank Offered Rate" has the meaning set forth in Section 2.05(c).

"Margin Stock" means "margin stock" as defined in Regulation T, U or X of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Material Adverse Effect" means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon, any of (a) the financial condition, operations, business or properties of the Borrower and its Consolidated Subsidiaries taken as a whole, (b) the rights and remedies of the Bank under the Loan Documents, or the ability of the Borrower to perform its obligations under the Loan Documents to which it is a party, as applicable, or (c) the legality, validity or enforceability of any Loan Document.

"Mission Critical Equipment" means equipment of the Borrower and its Subsidiaries which, if such systems failed to operate, would cause a Material Adverse Effect.

"Multiemployer Plan" shall have the meaning set forth in Section 4001(a)(3) of ERISA.

"NAIC" means the National Association of Insurance Commissioners.

"Net Income" means, as applied to any Person for any period, the aggregate amount of net income of such Person, after taxes, for such period, as determined in accordance with GAAP.

"Note" means the promissory note of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Loans.

"Notice of Borrowing" has the meaning set forth in Section 2.02.

"Officer's Certificate" has the meaning set forth in Section 3.01(e).

"Participant" has the meaning set forth in Section 8.07(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Acquisition" means the acquisition by the Borrower or any Subsidiary of shares of capital stock of any Person or assets from any Person, if: (A) in the case of the acquisition of shares of capital stock of any Person, immediately after giving effect to such acquisition (i) such Person is a Consolidated Subsidiary; (ii) the Borrower controls such Person directly or indirectly through a Subsidiary; (iii) no Default shall have occurred and be continuing; (iv) the line or lines of business engaged in by such Person are the same or substantially the same as the lines of business engaged in by the Borrower and its Subsidiaries on the Closing Date; and (v) such acquisition is made on a negotiated basis with the approval of the Board of Directors of the Person to be acquired and, if necessary, the shareholders of the Person to be acquired; and (B) in the case of the acquisition of assets from any Person, immediately after giving effect to such acquisition: (i) the assets acquired by the Borrower or such Subsidiary shall be used by the Borrower or such Subsidiary in a line of business the same or substantially the same as the lines of business engaged in by the Borrower and its Subsidiaries on the Closing Date; and (ii) no Default shall have occurred and be continuing.

"Person" means an individual, a corporation, a partnership (including without limitation, a joint venture), an unincorporated association, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding 5 plan years made contributions.

"Pledge Agreement" means the Pledge Agreement dated as of June 24, 1999 executed by the Borrower for the benefit of the Bank, as the same may be amended, restated, supplemented or otherwise modified from time to time, pursuant to which the Borrower has pledged to the Bank the stock or other equity interests it holds in the following Subsidiaries: Georgia Casualty & Surety Company and Bankers Fidelity Life Insurance Company, and agrees to pledge any stock or equity interests it obtains in the future with respect to existing Subsidiaries or Persons which become Subsidiaries, as more fully set forth therein.

"Prime Rate" refers to that interest rate so denominated and set by the Bank from time to time as an interest rate basis for borrowings. The Prime Rate is but one of several interest rate bases used by the Bank. The Bank lends at interest rates above and below the Prime Rate.

"Properties" means all real property owned, leased or otherwise used or occupied by the Borrower or any Subsidiary, wherever located.

"Quarterly Statement" means, with respect to any Insurance Subsidiary, the quarterly report, statement or other filing made by such Insurance Subsidiary with the insurance department or other governmental authority of the state in which such Insurance Subsidiary is formed or incorporated which regulates, supervises or otherwise has jurisdiction over such Insurance Subsidiary, all in accordance with statutory accounting principles.

"Rate Determination Date" has the meaning set forth in Section 2.05(a).

"Redeemable Preferred Stock" of any Person means any preferred stock issued by such Person which is at any time prior to the Termination Date either (i) mandatorily redeemable (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"Reimbursement Agreement" means the Reimbursement and Security Agreement dated as of June 1, 1999, between the Borrower and the Bank, as amended, restated, supplemented or otherwise modified from time to time.

"Restricted Payment" means (i) any dividend or other distribution on any shares of the Borrower's capital stock (except dividends payable solely in shares of its capital stock) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of the Borrower's capital stock (except shares acquired upon the conversion thereof into other shares of its capital stock) or (b) any option, warrant or other right to acquire shares of the Borrower's capital stock.

"Risk-Based Capital" means, at any time and for any Insurance Subsidiary, the amount of "Risk-Based Capital" as set forth or reflected on the most recent Annual Statement or Quarterly Statement of such Insurance Subsidiary, prepared in accordance with statutory accounting principles.

"Statutory Surplus" means, at any time for any Insurance Subsidiary, the "Statutory Surplus" of such Insurance Subsidiary as set forth or reflected on the most recent Annual Statement or Quarterly Statement of such Insurance Subsidiary, prepared in accordance with statutory accounting principles.

"Stockholders' Equity" means, at any time, the shareholders' equity of the Borrower and its Consolidated Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with GAAP, but excluding any Redeemable Preferred Stock of the Borrower or any of its Consolidated Subsidiaries. Shareholders' equity generally would include, but not be limited to (i) the par or stated value of all outstanding Capital Stock, (ii) capital surplus, (iii) retained earnings, and (iv) various deductions such as (A) purchases of treasury stock, (B) valuation allowances, (C) receivables due from an employee stock ownership plan, (D) employee stock ownership plan debt guarantees, and (E) translation adjustments for foreign currency transactions.

"Subsidiary" means as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; provided, that, for purposes of this Agreement, Association Casualty Insurance Company and its Subsidiaries shall be deemed to be "Subsidiaries" of the Borrower as of the Closing Date.

"Taxes" has the meaning set forth in Section 2.11(c).

"Termination Date" means July 1, 2004.

"Third Parties" means all lessees, sublessees, licensees and other users of the Properties, excluding those users of the Properties in the ordinary course of the Borrower's or any Subsidiary's business and on a temporary basis.

"Transferee" has the meaning set forth in Section 8.07(d).

"Unused Commitment" means at any date an amount equal to the Commitment less the aggregate outstanding principal amount of the Loans.

"Wholly Owned Subsidiary" means any Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Borrower.

"Y2K Plan" has the meaning set forth in Section 4.19.

"Year 2000 Compliant and Ready" as used herein means that (a) the Borrower's and its Subsidiaries' Mission Critical Equipment with respect to the operation of its business and its general business plan will: (i) handle date information involving any and all dates before, during and/or after January 1, 2000, including accepting input, providing output and performing date calculations in whole or in part; (ii) operate, accurately without interruption on and in respect of any and all dates before, during and/or after January 1, 2000 and without any change in performance; and (iii) store and provide date input information without creating any ambiguity as to the century, and (b) the Borrower has developed alternative plans to ensure business continuity in the event of the failure of any or all of items (i) through (iii) above.

SECTION 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with (a) in the case of the Borrower and each Subsidiary that is not an Insurance Subsidiary, GAAP, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants or otherwise required by a change in GAAP) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Bank, unless with respect to any such change concurred in by the Borrower's independent public accountants or required by GAAP, in determining compliance with any of the provisions of this Agreement or any of the other Loan Documents: (i) the Borrower shall have objected to determining such compliance on such basis at the time of delivery of such financial statements, or (ii) the Bank shall so object in writing within 30 days after the delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made (which, if objection is made in respect of the first financial statements delivered under Section 5.01 hereof, shall mean the financial statements referred to in Section 4.04), and (b) in the case of any Insurance Subsidiary, statutory accounting principles as in effect from time to time, applied on a consistent basis.

SECTION 1.03. Use of Defined Terms. All terms defined in this Agreement shall have the same meanings when used in any of the other Loan Documents, unless otherwise defined therein or unless the context shall otherwise require.

SECTION 1.04. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and the plural shall include the singular. Titles of Articles and Sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

SECTION 1.05. References. Unless otherwise indicated, references in this Agreement to "Articles", "Exhibits", "Schedules", and "Sections" are references to articles, exhibits, schedules and sections hereof.

ARTICLE II

THE CREDITS

SECTION 2.01. Commitments to Make Loans. The Bank hereby agrees, on the terms and conditions set forth herein, to make Loans to the Borrower from time to time before the Termination Date; provided that, immediately after each such Loan is made, the aggregate outstanding principal amount of the Loans will not exceed the Commitment. Each Borrowing shall be in an aggregate principal amount of $500,000 or any larger multiple of $100,000 (except that any Borrowing may be in the amount of the Unused Commitment). Within the foregoing limits, the Borrower may borrow under this Section, repay or, to the extent permitted by Section 2.09, prepay Loans and reborrow under this Section at any time before the Termination Date.

SECTION 2.02. Method of Borrowing Loans. (a) The Borrower shall give the Bank notice in the form attached hereto as Exhibit G (a "Notice of Borrowing") prior to 11:00 A.M. (Atlanta, Georgia time) on or before the date of each Base Rate Borrowing and at least 3 Euro-Dollar Business Days before each Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing and a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing;

(ii) the aggregate amount of each Borrowing;

(iii) whether the Loan comprising such Borrowing is a Base Rate Loan or a Euro-Dollar Loan; and

(iv) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

(b) If the Bank makes a new Loan hereunder on a day on which the Borrower is to repay all or any part of an outstanding Loan, the Bank shall apply the proceeds of the new Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by the Bank to the Borrower or remitted by the Borrower to the Bank as provided in Section 2.11, as the case may be.

(c) Notwithstanding anything to the contrary contained in this Agreement, no Euro-Dollar Borrowing may be made if there shall have occurred a Default or an Event of Default, which Default or Event of Default shall not have been cured or waived in writing.

(d) In the event that a Notice of Borrowing fails to specify whether the Loan comprising such Borrowing is to be a Base Rate Loan or a Euro-Dollar Loan, such Loan shall be made as a Base Rate Loan. If the Borrower is otherwise entitled under this Agreement to repay any Loan maturing at the end of an Interest Period applicable thereto with the proceeds of a new Borrowing, and the Borrower fails to repay such Loan using its own moneys and fails to give a Notice of Borrowing in connection with such new Borrowing, a new Borrowing shall be deemed to be made on the date such Loan matures in an amount equal to the principal amount of the Loan so maturing, and the Loan comprising such new Borrowing shall be a Base Rate Loan.

(e) Notwithstanding anything to the contrary contained herein, (i) there shall not be more than [7] different Interest Periods outstanding at the same time (for which purpose Interest Periods described in different numbered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous) and (ii) the proceeds of any Base Rate Borrowing shall be applied first to repay the unpaid principal amount of all Base Rate Loans (if any) outstanding immediately before such Base Rate Borrowing.

SECTION 2.03. Notes. (a) The Loans shall be evidenced by the Note payable to the order of the Bank for the account of its Lending Office in an amount equal to the original principal amount of the Commitment.

(b) The Bank shall record, and prior to any transfer of the Note shall endorse on the schedule forming a part thereof appropriate notations to evidence, the date, amount and maturity of the Loans made by it, the interest rates from time to time applicable thereto and the date and amount of each payment of principal made by the Borrower with respect thereto and such schedule shall constitute rebuttable presumptive evidence of the principal amount owing and unpaid on the Bank's Note; provided that the failure of the Bank to make, or any error in making, any such recordation or endorsement shall not affect the obligation of the Borrower hereunder or under the Note or the ability of the Bank to assign its Note. The Bank is hereby irrevocably authorized by the Borrower so to endorse the Note and to attach to and make a part of the Note a continuation of any such schedule as and when required.

