

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) January 12, 1996
(December 31, 1995)

ATLANTIC AMERICAN CORPORATION

(Exact name of registrant as specified in its charter)

Georgia

0-3722

58-1027114

(State or other jurisdiction of (Commission File (I.R.S. Employer Identification
incorporation or organization) Number) 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 December 31, 1995, pursuant to an agreement (the "Stock Purchase Agreement"), Atlantic American Corporation (the "Company"), acquired all of the shares of capital stock of American Southern Insurance Company ("American Southern") from Fuqua Enterprises, Inc. (the "Seller") for a purchase price of \$34,000,000. As a result of the transaction, American Southern became a wholly owned subsidiary of the Company. The assets of American Southern include investments, receivables, cash and other assets. The Company intends to continue to use these assets for the purpose of selling insurance. The purchase price was paid in the form of a cash payment of approximately \$22,642,000 (representing the proceeds of a loan from Wachovia Bank of Georgia, N.A.) and the issuance of a Promissory Note to the seller for approximately \$11,358,000. No material relationship exists between the Seller or its shareholders and the Company or any of its affiliates, directors or officers or any associate of any such director or officer.

Item 5. Other Events.

On January 5, 1996, Atlantic American Corporation entered into a Merger Agreement pursuant to which it will acquire all of the remaining publicly-held shares of its subsidiary, Bankers Fidelity Life Insurance Company. Atlantic American currently owns 93% of the outstanding stock of Bankers Fidelity. The transaction will be completed through the merger of a newly formed wholly-owned subsidiary of Atlantic American into Bankers Fidelity, with Bankers Fidelity being the surviving corporation in the merger. As a result of the merger, the public shareholders of Bankers Fidelity will receive \$6.25 in cash for each

share of common stock, for an aggregate of approximately \$1,264,000. Consummation of the transaction is subject to approval at a shareholders' meeting and receipt of any necessary regulatory approvals.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired: to be filed by amendment as soon as practicable; but, not later than March 12, 1996.

(b) Pro Forma Financial Information: to be filed by amendment as soon as practicable; but, not later than March 12, 1996.

(c) Exhibits.

(2.1) Stock Purchase Agreement by and between Atlantic American Corporation and Fuqua Enterprises, Inc., dated as of October 16, 1995.

(99.1) Credit Agreement, dated as of December 29, 1995, between Atlantic American Corporation and Wachovia Bank of Georgia, N.A.

(99.2) Press Release dated January 2, 1996.

(99.3) Press Release dated January 9, 1996.

SIGNATURES

Pursuant to the requirements of the Securities 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

(Registrant)

Date: January 12, 1996

By: /s/

John W. Hancock
Senior Vice President-Treasurer
(Principal Financial Officer)

By: /s/

John C. Hall, Jr.
Controller
(Principal Accounting Officer)

Index to Exhibits

- Exhibit 2.1 Stock Purchase Agreement by and between Atlantic American Corporation and Fuqua Enterprises , Inc., dated as of October 16, 1995.
- Exhibit 99.1 Credit Agreement, dated as of December 29, 1995, between Atlantic American Corporation and Wachovia Bank of Georgia, N.A.
- Exhibit 99.2 Press Release dated January 2, 1996.
- Exhibit 99.3 Press Release dated January 9, 1996.

STOCK PURCHASE AGREEMENT

by and between

ATLANTIC AMERICAN CORPORATION

and

FUQUA ENTERPRISES, INC.

Dated as of October 16, 1995

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THIS STOCK PURCHASE AGREEMENT (this "Agreement") is made as of October 16, 1995 by and between ATLANTIC AMERICAN CORPORATION, a Georgia corporation ("Purchaser"), and FUQUA ENTERPRISES, INC. (formerly known as Vista Resources, Inc.), a Delaware corporation ("Seller").

RECITALS

WHEREAS, Seller owns 100% of the issued and outstanding capital stock of American Southern Insurance Company, a Georgia corporation ("American Southern"); and

WHEREAS, Seller desires to sell to Purchaser, and Purchaser desires to purchase, all of the capital stock of American Southern, in accordance with the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1 CERTAIN DEFINITIONS

As used herein, the following terms have the following respective meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

1.01 "Agreement" Agreement means this Stock Purchase Agreement and the Exhibit hereto, as the same may be supplemented, modified or amended from time to time.