SECTION 2.04. Maturity of Loans. Each Loan included in a Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

SECTION 2.05. Interest Rates. (a) "Applicable Margin" shall be determined quarterly based upon the ratio of Funded Debt to Consolidated Total Capitalization (calculated as of the last day of each Fiscal Quarter), as follows:

Ratio of Funded Debt to Consolidated Total Capitalization	Base Rate Loans	Euro-Dollar Loans
Greater than or equal to 30%	0%	2.25%
Greater than or equal to 25% but less than 30%	0%	2.00%
Greater than or equal to 20% but less than 25%	0%	1.75%
Less than 20%	0%	1.50%

The Applicable Margin shall be determined effective as of the date (herein, the "Rate Determination Date") which is 60 days after the last day of the Fiscal Quarter as of the end of which the foregoing ratio is being determined, based on the quarterly financial statements of the Borrower for such Fiscal Quarter, and the Applicable Margin so determined shall remain effective from such Rate Determination Date until the date which is 60 days after the last day of the Fiscal Quarter in which such Rate Determination Date falls (which latter date shall be a new Rate Determination Date); provided that (i) for the period from and including the Closing Date to but excluding the Rate Determination Date next following the Closing Date, the Applicable Margin shall be 0% for Base Rate Loans and 2.00% for Euro-Dollar Loans (ii) in the case of any Applicable Margin determined for the fourth and final Fiscal Quarter of a Fiscal Year, the Rate Determination Date shall be the date which is 120 days after the last day of such final Fiscal Quarter and such Applicable Margin shall be determined based upon the annual audited financial statements of the Borrower for the Fiscal Year ended on the last day of such final Fiscal Quarter, and (iii) if on any Rate Determination Date the Borrower shall have failed to deliver to the Banks the financial statements required to be delivered pursuant to Section 5.01(a) or Section 5.01(b) with respect to the Fiscal Year or Fiscal Quarter, as the case may be, most recently ended prior to such Rate Determination Date, then for the period beginning on such Rate Determination Date and ending on the immediately succeeding Rate Determination Date, the Applicable Margin shall be determined as if the ratio of Funded Debt to Consolidated Total Capitalization was more than 30% at all times during such period. Any change in the Applicable Margin on any Rate Determination Date shall result in a corresponding change, effective on and as of such Rate Determination Date, in the interest rate applicable to each Loan outstanding on such Rate Determination Date, provided that no Applicable Margin shall be decreased pursuant to this Section 2.05 if a Default is in existence on the Rate Determination Date.

(b) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day plus the Applicable Margin. Such interest shall be payable for each Interest Period on the last day thereof. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin plus the applicable Adjusted London Interbank Offered Rate for such Interest Period; provided that if any Euro-Dollar Loan shall, as a result of clause (1)(c) of the definition of Interest Period, have an Interest Period of less than one month, such Euro-Dollar Loan shall bear interest during such Interest Period at the rate applicable to Base Rate Loans during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 3 months, at intervals of 3 months after the first day thereof. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Euro-Dollar Loan means for the Interest Period of such Euro-Dollar Loan the rate per annum determined on the basis of the rate for deposits in Dollars of amounts equal or comparable to the principal amount of such Euro-Dollar Loan offered for a term comparable to such Interest Period, which rate appears on the display designated as Page "3750" of the Telerate Service (or such other page as may replace page 3750 of that service or such other service or services as may be nominated by the British Banker's Association for the purpose of displaying London Interbank Offered Rates for U.S. dollar deposits) determined as of 1:00 p.m. New York City time, 2 Euro-Dollar Business Days prior to the first day of such Interest Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the applicable reserve requirement for the Bank in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of the Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(d) The Bank shall determine the interest rates applicable to the Loans hereunder. The Bank shall give prompt notice to the Borrower by telecopy of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(e) After the occurrence and during the continuance of a Default, the principal amount of the Loans (and, to the extent permitted by applicable law, all accrued interest thereon) may, at the election of the Bank, bear interest at the Default Rate.

SECTION 2.06. Commitment Fees. (a) The Borrower shall pay to the Bank a commitment fee equal to the product of: (i) the daily average amount of the Bank's Unused Commitment, times (ii) a per annum percentage equal to the Applicable Commitment Fee Rate. Such commitment fee shall accrue from and including the Closing Date to and including the Termination Date. Commitment fees shall be payable quarterly in arrears on the first Commitment Fee Payment Date following each Commitment Fee Determination Date and on the Termination Date; provided that should the Commitment be terminated at any time prior to the Termination Date for any reason, the entire accrued and unpaid commitment fee shall be paid on the date of such termination. The "Applicable Commitment Fee Rate" shall be determined quarterly based upon the ratio of Funded Debt to Consolidated Total Capitalization (calculated as of the last day of each Fiscal Quarter) as follows:

Ratio of Funded Debt to Consolidated Total Capitalization	Applicable Commitment Fee Rate
Greater than or equal to .30%	.375%
Greater than or equal to 25% but less than 30%	.375%
Greater than or equal to 20% but less than 25%	.250%
Less than 20%	.250%

The Applicable Commitment Fee Rate shall be determined effective as of the date (herein, the "Commitment Fee Determination Date") which is 60 days after the last day of the Fiscal Quarter as of the end of which the foregoing ratio is being determined, based on the quarterly financial statements for such Fiscal Quarter, and the Applicable Commitment Fee Rate so determined shall remain effective from such Commitment Fee Determination Date until the date which is 60 days after the last day of the Fiscal Quarter in which such Commitment Fee Determination Date falls (which latter date shall be a new Commitment Fee Determination Date); provided that (i) for the period from and including the Closing Date to but excluding the Commitment Fee Determination Date next following the Closing Date, the Applicable Commitment Fee Rate shall be .375%; (ii) in the case of any Applicable Commitment Fee Rate determined for the fourth and final Fiscal Quarter of a Fiscal Year, the Commitment Fee Determination Date shall be the date which is 120 days after the last day of such final Fiscal Quarter and such Applicable Commitment Fee Rate shall be determined based upon the annual audited financial statements for the Fiscal Year ended on the last day of such final Fiscal Quarter, and (iii) if on any Commitment Fee Determination Date the Borrower shall have failed to deliver to the Bank the financial statements required to be delivered pursuant to Section 5.01(a) or Section 5.01(b) with respect to the Fiscal Year or Fiscal Quarter, as the case may be, most recently ended prior to such Commitment Fee Determination Date, then for the period beginning on such Commitment Fee Determination Date and ending on the earlier of (A) the date on which the Borrower shall deliver to the Bank the financial statements to be delivered pursuant to Section 5.01(b) with respect to such Fiscal Quarter or any subsequent Fiscal Quarter, and (B) the date on which the Borrower shall deliver to the Bank annual financial statements required to be delivered pursuant to Section 5.01(a) with respect to the Fiscal Year which includes such Fiscal Quarter or any subsequent Fiscal Year, the Applicable Commitment Fee Rate shall be determined as if the ratio of Funded Debt to Consolidated Total Capitalization was more than 30% at all times during such period.

(b) On the Closing Date the Borrower shall pay to the Bank an underwriting fee equal to $50,000.

SECTION 2.07. Optional Termination or Reduction of Commitments. The Borrower may, upon at least 3 Domestic Business Days' notice to the Bank, terminate at any time, or proportionately reduce from time to time by an aggregate amount of at least $500,000 or any larger multiple of $100,000, the Commitment; provided, however, no such termination or reduction shall be in an amount greater than the Unused Commitment on the date of such termination or reduction. If the Commitment is terminated in its entirety, all accrued fees (as provided under Section 2.06(a)) shall be payable on the effective date of such termination.

SECTION 2.08. Mandatory Termination of Commitment. The Commitment shall terminate on the Termination Date and any Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

SECTION 2.09. Optional Prepayments. (a) The Borrower may, upon at least 1 Domestic Business Day's notice to the Bank, prepay any Base Rate Loan in whole at any time, or from time to time in part in amounts aggregating at least $500,000, or any larger multiple of $100,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

(b) The Borrower may not prepay all or any portion of the principal amount of any Euro-Dollar Loan prior to the last day of an Interest Period applicable thereto, unless the Borrower complies with Section 7.05.

SECTION 2.10. Mandatory Prepayments. On each date on which the Commitment is reduced or terminated pursuant to Section 2.07 or Section 2.08, the Borrower shall repay or prepay such principal amount of the outstanding Loans, if any (together with interest accrued thereon and any amounts due under Section 7.05(a)), as may be necessary so that after such payment the aggregate unpaid principal amount of the Loans does not exceed the amount of the Commitment as then reduced.

SECTION 2.11. General Provisions as to Payments. (a) The Borrower shall make each payment of principal of, and interest on, the Bank's Loans and of fees hereunder, not later than 11:00 A.M. (Atlanta, Georgia time) on the date when due, in Federal or other funds immediately available at the place where payment is due, to the Bank at its address set forth on the signature pages hereof.

(b) Whenever any payment of principal of, or interest on, the Base Rate Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of or interest on the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(c) All payments of principal, interest and fees and all other amounts to be made by the Borrower pursuant to this Agreement with respect to any Loan or fee relating thereto shall be paid without deduction for, and free from, any tax, imposts, levies, duties, deductions, or withholdings of any nature now or at anytime hereafter imposed by any governmental authority or by any taxing authority thereof or therein excluding in the case of the Bank, taxes imposed on or measured by its net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which the Bank is organized or any political subdivision thereof and, in the case of the Bank, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of the Bank's applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, imposts, levies, duties, deductions or withholdings of any nature being "Taxes"). In the event that the Borrower is required by applicable law to make any such withholding or deduction of Taxes with respect to any Loan or fee or other amount, the Borrower shall pay such deduction or withholding to the applicable taxing authority, shall promptly furnish to the Bank in respect of which such deduction or withholding is made all receipts and other documents evidencing such payment and shall pay to the Bank additional amounts as may be necessary in order that the amount received by the Bank after the required withholding or other payment shall equal the amount the Bank would have received had no such withholding or other payment been made. If no withholding or deduction of Taxes are payable in respect of any Loan or fee relating thereto, the Borrower shall furnish the Bank, at the Bank's request, a certificate from each applicable taxing authority or an opinion of counsel acceptable to the Bank, in either case stating that such payments are exempt from or not subject to withholding or deduction of Taxes. If the Borrower fails to provide such original or certified copy of a receipt evidencing payment of Taxes or certificate(s) or opinion of counsel of exemption, the Borrower hereby agrees to compensate the Bank for, and indemnify it with respect to, the tax consequences of the Borrower's failure to provide evidence of tax payments or tax exemption.

In the event the Bank receives a refund of any Taxes paid by the Borrower pursuant to this Section 2.11, it will pay to the Borrower the amount of such refund promptly upon receipt thereof; provided, however, it at any time thereafter it is required to return such refund, the Borrower shall promptly repay to it the amount of such refund.

Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.11 shall be applicable with respect to any Participant, Assignee or other Transferee, and any calculations required by such provisions (i) shall be made based upon the circumstances of such Participant, Assignee or other Transferee (provided that each Participant shall not be entitled to any compensation greater than that which would have been received by the Bank under similar circumstances), and (ii) constitute a continuing agreement and shall survive the termination of this Agreement and the payment in full or cancellation of the Notes.

SECTION 2.12. Computation of Interest. Interest on Base Rate Loans and the commitment fee shall be computed on the basis of a year of 365 days and paid for the actual number of days elapsed (including the first day but excluding the last day). Interest on Euro-Dollar Loans shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed, calculated as to each Interest Period from and including the first day thereof to but excluding the last day thereof.

ARTICLE III

CONDITIONS TO BORROWINGS

SECTION 3.01. Conditions to First Borrowing. The obligation of the Bank to make a Loan on the occasion of the first Borrowing is subject to the following conditions:

(a) receipt by the Bank from the Borrower of a duly executed counterpart of this Agreement signed by the Borrower;

(b) receipt by the Bank of the duly executed Note for the account of the Bank complying with the provisions of Section 2.03;

(c) receipt by the Bank of an opinion (together with any opinions of local counsel relied on therein) of Jones, Day, Reavis & Pogue, counsel for the Borrower, dated as of the Closing Date, substantially in the form of Exhibit B hereto and covering such additional matters relating to the transactions contemplated hereby as the Bank may reasonably request;

(d) receipt by the Bank of a certificate (the "Closing Certificate"), dated the Closing Date, substantially in the form of Exhibit C hereto, signed by a principal financial officer of the Borrower, to the effect that (i) no Default has occurred and is continuing on the Closing Date and (ii) the representations and warranties of the Borrower contained in Article IV are true on and as of the Closing Date;

(e) receipt by the Bank of all documents which the Bank may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement, the Note, and any other matters relevant hereto, all in form and substance satisfactory to the Bank, including without limitation a certificate of incumbency from the Borrower (the "Officer's Certificate"), signed by the Secretary or an Assistant Secretary of the Borrower substantially in the form of Exhibit D hereto, certifying as to the names, true signatures and incumbency of the officer or officers of the Borrower authorized to execute and deliver the Loan Documents to which it is a party, and certified copies of the following items with respect to the Borrower: (i) Certificate of Incorporation, (ii) Bylaws, (iii) a certificate of the Secretary of State of the state of organization of the Borrower as to the good standing of the Borrower as a corporation organized under the laws of such state, and (iv) the action taken by the Boards of Directors of the Borrower authorizing the Borrower's execution, delivery and performance of the Loan Documents to which it is a party;

(f) receipt by the Bank of the Pledge Agreement and UCC Financing Statements in form and substance satisfactory to the Bank in its sole discretion, duly executed by the Borrower, granting to the Bank a first priority security interest in the stock or other equity interests held by the Borrower in all Subsidiaries of the Borrower, and receipt of any stock certificates or evidence of the registration of the Bank's security interest in the corporate records of such Subsidiaries all as required by the Pledge Agreement;

(g) receipt by the Bank from each Insurance Subsidiary of a certificate signed by the Chief Actuary or Chief Financial Officer of such Insurance Subsidiary to the effect that the reserves of such Insurance Subsidiary are adequate under statutory accounting principles and the applicable laws of the state under the laws of which such Insurance Subsidiary was organized or incorporated as of December 31, 1998; and

(h) such other items as the Bank or its counsel may reasonably request.

SECTION 3.02. Conditions to All Borrowings. The obligation of the Bank to make a Loan on the occasion of each Borrowing is subject to the satisfaction of the following conditions:

(a) receipt by the Bank of Notice of Borrowing as required by Section 2.02;

(b) the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing;

(c) (other than with respect to a Loan the proceeds of which shall be used exclusively to repay maturing Loans) the fact that the representations and warranties of the Borrower contained in Article IV of this Agreement shall be true on and as of the date of such Borrowing; and

(d) the fact that, immediately after such Borrowing, the aggregate outstanding principal amount of the Loans will not exceed the amount of the Commitment.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the truth and accuracy of the facts specified in clauses (b), (c) and (d) of this Section; provided that (i) such Borrowing shall not be deemed to be such a representation and warranty to the effect set forth in Section 4.04(d) as to any event, act or condition having a Material Adverse Effect which has theretofore been disclosed in writing by the Borrower to the Bank and (ii) such Borrowing shall not be deemed to be a representation and warranty by the Borrower as to the truth and accuracy of the fact specified in clause (c) of this Section, if in either case the aggregate outstanding principal amount of the Loans immediately after such Borrowing will not exceed the aggregate outstanding principal amount thereof immediately before such Borrowing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

SECTION 4.01. Corporate Existence and Power. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, if the failure to be so qualified or to have such powers, licenses, authorizations, consents or approvals could reasonably be expected, alone or in the aggregate, to have or cause a Material Adverse Effect.

SECTION 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of this Agreement, the Note and the other Loan Documents (i) are within the Borrower's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) require no action by or in respect of, or filing with, any governmental body, agency or official, except that the Borrower's execution and delivery of the Pledge Agreement requires the approval of the Departments of Insurance of the States of Georgia and Texas, which approval has been obtained, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Borrower or of any material agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Subsidiaries, and (v) do not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries other than as provided therein.

SECTION 4.03. Binding Effect. This Agreement constitutes a valid and binding agreement of the Borrower enforceable in accordance with its terms, and the Notes and the other Loan Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrower enforceable in accordance with their respective terms, provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

SECTION 4.04. Financial Information. (a) As of the Closing Date, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 1998 and the related consolidated statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, reported on by Arthur Andersen LLP, copies of which have been delivered to the Bank, and the unaudited consolidated financial statements of the Borrower for the interim period ended March 31, 1999, copies of which have been delivered to the Bank, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such dates and their consolidated results of operations and cash flows for such periods stated.

(b) As of the Closing Date, the statutory and annual statements of Association Casualty Insurance Company as of December 31, 1998, reported on by Ernst & Young, LLP, copies of which have been delivered to the Bank, fairly present, in all material respects, the statutory financial condition of Association Casualty Insurance Company, taken as a whole, at December 31, 1998, and the statutory results of its operations and other data contained therein for 1998, and were prepared in conformity with statutory accounting practices prescribed or permitted by the Texas Department of Insurance (which have been applied on a consistent basis). As of the Closing Date, the unaudited balance sheet of Association Risk Management General Agency, Inc. as of December 31, 1998 and the related unaudited G/L profit and loss statement for the year then ended, copies of which have been delivered to the Bank, have been prepared from and are in complete accordance with the books and records of Association Risk Management General Agency, Inc., and fairly present, in all material respects, the financial position and results of operation of Association Risk Management General Agency, Inc., taken as a whole as of the date thereof.

(c) The Annual Statements of the Insurance Subsidiaries together with supplemental schedules thereto, dated as of December 31, 1998, and the Quarterly Statements of the Insurance Subsidiaries together with supplemental schedules thereto, dated as of March 31, 1999, copies of which have been delivered to the Bank, fairly present the respective financial positions of the Insurance Subsidiaries as of such dates.

(d) Since March 31, 1999 there has been no event, act, condition or occurrence having a Material Adverse Effect.

SECTION 4.05. Litigation. There is no action, suit or proceeding pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could have a Material Adverse Effect or which in any manner draws into question the validity or enforceability of, or could impair the ability of the Borrower to perform its obligations under, this Agreement, the Note or any of the other Loan Documents.

SECTION 4.06. Compliance with ERISA. (a) The Borrower and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any material liability to the PBGC or a Plan under Title IV of ERISA.

(b) Neither the Borrower nor any member of the Controlled Group is or ever has been obligated to contribute to any Multiemployer Plan.

SECTION 4.07. Taxes. There have been filed on behalf of the Borrower and its Subsidiaries all Federal, state and local income, excise, property and other tax returns which are required to be filed by them and all taxes due pursuant to such returns or pursuant to any assessment received by or on behalf of the Borrower or any Subsidiary have been paid. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate. United States income tax returns of the Borrower and its Subsidiaries have been examined and closed through the Fiscal Year ended December 31, 1983.

SECTION 4.08. Subsidiaries. (a) Each of the Borrower's Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, if the failure to be so qualified, or to have such powers, licenses, authorizations, consents or approvals could reasonably be expected, alone or in the aggregate, to have or cause a Material Adverse Effect.

(b) As of the Closing Date, the Borrower has no Insurance Subsidiaries except those Subsidiaries listed on Schedule 4.08A, which accurately sets forth each such Insurance Subsidiary's complete name and jurisdiction of incorporation.

(c) Schedule 4.08B accurately sets forth the complete name of each Subsidiary of the Borrower as of the Closing Date which is not an Insurance Subsidiary, as well as its jurisdiction of incorporation.

SECTION 4.09. Not an Investment Company. Neither the Borrower nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.10 Public Utility Holding Company Act. Neither the Borrower nor any of its Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

SECTION 4.11. Ownership of Property; Liens. Each of the Borrower and its Consolidated Subsidiaries has title to its properties sufficient for the conduct of its business, and none of such property is subject to any Lien except as permitted in Section 5.10.

SECTION 4.12. No Default. Neither the Borrower nor any of its Consolidated Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound which could have or cause a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 4.13. Full Disclosure. All information heretofore furnished by the Borrower to the Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to the Bank will be, true, accurate and complete in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. As of the Closing Date, the Borrower has disclosed to the Bank in writing any and all facts specific to the Borrower's business and finances and known to the Borrower which could reasonably be expected to have or cause a Material Adverse Effect and are not generally known by or available to the Bank.

SECTION 4.14. Environmental Matters. (a) Neither the Borrower nor any Subsidiary is subject to any Environmental Liability which could have or cause a Material Adverse Effect and neither the Borrower nor any Subsidiary has been designated as a potentially responsible party under CERCLA or under any state statute similar to CERCLA. None of the Properties has been identified on any current or proposed (i) National Priorities List under 40 C.F.R. ss. 300, (ii) CERCLIS list or (iii) any list arising from a state statute similar to CERCLA.

(b) No Hazardous Materials have been or are being used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed or otherwise handled at, or shipped or transported to or from the Properties or are otherwise present at, on, in or under the Properties, or, to the best of the knowledge of the Borrower, at or from any adjacent site or facility, except for Hazardous Materials, such as cleaning solvents, pesticides and other materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, and managed or otherwise handled in minimal amounts in the ordinary course of business in compliance with all applicable Environmental Requirements.

(c) The Borrower, and each of its Subsidiaries and Affiliates, has procured all Environmental Authorizations necessary for the conduct of its business, and is in compliance with all Environmental Requirements in connection with the operation of the Properties and the Borrower's, and each of its Subsidiary's and Affiliate's, respective businesses.

SECTION 4.15. Compliance with Laws. The Borrower and each Subsidiary is in compliance with all applicable laws, including, without limitation, all Environmental Laws, except where any failure to comply with any such laws would not, alone or in the aggregate, have a Material Adverse Effect.

SECTION 4.16. Capital Stock. All Capital Stock, debentures, bonds, notes and all other securities of the Borrower and its Subsidiaries presently issued and outstanding are validly and properly issued in accordance with all applicable laws, including, but not limited to, the "Blue Sky" laws of all applicable states and the federal securities laws. The issued shares of Capital Stock of the Borrower's Wholly Owned Subsidiaries are owned by the Borrower free and clear of any Lien or adverse claim. At least a majority of the issued shares of capital stock of each of the Borrower's other Subsidiaries (other than Wholly Owned Subsidiaries) is owned by the Borrower free and clear of any Lien or adverse claim.

SECTION 4.17. Margin Stock. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of purchasing or carrying any Margin Stock, and no part of the proceeds of any Loan will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock, or be used for any purpose which violates, or which is inconsistent with, the provisions of Regulation X.

SECTION 4.18. Insolvency. After giving effect to the execution and delivery of the Loan Documents and the making of the Loans under this Agreement, the Borrower will not be "insolvent," within the meaning of such term as used in O.C.G.A. ss. 18-2-22 or as defined in ss. 101 of Title 11 of the United States Code or Section 2 of the Uniform Fraudulent Transfer Act, or any other applicable state law pertaining to fraudulent transfers, as each may be amended from time to time, or be unable to pay its debts generally as such debts become due, or have an unreasonably small capital to engage in any business or transaction, whether current or contemplated.

SECTION 4.19. Compliance with Year 2000 Plan. The Borrower has developed and has delivered to the Bank a comprehensive plan (the "Y2K Plan") for insuring that the Borrower's and its Subsidiaries' Mission Critical Equipment which impact or affect in any way the business operations of the Borrower and its Subsidiaries will be Year 2000 Compliant and Ready. The Borrower and its Subsidiaries have met the Y2K Plan milestones such that all Mission Critical Equipment be Year 2000 Compliant and Ready in accordance with the Y2K Plan.

SECTION 4.20 Insurance. The Borrower maintains and each Subsidiary maintains (either in the name of the Borrower or in such Subsidiary's own name), with financially secure and reputable insurance companies, insurance on all its Properties in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or similar business.

ARTICLE V

COVENANTS

The Borrower agrees that, so long as the Bank has any Commitment hereunder or any amount payable under any Note remains unpaid:

SECTION 5.01. Information. The Borrower will deliver to the Bank:

(a) (i) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of income, shareholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous fiscal year, all certified by Arthur Andersen LLP or other independent public accountants of nationally recognized standing, with such certification to be free of exceptions and qualifications not acceptable to the Bank, and (ii) as soon as available and in any event within 60 days after the end of each fiscal year of each Insurance Subsidiary, a copy of the Annual Statement of each such Insurance Subsidiary, together with all supplemental schedules thereto, as of the end of such Fiscal Year, all prepared in accordance with statutory accounting principles;

(b) (i) as soon as available and in any event within 45 days after the end of each of the first 3 Fiscal Quarters of each Fiscal Year, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Quarter and the related statement of income and statement of cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP and consistency by the chief financial officer or the chief accounting officer of the Borrower, and (ii) as soon as available and in any event within 45 days after the end of each fiscal quarter of each fiscal year of each Insurance Subsidiary, a copy of the Quarterly Statement of each such Insurance Subsidiary, together with all supplement schedules thereto, as of the end of such fiscal quarter, all prepared in accordance with statutory accounting principles;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate, substantially in the form of Exhibit E (a "Compliance Certificate"), of the chief financial officer or the chief accounting officer of the Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.03 through 5.07, inclusive, 5.10, 5.25, 5.26 and 5.28 on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(d) simultaneously with the delivery of each set of annual financial statements referred to in clause (a) above, a statement of the firm of independent public accountants which reported on such statements to the effect that nothing has come to their attention to cause them to believe that any Default existed on the date of such financial statements;

(e) within 5 Domestic Business Days after the Borrower becomes aware of the occurrence of any Default, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(f) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(g) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and annual, quarterly or monthly reports which the Borrower shall have filed with the Securities and Exchange Commission;

(h) if and when the Borrower or any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice;

(i) promptly after the Borrower knows of the commencement thereof, notice of any litigation, dispute or proceeding involving a claim against the Borrower and/or any Subsidiary for $100,000 or more in excess of amounts covered in full by applicable insurance;

(j) promptly after the Borrower knows of the commencement, notice of any Forfeiture Proceeding;

(k) simultaneously with the delivery of each set of annual and quarterly financial statements referred to in clauses (a) and (b) above, a statement of the chief executive officer, chief financial officer, or chief technology officer of the Borrower to the effect that nothing has come to his/her attention to cause him/her to believe that the Y2K Plan milestones have not been met in a manner such that the Borrower's and its Subsidiaries' Mission Critical Equipment will not be Year 2000 Compliant and Ready in accordance with the Y2K Plan;

(l) within five (5) Domestic Business Days after the Borrower becomes aware of any material deviations from the Y2K Plan which would cause compliance with the Y2K Plan to be substantially delayed or not achieved, a statement of the chief executive officer, chief financial officer, or chief technology officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(m) promptly upon the receipt thereof, a copy of any third party assessments of the Borrower's Y2K Plan together with any recommendations made by such third party with respect to Year 2000 compliance; and

(n) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Bank may reasonably request.

SECTION 5.02. Inspection of Property, Books and Records. The Borrower will (i) keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries in conformity with GAAP (or, in the case of Insurance Subsidiaries, statutory accounting principles) shall be made of all dealings and transactions in relation to its business and activities; and (ii) permit, and will cause each Subsidiary to permit, representatives of the Bank at the Bank's expense prior to the occurrence of an Event of Default and at the Borrower's expense after the occurrence of an Event of Default to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants. The Borrower agrees to cooperate and assist in such visits and inspections, in each case at such reasonable times and as often as may reasonably be desired.

SECTION 5.03. Ratio of Funded Debt to Consolidated Total Capitalization. The ratio of Funded Debt to Consolidated Total Capitalization will not at any time exceed (i) for the period from and including the Closing Date to and including December 31, 2000, 40%; and (ii) for any period on or after January 1, 2001, 35%.

SECTION 5.04. Restricted Payments. The Borrower will not declare or make any Restricted Payment during any Fiscal Year; provided that: (1) the Borrower may redeem shares of the Borrower's capital stock for the purpose of satisfying the Borrower's obligations under its 401K plan and stock options provided by the Borrower to its executive officers, in the ordinary course of business and consistently with practices existing on the Closing Date; (2) the total number of shares of the Borrower's capital stock redeemed pursuant to the preceding subsection (1) shall not exceed five hundred thousand in the aggregate in any Fiscal Year; and (3) the aggregate amount expended by the Borrower in connection with the redemptions made pursuant to the preceding subsection (1) shall not exceed $2,000,000 in the aggregate in any Fiscal Year.

SECTION 5.05. Ratio of Funded Debt to EBITDA. As of the end of each Fiscal Quarter beginning with the Fiscal Quarter ending June 30, 1999, the ratio of Funded Debt as of the end of such Fiscal Quarter to EBITDA for the period of 4 consecutive Fiscal Quarters then ended shall be less than (a) 4.5 to 1.0 for each Fiscal Quarter ending on or before December 31, 1999, (b) 4.0 to 1.0 for each Fiscal Quarter ending after December 31, 1999, and on or before December 31, 2000 and (c) 3.5 to 1.0 for each Fiscal Quarter thereafter.

SECTION 5.06. Ratio of EBITDA to Consolidated Interest Expense. At the end of each Fiscal Quarter beginning with the Fiscal Quarter ending June 30, 1999, the ratio of EBITDA for the period of 4 consecutive Fiscal Quarters then ended to Consolidated Interest Expense for the period of 4 consecutive Fiscal Quarters then ended shall be greater than (a) 3.0 to 1.0 for each Fiscal Quarter ending on or before December 31, 2000 and (b) 4.0 to 1.0 for each Fiscal Quarter thereafter.

SECTION 5.07. Capital Expenditures. Capital Expenditures will not exceed in the aggregate in any Fiscal Year the sum of $1,000,000; provided that after giving effect to the incurrence of any Capital Expenditures permitted by this Section, no Default shall have occurred and be continuing.

SECTION 5.08. Loans or Advances. Neither the Borrower nor any of its Subsidiaries shall make loans or advances to any Person except: (i) advances made to insurance agents of the Borrower's Subsidiaries, with respect to such agent's commissions, made in the ordinary course of business and consistently with practices existing on the Closing Date; and (ii) deposits required by government agencies or public utilities; provided that after giving effect to the making of any loans, advances or deposits permitted by clause (i) or (ii) of this Section, no Default shall have occurred and be continuing.

SECTION 5.09. Investments. Neither the Borrower nor any of its Subsidiaries shall make Investments in any Person except as permitted by Section 5.08 and except Investments (i) in direct obligations of the United States Government maturing within one year, (ii) in certificates of deposit issued by a commercial bank whose credit is satisfactory to the Bank, (iii) in commercial paper rated A-1 or the equivalent thereof by Standard & Poor's Corporation or P-1 or the equivalent thereof by Moody's Investors Service, Inc. and in either case maturing within 6 months after the date of acquisition, (iv) in tender bonds the payment of the principal of and interest on which is fully supported by a letter of credit issued by a United States bank whose long-term certificates of deposit are rated at least AA or the equivalent thereof by Standard & Poor's Corporation and Aa or the equivalent thereof by Moody's Investors Service, Inc., (v) contemplated by Section 5.14(b) and/or (vi) constituting Permitted Acquisitions in an aggregate amount not exceeding $5,000,000; provided, however, that this Section 5.09 shall not prohibit Investments made in the ordinary course of business involving the investment portfolio of any Insurance Subsidiary.

SECTION 5.10. Negative Pledge. Neither the Borrower nor any Consolidated Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement in an aggregate principal amount not exceeding $25,000,000;

(b) any Lien existing on any specific fixed asset of any corporation at the time such corporation becomes a Consolidated Subsidiary and not created in contemplation of such event;

(c) any Lien on any specific fixed asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring or constructing such asset, provided that such Lien attaches to such asset concurrently with or within 18 months after the acquisition or completion of construction thereof;

(d) any Lien on any specific fixed asset of any corporation existing at the time such corporation is merged or consolidated with or into the Borrower or a Consolidated Subsidiary and not created in contemplation of such event;

(e) any Lien existing on any specific fixed asset prior to the acquisition thereof by the Borrower or a Consolidated Subsidiary and not created in contemplation of such acquisition;

(f) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing paragraphs of this Section, provided that (i) such Debt is not secured by any additional assets, and (ii) the amount of such Debt secured by any such Lien is not increased;

(g) Liens incidental to the conduct of its business or the ownership of its assets which (i) do not secure Debt and (ii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(h) any Lien on Margin Stock;

(i) Debt owing to the Borrower or another Subsidiary;

(j) Liens created under the Reimbursement Agreement;

(k) Liens created under the Pledge Agreement; and

(l) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt (other than indebtedness represented by the Note) in an aggregate principal amount at any time outstanding not to exceed $100,000.

SECTION 5.11. Maintenance of Existence. The Borrower shall, and shall cause each Subsidiary to (a) maintain its corporate existence and carry on its business in substantially the same manner and in substantially the same fields as such business is now carried on and maintained; and (b) preserve, renew and keep in full force and effect their respective rights, privileges, licenses (including, without limitation, insurance licenses) and franchises necessary or desirable in the normal conduct of business.

SECTION 5.12. Dissolution. Neither the Borrower nor any of its Subsidiaries shall suffer or permit dissolution or liquidation either in whole or in part or redeem or retire any shares of its own stock or that of any Subsidiary, except through corporate reorganization to the extent permitted by Section 5.13.

SECTION 5.13. Consolidations, Mergers and Sales of Assets. (a) The Borrower will not, nor will it permit any Subsidiary to, consolidate or merge with or into any other Person, provided that:

(i) the Borrower may merge with another Person if (i) such Person was organized under the laws of the United States of America or one of its states, (ii) the Borrower is the corporation surviving such merger and (iii) immediately after giving effect to such merger, no Default shall have occurred and be continuing; and

(ii) Subsidiaries of the Borrower may merge with one another.

(b) The Borrower will not, and will not permit any Subsidiary to, sell, lease, transfer, or otherwise dispose of in any one transaction or series of transactions (excluding sales in the ordinary course of business of investment securities that are part of a Subsidiary's investment portfolio) any assets, if the Book Value of such assets when aggregated with the Book Value of all assets sold, leased, transferred or otherwise disposed of after the Closing Date exceeds 10% of Consolidated Total Assets of the Borrower and its Consolidated Subsidiaries as of the last day of the Fiscal Quarter immediately preceding the date of such sale, lease, transfer or other disposition without the prior written consent of the Bank (which consent shall not be unreasonably withheld).

SECTION 5.14. Use of Proceeds. (a) No portion of the proceeds of the Loans will be used by the Borrower or any Subsidiary (i) in connection with any tender offer for, or other acquisition of, stock of any corporation with a view toward obtaining control of such other corporation (other than any Permitted Acquisition and the acquisition contemplated in Section 5.14(b)), (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, or (iii) for any purpose in violation of any applicable law or regulation.

(b) A portion of the proceeds of the Loans may be used to acquire Association Casualty Insurance Company.

SECTION 5.15. Compliance with Laws; Payment of Taxes. The Borrower will, and will cause each of its Subsidiaries and each member of the Controlled Group to, comply with applicable laws (including but not limited to ERISA), regulations and similar requirements of governmental authorities (including but not limited to PBGC), except where the necessity of such compliance is being contested in good faith through appropriate proceedings diligently pursued. The Borrower will, and will cause each of its Subsidiaries to, pay promptly when due all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations which, if unpaid, might become a lien against the property of the Borrower or any Subsidiary, except liabilities being contested in good faith by appropriate proceedings diligently pursued and against which, if requested by the Bank, the Borrower shall have set up reserves in accordance with GAAP.

SECTION 5.16. Insurance. The Borrower will maintain, and will cause each of its Subsidiaries to maintain (either in the name of the Borrower or in such Subsidiary's own name), with financially sound and reputable insurance companies, insurance on all its Property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or similar business.

SECTION 5.17. Change in Fiscal Year. The Borrower will not change its Fiscal Year without the consent of the Bank.

SECTION 5.18. Maintenance of Property. The Borrower shall, and shall cause each Subsidiary to, maintain all of its properties and assets in good condition, repair and working order, ordinary wear and tear excepted.

SECTION 5.19. Environmental Notices. The Borrower shall furnish to the Bank prompt written notice of all material Environmental Liabilities, pending, threatened or anticipated Environmental Proceedings, Environmental Notices, Environmental Judgments and Orders, and Environmental Releases at, on, in, under or in any way affecting the Properties or any adjacent property, and all facts, events, or conditions that could reasonably be expected to lead to any of the foregoing.

SECTION 5.20. Environmental Matters. The Borrower and its Subsidiaries will not, and will not permit any Third Party to, use, produce, manufacture, process, treat, recycle, generate, store, dispose of, manage at, or otherwise handle or ship or transport to or from the Properties any Hazardous Materials except for Hazardous Materials such as cleaning solvents, pesticides and other similar materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed, managed or otherwise handled in minimal amounts in the ordinary course of business in compliance with all applicable Environmental Requirements.

SECTION 5.21. Environmental Release. The Borrower agrees that upon the occurrence of a material Environmental Release at or on any of the Properties it will act immediately to investigate the extent of, and to take appropriate remedial action to eliminate, such Environmental Release, whether or not ordered or otherwise directed to do so by any Environmental Authority.

SECTION 5.22. Additional Covenants, Etc. In the event that at any time this Agreement is in effect or the Note remains unpaid the Borrower shall enter into any agreement, guarantee, indenture or other instrument governing, relating to, providing for commitments to advance, guaranteeing, providing for security interests or liens to secure, or otherwise affording any credit support or credit enhancement for, any Financing or to amend any terms and conditions applicable to any Financing, which agreement, guarantee, indenture or other instrument includes covenants, warranties, representations, defaults or events of default (or any other type of restriction which would have the practical effect of any of the foregoing, including, without limitation, any "put" or mandatory prepayment of such debt) or other terms or conditions or provides for security interests, liens or guarantees, credit support or credit enhancement (whether provided by the Borrower or any other Person) not substantially as, or in addition to those, provided in this Agreement or any other Loan Document, or more favorable to the lender or other counterparty thereunder than those provided in this Agreement or any other Loan Document, the Borrower shall promptly so notify the Bank. Thereupon, if the Bank shall request by written notice to the Borrower, the Borrower and the Bank shall enter into an amendment to this Agreement and if requested by the Bank, the Borrower shall cause any Person providing such other guarantees, credit support or credit enhancement to deliver such documentation as the Bank may reasonably request, all providing for substantially the same such covenants, warranties, representations, defaults or events of default, security interests, liens or other guarantees, credit support or credit enhancement (in which the Bank shall participate on a pari passu basis with such other lender), or other terms or conditions as those provided for in such agreement, guarantee, indenture or other instrument, to the extent required and as may be selected by the Bank, such amendment and other documentation to remain in effect, unless otherwise specified in writing by the Bank, for the entire duration of the stated term to maturity of such Financing (to and including the date to which the same may be extended at the Borrower's option), notwithstanding that such Financing might be earlier terminated by prepayment, refinancing, acceleration or otherwise, provided that if any such agreement, guarantee, indenture or other instrument shall be modified, supplemented, amended or restated so as to modify, amend or eliminate from such agreement, guarantee, indenture or other instrument any such covenant, warranty, representation, default or event of default, security interest, lien, or other credit support or enhancement or other term or condition so made a part of this Agreement, then unless required by the Bank pursuant to this Section, such modification, supplement or amendment shall not operate to modify, amend or eliminate such covenant, warranty, representation, default or event of default, security interest, lien or other credit support or enhancement or other term or condition as so made a part of this Agreement.

SECTION 5.23. Transactions with Affiliates. Neither the Borrower nor any of its Subsidiaries shall enter into, or be a party to, any transaction with any Affiliate of the Borrower or such Subsidiary (which Affiliate is not the Borrower or a Subsidiary), except as permitted by law and in the ordinary course of business and pursuant to reasonable terms, and are no less favorable to the Borrower or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person which is not an Affiliate.

SECTION 5.24. Y2K Plan. The Borrower will meet the milestones contained in the Y2K Plan and will have all Mission Critical Equipment Year 2000 Compliant and Ready (including all internal and external testing) on or before August 1, 1999.

SECTION 5.25. Maintenance of Authorized Control Level Risk-Based Capital. The Borrower shall maintain, or cause to be maintained, at all times the Authorized Control Level Risk-Based Capital for each Insurance Subsidiary in an amount equal to or greater than 400% of the Authorized Control Level Risk-Based Capital for such Insurance Subsidiary.

SECTION 5.26. Maintenance of Statutory Surplus. The Borrower shall maintain or cause to be maintained at all times the Statutory Surplus of each of its Insurance Subsidiaries in an amount equal to or greater than the sum of (i) the Statutory Surplus required under applicable law for such Insurance Subsidiary, plus (ii) $1,000,000.

SECTION 5.27. Limitation on Debt. The Borrower shall not, nor shall it permit any Subsidiary to, create, incur or permit to exist at any time any Debt (other than Debt arising under this Agreement) without the prior written consent of the Bank, except:

(a) Debt in existence on the Closing Date and more particularly described on Schedule 5.27 attached hereto, together with any extension or renewal of such Debt, if the payment terms and interest applicable to such Debt

as extended or renewed are at least as favorable to the Borrower or such Subsidiary, as the case may be, as the payment terms and interest rate applicable to such Debt on the date of extension or renewal thereof;

(b) Trade indebtedness incurred in the ordinary course of business;

(c) The Borrower may enter into a transaction or series of transactions pursuant to which the Borrower sells and leases back computer equipment provided that the total aggregate Debt incurred by the Borrower in such transaction or transactions shall not exceed $2,000,000; and

(d) Debt not otherwise permitted by the foregoing clauses of this Section in an aggregate principal amount at any time outstanding not to exceed $5,000,000.

SECTION 5.28. Minimum Investment in NAIC Rated Bonds; Maximum Investment in Investment Properties. The Borrower will not at any time permit: (i) the Aggregate Value of NAIC Rated Bonds to be less than 70% of the Aggregate Value of Total Investments; or (ii) the aggregate value of Investment Properties to exceed 5% of the Aggregate Value of Total Investments.

ARTICLE VI

DEFAULTS

SECTION 6.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal of any Loan or shall fail to pay any interest on any Loan within 5 Business Days after such interest shall become due, or shall fail to pay any fee or other amount payable hereunder within 5 Business Days after such fee or other amount becomes due; or

(b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.02(ii), 5.03 to 5.14, inclusive, Section 5.17, Section 5.22 or Sections 5.25 to 5.28, inclusive; or

(c) the Borrower shall fail to observe or perform any covenant or agreement contained or incorporated by reference in this Agreement (other than those covered by clause (a) or (b) above or clause (n) below) for thirty days after the earlier of (i) the first day on which the Borrower has knowledge of such failure or (ii) written notice thereof has been given to the Borrower by the Bank; or

(d) any representation, warranty, certification or statement made or deemed made by the Borrower in Article IV of this Agreement, the Loan Documents or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect or misleading in any material respect when made (or deemed made); or

(e) the Borrower or any Subsidiary shall fail to make any payment in respect of Debt outstanding in an aggregate amount equal to or in excess of $1,000,000 (other than the Notes) when due or within any applicable grace period; or

(f) any event or condition shall occur which results in the acceleration of the maturity of Debt outstanding in an aggregate amount equal to or in excess of $1,000,000 of the Borrower or any Subsidiary or the mandatory prepayment or purchase of such Debt by the Borrower (or its designee) or such Subsidiary (or its designee) prior to the scheduled maturity thereof, or enables the holders of such Debt or any Person acting on such holders' behalf to accelerate the maturity thereof or require the mandatory prepayment or purchase thereof prior to the scheduled maturity thereof, without regard to whether such holders or other Person shall have exercised or waived their right to do so; or

(g) the Borrower or any Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or shall admit in writing its inability, to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(i) the Borrower or any member of the Controlled Group shall fail to pay when due any material amount which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans shall be filed under Title IV of ERISA by the Borrower, any member of the Controlled Group, any plan administrator or any combination of the foregoing and such filing could reasonably be expected to have or cause a Material Adverse Effect; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or the Borrower or any other member of the Controlled Group shall enter into, contribute or be obligated to contribute to, terminate or incur any withdrawal liability with respect to, a Multiemployer Plan; or

(j) one or more judgments or orders for the payment of money in an aggregate amount in excess of $500,000 shall be rendered against the Borrower or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 30 days; or

(k) a federal tax lien shall be filed against the Borrower under Section 6323 of the Code or a lien of the PBGC shall be filed against the Borrower or any Subsidiary under Section 4068 of ERISA and in either case such lien shall remain undischarged for a period of 25 days after the date of filing; or

(l) (i) any Person or two or more Persons (other than J. Mack Robinson and members of his family) acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of the voting stock of the Borrower; or (ii) as of any date a majority of the Board of Directors of the Borrower consists of individuals who were not either (A) directors of the Borrower as of the corresponding date of the previous year, (B) selected or nominated to become directors by the Board of Directors of the Borrower of which a majority consisted of individuals described in clause (A), or (C) selected or nominated to become directors by the Board of Directors of the Borrower of which a majority consisted of individuals described in clause (A) and individuals described in clause (B); or

(m) the occurrence of any event, act or condition which the Bank determines either does cause or has a reasonable probability of causing a Material Adverse Effect and failure by the Borrower to cure the same within 60 days following notice from the Bank to the Borrower identifying such event, act or condition; or

(n) the Borrower shall fail to observe or perform any obligation under the Pledge Agreement or the Bank shall cease to have a first priority perfected security interest in the Collateral (as defined in the Pledge Agreement); or

(o) Georgia Casualty & Surety Company or Bankers Fidelity Life Insurance Company shall fail to maintain an AM Best rating of "B+" or better, or American Southern Insurance Company or any Subsidiary of American Southern Insurance Company shall fail to maintain an AM Best rating of "A-" or better; or

(p) the Borrower shall at any time or times and for any reason cease to own (either directly or indirectly through a Wholly Owned Subsidiary) at least 80% of the Capital Stock and other ownership interests of each of American Southern Insurance Company, Atlantic American Life Insurance Company, Georgia Casualty & Surety Company, Bankers Fidelity Life Insurance Company and, after its acquisition by the Borrower as contemplated by this Agreement, Associated Casualty Insurance Company; or

(q) either (i) any Forfeiture Proceeding shall have been commenced or the Borrower shall have given the Bank written notice of the commencement or threatened commencement of any Forfeiture Proceeding as provided in Section 5.01(j); or (ii) the Bank has a good faith basis to believe that a Forfeiture Proceeding has been threatened or commenced;

then, and in every such event, the Bank may (i) terminate the Commitment and it shall thereupon terminate, and (ii) by notice to the Borrower declare the Note (together with accrued interest thereon) and all other amounts payable hereunder and under the other Loan Documents to be, and the Note (together will all accrued interest thereon) and all other amounts payable hereunder and under the other Loan Documents shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that if any Event of Default specified in clause (g) or (h) above occurs with respect to the Borrower or any Subsidiary, without any notice to the Borrower or any other act by the Bank, the Commitment shall thereupon automatically terminate and the Note (together with accrued interest thereon) and all other amounts payable hereunder and under the other Loan Documents shall automatically become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower. Notwithstanding the foregoing, the Bank shall have available to it all other remedies at law or equity.

ARTICLE VII

CHANGE IN CIRCUMSTANCES; COMPENSATION

SECTION 7.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period:

(a) the Bank determines that deposits in Dollars (in the applicable amounts) are not being offered in the relevant market for such Interest Period, or

(b) the Bank determines that the London Interbank Offered Rate as determined by the Bank will not adequately and fairly reflect the cost to the Bank of funding any Euro-Dollar Loan for such Interest Period,

the Bank shall forthwith give notice thereof to the Borrower, whereupon until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Bank to make the Euro-Dollar Loans specified in such notice shall be suspended. Unless the Borrower notifies the Bank at least 2 Domestic Business Days before the date of any Borrowing of a Euro-Dollar Loan for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 7.02. Illegality. If, after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any existing or future law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof (any such authority, bank or agency being referred to as an "Authority" and any such event being referred to as a "Change of Law"), or compliance by the Bank (or its Lending Office) with any request or directive (whether or not having the force of law) of any Authority shall make it unlawful or impossible for the Bank (or its Lending Office) to make, maintain or fund the Euro-Dollar Loans and the Bank shall so notify the Borrower, whereupon until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of the Bank to make Euro-Dollar Loans shall be suspended. Before giving any notice to the Borrower pursuant to this Section, the Bank shall designate a different Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of the Bank, be otherwise disadvantageous to the Bank. If the Bank shall determine that it may not lawfully continue to maintain and fund any outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each Euro-Dollar Loan, together with accrued interest thereon and any amount due the Bank pursuant to Section 7.05(a). Concurrently with prepaying each such Euro-Dollar Loan, the Borrower shall borrow a Base Rate Loan in an equal principal amount from the Bank, and the Bank shall make such a Base Rate Loan.

. (a) If after the date hereof, a Change of Law or compliance by the Bank (or its Lending Office) with any request or directive (whether or not having the force of law) of any Authority:

(i) shall subject the Bank (or its Lending Office) to any tax, duty or other charge with respect to Euro-Dollar Loans, the Note or its obligation to make Euro-Dollar Loans, or shall change the basis of taxation of payments to the Bank (or its Lending Office) of the principal of or interest on Euro-Dollar Loans or any other amounts due under this Agreement in respect of Euro-Dollar Loans or its obligation to make Euro-Dollar Loans (except for changes in the rate of tax on the overall net income of the Bank or its Lending Office imposed by the jurisdiction in which the Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, the Bank (or its Lending Office); or

(iii) shall impose on the Bank (or its Lending Office) or the London interbank market any other condition affecting Euro-Dollar Loans, the Note or its obligation to make Euro-Dollar Loans;

and the result of any of the foregoing is to increase the cost to the Bank (or its Lending Office) of making or maintaining any Euro-Dollar Loan, or to reduce the amount of any sum received or receivable by the Bank (or its Lending Office) under this Agreement or under the Note with respect thereto, by an amount deemed by the Bank to be material, then, within 15 days after demand by the Bank, the Borrower shall pay to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction which accrued within 90 days immediately prior to such notice.

(b) If the Bank shall have determined that after the date hereof the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any existing or future law, rule or regulation, or any change in the interpretation or administration thereof, or compliance by the Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any Authority, has or would have the effect of reducing the rate of return on the Bank's capital as a consequence of its obligations hereunder to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy) by an amount deemed by the Bank to be material, then from time to time, within 15 days after demand by the Bank, the Borrower shall pay to the Bank such additional amount or amounts as will compensate the Bank for such reduction which accrued or occurred within 90 days immediately prior to such notice.

(c) The Bank will promptly notify the Borrower of any event of which it has knowledge, occurring after the date hereof, which will entitle the Bank to compensation pursuant to this Section and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of the Bank, be otherwise disadvantageous to the Bank. A certificate of the Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

(d) The provisions of this Section 7.03 shall be applicable with respect to any Participant, Assignee or other Transferee, and any calculations required by such provisions shall be made based upon the circumstances of such Participant, Assignee or other Transferee.

SECTION 7.04. Base Rate Loans Substituted for Affected Euro-Dollar Loans. If (i)the obligation of the Bank to make or maintain Euro-Dollar Loans has been suspended pursuant to Section 7.02 or (ii) any Bank has demanded compensation under Section 7.03, and the Borrower shall, by at least 5 Euro-Dollar Business Days' prior notice to the Bank, have elected that the provisions of this Section shall apply to the Bank, then, unless and until the Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by the Bank as Euro-Dollar Loans shall be made instead as Base Rate Loans, and

(b) after each Euro-Dollar Loan has been repaid, all payments of principal which would otherwise be applied to repay Euro-Dollar Loans shall be applied to repay Base Rate Loans instead.

In the event that the Borrower shall elect that the provisions of this Section shall apply to the Bank, the Borrower shall remain liable for, and shall pay to the Bank as provided herein, all amounts due the Bank under Section 7.03 in respect of the period preceding the date of conversion of the Loans resulting from the Borrower's election.

SECTION 7.05. Compensation. Upon the request of the Bank, delivered to the Borrower, the Borrower shall pay to the Bank such amount or amounts as shall compensate the Bank for any actual loss, cost or expense incurred by the Bank as a result of:

(a) any payment or prepayment (pursuant to Section 2.09, Section 2.10, Section 7.02 or otherwise) of a Euro-Dollar Loan on a date other than the last day of an Interest Period for such Euro-Dollar Loan;

(b) any failure by the Borrower to prepay a Euro-Dollar Loan on the date for such prepayment specified in the relevant notice of prepayment hereunder; or

(c) any failure by the Borrower to borrow a Euro-Dollar Loan on the date for the Euro-Dollar Borrowing of which such Euro-Dollar Loan is a part specified in the applicable Notice of Borrowing delivered pursuant to Section 2.02;

such compensation to include, without limitation, an amount equal to the excess, if any, of (x) the amount of interest which would have accrued on the amount so paid or prepaid or not prepaid or borrowed for the period from the date of such payment, prepayment or failure to prepay or borrow to the last day of the then current Interest Period for such Euro-Dollar Loan (or, in the case of a failure to prepay or borrow, the Interest Period for such Euro-Dollar Loan which would have commenced on the date of such failure to prepay or borrow) at the applicable rate of interest for such Euro-Dollar Loan provided for herein (excluding, however, the Applicable Margin) over (y) the amount of interest (as reasonably determined by the Bank) the Bank would have paid on deposits in Dollars of comparable amounts having terms comparable to such period placed with it by leading banks in the London interbank market (if such Loan is a Euro-Dollar Loan).

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission or similar writing) and shall be given to such party at its address or telecopy number set forth on the signature pages hereof or such other address or telecopy number as such party may hereafter specify for the purpose by notice to each other party. Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopy number specified in this Section and the telecopy machine used by the sender provides a written confirmation that such telecopy has been so transmitted or receipt of such telecopy transmission is otherwise confirmed, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, and (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Bank under Article II shall not be effective until received.

SECTION 8.02. No Waivers. No failure or delay by the Bank in exercising any right, power or privilege hereunder or under the Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 8.03. Expenses; Documentary Taxes; Indemnification; Increased Cost and Reduced Return. (a) The Borrower shall pay (i) all out-of-pocket expenses of the Bank, including reasonable fees and disbursements of counsel for the Bank actually incurred, in connection with the preparation of this Agreement and the other Loan Documents, any waiver or consent hereunder or thereunder or any amendment hereof or thereof or any Default or alleged Default hereunder or thereunder and (ii) if a Default occurs, all out-of-pocket expenses incurred by the Bank, including reasonable fees and disbursements of counsel actually incurred, in connection with such Default and collection and other enforcement proceedings resulting therefrom, including out-of-pocket expenses incurred in enforcing this Agreement and the other Loan Documents.

(b) The Borrower shall indemnify the Bank against any transfer taxes, documentary taxes, assessments or charges made by any Authority by reason of the execution and delivery of this Agreement or the other Loan Documents.

(c) The Borrower shall indemnify the Bank and each Affiliate thereof and their respective directors, officers, employees and agents from, and hold each of them harmless against, any and all losses, liabilities, claims or damages to which any of them may become subject, insofar as such losses, liabilities, claims or damages arise out of or result from any actual or proposed use by the Borrower of the proceeds of any extension of credit by the Bank hereunder or breach by the Borrower of this Agreement or any other Loan Document or from investigation, litigation (including, without limitation, any actions taken by the Bank to enforce this Agreement or any of the other Loan Documents) or other proceeding (including, without limitation, any threatened investigation or proceeding) relating to the foregoing, and the Borrower shall reimburse the Bank, and each Affiliate thereof and their respective directors, officers, employees and agents, upon demand for any expenses (including, without limitation, legal fees) incurred in connection with any such investigation or proceeding; but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified.

SECTION 8.04. CONSEQUENTIAL DAMAGES. THE BANK SHALL NOT BE RESPONSIBLE OR LIABLE TO THE BORROWER OR ANY OTHER PERSON OR ENTITY FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 8.05. Setoffs. (a) The Borrower hereby grants to the Bank, as security for the full and punctual payment and performance of the obligations of the Borrower under this Agreement, a continuing lien on and security interest in all deposits and other sums credited by or due from the Bank to the Borrower or subject to withdrawal by the Borrower; and regardless of the adequacy of any collateral or other means of obtaining repayment of such obligations, the Bank may at any time upon or after the occurrence of any Event of Default, and without notice to the Borrower, set off the whole or any portion or portions of any or all such deposits and other sums against such obligations, whether or not any other Person or Persons could also withdraw money therefrom.

(b) The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

SECTION 8.06. Amendments and Waivers. Any provision of this Agreement, the Note or any other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Bank.

SECTION 8.07. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that the Borrower may not assign or otherwise transfer any of its rights under this Agreement.

(b) The Bank may at any time sell to one or more Persons (each a "Participant") participating interests in any Loan owing to the Bank, any Note held by the Bank, any Commitment hereunder or any other interest of the Bank hereunder. In the event of the sale by the Bank of a participating interest to a Participant, the Bank's obligations under this Agreement shall remain unchanged, the Bank shall remain solely responsible for the performance thereof, the Bank shall remain the holder of any such Note for all purposes under this Agreement, and the Borrower shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement. In no event shall the Bank be obligated to the Participant to take or refrain from taking any action hereunder except that the Bank may agree that it will not (except as provided below), without the consent of the Participant, agree to (i) the change of any date fixed for the payment of principal of or interest on the related Loan or Loans, (ii) the change of the amount of any principal, interest or fees due on any date fixed for the payment thereof with respect to the related Loan or Loans, (iii) the change of the principal of the related Loan or Loans, (iv) any change in the rate at which either interest is payable thereon or (if the Participant is entitled to any part thereof) commitment fee is payable hereunder from the rate at which the Participant is entitled to receive interest or commitment fee (as the case may be) in respect of such participation, (v) the release or substitution of all or any substantial part of the collateral (if any) held as security for the Loans, or (vi) the release of any guaranty given to support payment of the Loans. If the Bank sells a participating interest in any Loan, Note, Commitment or other interest under this Agreement, it shall within 10 Domestic Business Days of such sale, provide the Borrower with written notification stating that such sale has occurred and identifying the Participant and the interest purchased by such Participant.

(c) The Bank may at any time assign to one or more banks or financial institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement, the Note and the other Loan Documents, and such Assignee shall assume all such rights and obligations, pursuant to an Assignment and Acceptance in the form attached hereto as Exhibit F, executed by such Assignee and the Bank (and, in the case of an Assignee that is not an Affiliate of the Bank, by the Borrower); provided that (i) the amount of the Loans or Commitment subject to such assignment (determined as of the effective date of the assignment) shall be equal to or greater than $5,000,000, and (ii) unless a Default shall have occurred and be continuing, no interest may be sold by the Bank pursuant to this paragraph (c) to any Assignee that is not then an Affiliate of the Bank without the consent of the Borrower, which consent shall not be unreasonably withheld. Upon (A) execution of the Assignment and Acceptance by the Bank, such Assignee and (if applicable) the Borrower, (B) delivery of an executed copy of the Assignment and Acceptance to the Borrower, (C) payment by such Assignee to the Bank of an amount equal to the purchase price agreed between the Bank and such Assignee, such Assignee shall for all purposes be the party to this Agreement and shall have pro rata share of all the rights and obligations of the Bank under this Agreement to the same extent as if it were an original party hereto with a Commitment as set forth in such instrument of assumption, and the Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by the Borrower or the Bank shall be required. Upon the consummation of any transfer to an Assignee pursuant to this paragraph (c), the Bank and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to each of such Assignee and the Bank.

(d) Subject to the provisions of Section 8.08, the Borrower authorizes the Bank to disclose to any Participant, Assignee or other transferee (each a "Transferee") and any prospective Transferee any and all financial and other information in the Bank's possession concerning the Borrower which has been delivered to the Bank by the Borrower pursuant to this Agreement or which has been delivered to the Bank by the Borrower in connection with the Bank's credit evaluation prior to entering into this Agreement.

(e) Anything in this Section 8.07 to the contrary notwithstanding, the Bank may assign and pledge all or any portion of the Loans and/or obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned Loans and/or obligations made by the Borrower to the assigning and/or pledging Bank in accordance with the terms of this Agreement shall satisfy the Borrower's obligations hereunder in respect of such assigned Loans and/or obligations to the extent of such payment. No such assignment shall release the assigning and/or pledging Bank from its obligations hereunder.

SECTION 8.08. Confidentiality. The Bank agrees to exercise its best efforts to keep any information delivered or made available by the Borrower to it which is clearly indicated to be confidential information, confidential from anyone other than persons employed or retained by such Bank who are or are expected to become engaged in evaluating, approving, structuring or administering the Loans; provided, however, that nothing herein shall prevent the Bank from disclosing such information (i) upon the order of any court or administrative agency, (ii) upon the request or demand of any regulatory agency or authority having jurisdiction over the Bank, (iii) which has been publicly disclosed, (iv) to the extent reasonably required in connection with any litigation to which the Bank or its respective Affiliates may be a party, (v) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vi) to the Bank's legal counsel and independent auditors and (vii) to any actual or proposed Participant, Assignee or other Transferee of all or part of its rights hereunder which has agreed in writing to be bound by the provisions of this Section 8.08; provided, further, that to the extent practicable under the circumstances, prior to disclosing such information pursuant to clause (i) or (ii) of this Section, the Bank will provide notice to the Borrower of such disclosure and, if reasonably requested by the Borrower, shall cooperate with any attempt by the Borrower to overturn or invalidate any request for such information (provided that the Bank shall not be required to cooperate with any such attempt if the Bank determines, in its sole discretion, that it would be materially prejudicial to the Bank or its interests to so cooperate).

SECTION 8.09. Survival of Certain Obligations. Section 8.03 and the obligations of the Borrower thereunder, shall survive, and shall continue to be enforceable notwithstanding, the termination of this Agreement and the Commitment and the payment in full of the principal of and interest on all Loans.

SECTION 8.10. Georgia Law. This Agreement and the Note shall be construed in accordance with and governed by the law of the State of Georgia.

SECTION 8.11. Severability. In case any one or more of the provisions contained in this Agreement, the Note or any of the other Loan Documents should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby and shall be enforced to the greatest extent permitted by law.

SECTION 8.12. Interest. In no event shall the amount of interest due or payable hereunder or under the Note exceed the maximum rate of interest allowed by applicable law, and in the event any such payment is inadvertently made to the Bank by the Borrower or inadvertently received by the Bank, then such excess sum shall be credited as a payment of principal, unless the Borrower shall notify the Bank in writing that it elects to have such excess sum returned forthwith. It is the express intent hereof that the Borrower not pay and the Bank not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by the Borrower under applicable law.

SECTION 8.13. Interpretation. No provision of this Agreement or any of the other Loan Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

SECTION 8.14. Consent to Jurisdiction. The Borrower (a) submits to personal jurisdiction in the State of Georgia, the courts thereof and the United States District Courts sitting therein, for the enforcement of this Agreement, the Note and the other Loan Documents, (b) waives any and all personal rights under the law of any jurisdiction to object on any basis (including, without limitation, inconvenience of forum) to jurisdiction or venue within the State of Georgia for the purpose of litigation to enforce this Agreement, the Note or the other Loan Documents, and (c) agrees that service of process may be made upon it in the manner prescribed in Section 8.01 for the giving of notice to the Borrower. Nothing herein contained, however, shall prevent the Bank from bringing any action or exercising any rights against any security and against the Borrower personally, and against any assets of the Borrower, within any other state or jurisdiction.

SECTION 8.15. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, under seal, by their respective authorized officers as of the day and year first above written.

ATLANTIC AMERICAN CORPORATION

ATTEST:

_____ By: _____(SEAL)
_____, Secretary Title:

4370 Peachtree Street, N.E.
[CORPORATE SEAL] Atlanta, Georgia 30319-3000
Attention: Hilton H. Howell, Jr.,
President and Chief Executive
Officer
Telecopy number: (404) 231-2123
Telephone number: (404) 266-5505

WACHOVIA BANK, N.A.

By: _____(SEAL)
Title:

Lending Office
Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attention: William J. Darby
Telecopy number: (404) 332-5016
Telephone number: (404) 332-1371

A#

SCHEDULE 4.08A

EXISTING INSURANCE SUBSIDIARIES

Name of Subsidiary	Jurisdiction of Incorporation
American Southern Insurance Company	Georgia
Bankers Fidelity Life Insurance Company	Georgia
Georgia Casualty and Surety Company	Georgia

SCHEDULE 4.08B

EXISTING SUBSIDIARIES WHICH
ARE NOT INSURANCE SUBSIDIARIES

Name of Subsidiary	Jurisdiction of Incorporation
Self-Insurance Administrators, Inc.	Georgia

SCHEDULE 5.27
DEBT EXISTING ON CLOSING DATE

Holder	Principal Amount Outstanding	Interest Rate	Maturity Date	Amortization
Publicly held	$25,000,000(1)	Variable rate	July 1, 2009	None
J. Mack Robinson and Family	$13,4000,000 of Series B Preferred Stock	9.00%	Not redeemable(2)	None
Atlantic American Corporation(3)	$11,375,000	7.25%	Perpetual	None

EXHIBIT A

NOTE

$30,000,000 Atlanta, Georgia
July 1, 1999

For value received, ATLANTIC AMERICAN CORPORATION, a Georgia corporation (the "Borrower"), promises to pay to the order of WACHOVIA BANK, N.A. (the "Bank"), for the account of its Lending Office, the principal sum of Thirty Million and No/100 Dollars ($30,000,000), or such lesser amount as shall equal the unpaid principal amount of the Loans made by the Bank to the Borrower pursuant to the Credit Agreement referred to below, on the dates and in the amounts provided in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of this Note on the dates and at the rate or rates provided for in the Credit Agreement. Interest on any overdue principal of and, to the extent permitted by law, overdue interest on the principal amount hereof shall bear interest at the Default Rate, as provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of the Bank located at 191 Peachtree Street, N.E., Atlanta, Georgia 30303, or such other address as may be specified from time to time pursuant to the Credit Agreement.

The Loans made by the Bank, the respective maturities thereof, the interest rates from time to time applicable thereto and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided, that the failure of the Bank to make, or any error of the Bank in making, any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This Note is the Note referred to in the Credit Agreement dated as of July 1, 1999 between the Borrower and the Bank (as the same may be amended or modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment and the repayment hereof and the acceleration of the maturity hereof.

The Borrower hereby waives presentment, demand, protest, notice of demand, protest and nonpayment and any other notice required by law relative hereto, except to the extent as otherwise may be expressly provided for in the Credit Agreement.

The Borrower agrees, in the event that this Note or any portion hereof is collected by law or through an attorney at law, to pay all reasonable costs of collection, including, without limitation, reasonable attorneys' fees.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed under seal, by its duly authorized officer as of the day and year first above written.

ATLANTIC AMERICAN CORPORATION

By: _____(SEAL)
Title:

Note (cont'd)
LOANS AND PAYMENTS OF PRINCIPAL

Date	Type of Loan(4)	Interest Rate	Amount of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By

EXHIBIT B

OPINION OF COUNSEL FOR THE BORROWER

[Dated as provided in Section 3.01 of the Credit Agreement]

[To be furnished by Counsel to Borrower]

EXHIBIT C

CLOSING CERTIFICATE
OF
ATLANTIC AMERICAN CORPORATION

Reference is made to the Credit Agreement (the "Credit Agreement") dated as of July 1, 1999, between Atlantic American Corporation (the "Borrower") and Wachovia Bank, N.A. (the "Bank"). Capitalized terms used herein have the meanings ascribed thereto in the Credit Agreement.

Pursuant to Section 3.01(e) of the Credit Agreement, _____, the duly authorized _____ of the Borrower, hereby certifies to the Bank that: (i) no Default has occurred and is continuing on the date hereof; and (ii) the representations and warranties of the Borrower contained in Article IV of the Credit Agreement are true on and as of the date hereof.

Certified as of the 1st day of July, 1999.

ATLANTIC AMERICAN CORPORATION

By: _____
Name:
Title:

EXHIBIT D

ATLANTIC AMERICAN CORPORATION
SECRETARY'S CERTIFICATE

The undersigned, _____, _____ Secretary of Atlantic American Corporation, a Georgia corporation (the "Borrower"), hereby certifies that he has been duly elected, qualified and is acting in such capacity and that, as such, he is familiar with the facts herein certified and is duly authorized to certify the same, and hereby further certifies, in connection with the Credit Agreement dated as of July 1, 1999 (the "Credit Agreement") between the Borrower and Wachovia Bank, N.A. that:

1. Attached hereto as Exhibit A is a complete and correct copy of the Certificate of Incorporation of the Borrower as in full force and effect on the date hereof as certified by the Secretary of State of the State of Georgia, the Borrower's state of incorporation.

2. Attached hereto as Exhibit B is a complete and correct copy of the Bylaws of the Borrower as in full force and effect on the date hereof.

3. Attached hereto as Exhibit C is a complete and correct copy of the resolutions duly adopted by the Board of Directors of the Borrower on _____ __, 19__ approving, and authorizing the execution and delivery of, the Credit Agreement, the Note (as such term is defined in the Credit Agreement) and the other Loan Documents (as such term is defined in the Credit Agreement) to which the Borrower is a party. Such resolutions have not been repealed or amended and are in full force and effect, and no other resolutions or consents have been adopted by the Board of Directors of the Borrower in connection therewith.

4. _____, who as _____ of the Borrower signed the Credit Agreement, the Note and the other Loan Documents to which the Borrower is a party, was duly elected, qualified and acting as such at the time he signed the Credit Agreement, the Note and other Loan Documents to which the Borrower is a party, and his signature appearing on the Credit Agreement, the Note and the other Loan Documents to which the Borrower is a party is his genuine signature.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the 1st day of July, 1999.

Name:
Title:

EXHIBIT E

FORM OF COMPLIANCE CERTIFICATE

To be provided by the Borrower prior to the Closing Date.

A#

EXHIBIT F

ASSIGNMENT AND ACCEPTANCE
Dated _____ __, ____

Reference is made to the Credit Agreement dated as of July 1, 1999 (together with all amendments and modifications thereto, the "Credit Agreement") between Atlantic American Corporation, a Georgia corporation (the "Borrower") and Wachovia Bank, N.A. (the "Bank"). Terms defined in the Credit Agreement are used herein with the same meaning.

Wachovia Bank, N.A. (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, without recourse to the Assignor, and the Assignee hereby purchases and assumes from the Assignor, a _____% interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below) (including, without limitation, a _____% interest (which on the Effective Date hereof is $_____) in the Assignor's Commitment and a _____% interest (which on the Effective Date hereof is $_____) in the Loans owing to the Assignor and a _____% interest in the Note held by the Assignor (which on the Effective Date hereof is $_____).

2. The Assignor (i) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement, any other instrument or document furnished pursuant thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder, that such interest is free and clear of any adverse claim and that as of the date hereof the Commitment (without giving effect to assignments thereof which have not yet become effective) is $_____ and the aggregate outstanding principal amount of the Loans owing to it (without giving effect to assignments thereof which have not yet become effective) is $_____; (ii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto; and (iii) attaches the Note referred to in paragraph 1 above and requests that the Bank exchange such Note as follows: [a new Note dated _____, ____ in the principal amount of $_____ payable to the order of the Assignee] [new Notes as follows: a Note dated _____, ____ in the principal amount of $_____ payable to the order of the Assignor and a Note dated _____, ____ in the principal amount of $_____ payable to the order of the Assignee].

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.04(a) thereof (or any more recent financial statements of the Borrower delivered pursuant to Section 5.01(a) or (b) thereof) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is a bank or financial institution; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as an assignee of the Bank; (v) specifies as its Lending Office (and address for notices) the office set forth beneath its name on the signature pages hereof, (vi) represents and warrants that the execution, delivery and performance of this Assignment and Acceptance are within its corporate powers and have been duly authorized by all necessary corporate action[, and (vii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement and the Note or such other documents as are necessary to indicate that all such payments are subject to such taxes at a rate reduced by an applicable tax treaty].(5)

4. The Effective Date for this Assignment and Acceptance shall be _____ (the "Effective Date"). [Following the execution of this Assignment and Acceptance, it will be delivered to the Borrower for execution by the Borrower](6).

5. [Upon such execution by the Borrower](2), [F]rom and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent rights and obligations have been transferred to it by this Assignment and Acceptance, have the rights and obligations of an assignee of the Bank thereunder and (ii) the Assignor shall, to the extent its rights and obligations have been transferred to the Assignee by this Assignment and Acceptance, relinquish its rights (other than under Section 8.03 of the Credit Agreement) and be released from its obligations under the Credit Agreement.

6. [Upon such execution by the Borrower](2), [F]rom and after the Effective Date, the Borrower shall make all payments in respect of the interest assigned hereby to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments for periods prior to such acceptance by the Borrower directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of Georgia.

WACHOVIA BANK, N.A.

By:_____
Title:

[NAME OF ASSIGNEE]

By:_____
Title:

Lending Office:
[Address]

ATLANTIC AMERICAN CORPORATION(1)

By:_____
Title:

A#

EXHIBIT G

NOTICE OF BORROWING

----------, ----

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attention:_____

Re: Credit Agreement (as amended and modified from time to time, the "Credit Agreement") dated as of July 1, 1999 between Atlantic American Corporation and Wachovia Bank, N.A.

Gentlemen:

Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Credit Agreement.

This Notice of Borrowing is delivered to you pursuant to Section 2.02 of the Credit Agreement.

The Borrower hereby requests a [Euro-Dollar Borrowing][Base Rate Borrowing] in the aggregate principal amount of $_____ to be made on _____, ____ and for interest to accrue thereon at the rate established by the Credit Agreement for [Euro-Dollar Loans][Base Rate Loans]. The duration of the Interest Period with respect thereto shall be [1 month][2 months][3months][6 months][30 days].

The Borrower has caused this Notice of Borrowing to be executed and delivered by its duly authorized officer this ___ day of ____, ____.

ATLANTIC AMERICAN CORPORATION

By:_____
Title:

- --------

(1) Publicly traded bond backed by letter of credit from Wachovia Bank, N.A.
(2) Series B preferred stock is redeemable only by the Borrower (3) Atlantic American Corporation will hold a surplus note issued by Association Casualty Insurance Company ("ACIC") in connection with the acquisition of ACIC and its affiliated entity. This note eliminates in the consolidation of Atlantic American Corporation and its subsidiaries.
(4) I.e., a Base Rate or Euro-Dollar Loan
(5) If the Assignee is organized under the laws of a jurisdiction outside the United States.
(6) If the Assignee is not an Affiliate of the Bank and a Default has not occurred and is continuing..

(99.1)

NEWS RELEASE
For Immediate Release

Atlantic American Corporation ISSUES
$25 MILLION IN TAXABLE VARIABLE RATE DEMAND BONDS

ATLANTA, Georgia, June 24, 1999 - Atlantic American Corporation (Nasdaq:AAME) today announced it has issued $25 million in Taxable Variable Rate Demand Bonds, Series 1999, to replace the Company's existing bank debt facility in anticipation of its previously-announced acquisition of Association Casualty Insurance Company and its affiliate, Association Risk Management General Agency, Inc. The acquisition of the Texas-based workers' compensation insurance underwriter is scheduled to be completed in early July. In connection with that acquisition, Atlantic American expects to enter into a new credit facility to be used in part to fund the cash portion of the purchase price.

The bond offering will lower overall interest costs and the proceeds will be used to pay off the majority of an existing $ 26 million term loan. Rated AA/A-1+ by Standard & Poor's, the bonds will mature July 1, 2009, will pay a variable interest rate that approximates 30-day LIBOR, and are backed by a Letter of Credit issued by Wachovia Bank, N.A. The cost of the Letter of Credit and its associated fees will be 180 basis points, making the effective cost to the company approximately LIBOR plus 180 basis points, which is currently approximately 6.8 percent.

Note regarding Private Securities Litigation Reform Act: Except for historical information contained herein, this press release contains forward-looking statements that involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements due to a number of factors and risks detailed from time to time in statements and reports that Atlantic American Corporation has filed with the Securities and Exchange Commission.

Atlantic American is an insurance holding company involved in specialty markets of the life, health, property and casualty insurance industries. Its principal subsidiaries include American Southern Insurance Company, American Safety Insurance Company, Bankers Fidelity Life Insurance Company, Georgia Casualty & Surety Company and Self-Insurance
Administrators, Inc.

For further information contact:

Edward L. Rand, Jr., VP and Treasurer
Atlantic American Corporation
(404) 266-5500

Janice Kuntz
Fleishman-Hillard
(404) 659-4446

NEWS RELEASE
For Immediate Release

ATLANTIC AMERICAN CORPORATION COMPLETES ACQUISITION OF ASSOCIATION CASUALTY INSURANCE COMPANY AND ASSOCIATION RISK MANAGEMENT GENERAL AGENCY, INC.

Expands Operations Into Texas, New Mexico And Arizona/Adds Depth To Management Team

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ATLANTA, Georgia, July 6, 1999--Atlantic American Corporation (NASDAQ:AAME) today announced that, effective July 1, it has completed its acquisition of 100% of the outstanding stock of Association Casualty Insurance Company (Association Casualty) and its affiliate Association Risk Management General Agency, Inc. (ARMGA), both of Austin, Texas. The total consideration for the transaction was $32.5 million with $8.5 million paid in the form of common stock of Atlantic American Corporation, and the remaining $24.0 million paid in cash obtained from borrowings under credit facilities and other available funds. Of the total consideration, $21.1 million will be paid to acquire Association Casualty and $11.4 million will be paid to acquire ARMGA.

Association Casualty specializes in underwriting workers' compensation insurance in the State of Texas, and is rated A- ("Excellent") by A.M. Best Company. ARMGA operates as a general agency providing workers' compensation coverage through independent agents, insuring a broad range of business interests, as well as placing all other property and casualty lines of coverage for Propane Gas Dealers of Texas. By leveraging the experience and expertise of Atlantic American's subsidiary, Georgia Casualty & Surety Company, Atlantic American will aid in Association Casualty's expansion into underwriting other property and casualty lines of business.

"This acquisition expands Atlantic American's coverage outside the Southeast and builds on our concept of developing a portfolio of specialized, regional insurance companies," stated Hilton H. Howell, Jr., president and chief executive officer of Atlantic American. "Not only will this transaction provide us with a number of cross-marketing opportunities, it adds years of industry knowledge and expertise to our management team."

Harold Fischer, founder and president of both Association Casualty and ARMGA, will continue with the companies he founded and will also be joining the board of directors of Atlantic American Corporation. Atlantic American plans to work with the existing management team to develop cross marketing opportunities with Atlantic American's other insurance operations.

Atlantic American is an insurance holding company involved in specialty markets of the life, health, property and casualty insurance industries. Its principal subsidiaries include American Southern Insurance Company, American Safety Insurance Company, Bankers Fidelity Life Insurance Company, Georgia Casualty & Surety Company and Self-Insurance
Administrators, Inc.

Note regarding Private Securities Litigation Reform Act: Except for historical information contained herein, this press release contains forward-looking statements that involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements due to a number of factors and risks detailed from time to time in statements and reports that Atlantic American Corporation has filed with the Securities and Exchange Commission.

For further information contact:

Hilton H. Howell, President and
Chief Executive Officer
Atlantic American Corporation
(404) 266-5500

Janice Kuntz
Fleishman-Hillard
(404) 659-4446