1.02 "American Safety" American Safety means American Safety Insurance Company, a Georgia corporation and wholly owned subsidiary of American Southern.

1.03 "Applicable Law" Applicable Law means all applicable provisions of constitutions, statutes, laws, rules, regulations and orders of all Governmental Authorities.

1.04 "Automated Systems" Automated Systems means Automated Systems of Georgia, Inc., a Georgia corporation and wholly owned subsidiary of American Southern.

1.05 "Automobile Safety" Automobile Safety means Automobile Safety Management, Inc., a Delaware corporation and wholly owned subsidiary of American Southern.

1.06 "Closing" Closing means the consummation of the transactions described in this Agreement, and "Closing Date" means the date upon which such consummation occurs.

1.07 "Code" Code means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

1.08 "Companies" Companies means American Southern collectively with the Subsidiaries.

1.09 "ERISA" ERISA means the Employee Retirement Income Security Act of 1974, as in effect from time to time.

1.10 "Fed" Fed means the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York acting as bailee for the Board of Governors.

1.11 "GAAP" GAAP means generally accepted accounting principles.

1.12 "Georgia Insurance Code" Georgia Insurance Code means Title 33 of the Official Code of Georgia Annotated and all regulations promulgated thereunder.

1.13 "Florida Tax Litigation" Florida Tax Litigation means the premium tax litigation with respect to the period from 1985 through 1990 involving American Southern and the State of Florida Department of Revenue currently being litigated in the District Court of Appeals, 1st District of Florida (Civil Action No. 95-2588).

1.14 "Governmental Authority" Governmental Authority means any federal, state, county, local, foreign or other governmental or public agency, instrumentality, commission, authority, board or body.

1.15 "Hart-Scott Act" Hart-Scott Act means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and all regulations promulgated thereunder.

1.16 "InterRedec" InterRedec means InterRedec Southern Company, Inc., a Delaware corporation.

1.17 "InterRedec Escrow" InterRedec Escrow means that certain Escrow Agreement dated as of October 11, 1991 by and among Seller, InterRedec and First Union National Bank of Georgia.

1.18 "InterRedec Note" InterRedec Note means that certain Nonnegotiable Note dated October 11, 1991 made by Seller, payable to InterRedec.

1.19 "InterRedec Pledge" InterRedec Pledge means that certain Pledge and Security Agreement dated October 11, 1991 by and between Seller and InterRedec.

1.20 "Knowledge" Knowledge (i) with respect to Seller, means those facts known, or which should have been known with reasonable diligence, by any of the officers or directors of the Companies; and (ii) with respect to Purchaser,

means those facts known, or which should have been known with reasonable diligence, by any of the officers or directors of Purchaser.

1.21 "Material Adverse Effect" Material Adverse Effect means a material adverse effect to the property, results of operations or financial condition of (a) American Southern and the Subsidiaries taken as a whole, or (b) Purchaser, as shall be applicable in the context in which the term is used; provided, however, that a Material Adverse Effect shall not include the effect of any matter which has or may have an industry-wide effect, or any general economic conditions.

1.22 "1933 Act" 1933 Act means the Securities Act of 1933, as amended.

1.23 "1934 Act" 1934 Act means the Securities Exchange Act of 1934, as amended.

1.24 "Person" Person means an individual, corporation, partnership, association, trust or unincorporated organization, or a government or any agency or political subdivision thereof.

1.25 "Pledged Shares" Pledged Shares means the 149,998 shares of American Southern common stock pledged to InterRedec by Seller pursuant to the InterRedec Pledge.

1.26 "Premier" Premier means Premier Adjusting and Claims Service, Inc., a Georgia corporation and wholly owned subsidiary of American Southern.

1.27 "Prime Rate" Prime Rate means the prime rate as published in the "Money Rates" column of The Wall Street Journal, Eastern Edition; in the event that more than one such rate is reported, the Prime Rate shall equal the average of such rates.

1.28 "Purchaser Disclosure Memorandum" Purchaser Disclosure Memorandum means the written information entitled "Purchaser Disclosure Memorandum" delivered to Seller prior to the date of this Agreement describing in reasonable detail the matters contained therein and, with respect to each disclosure made therein, specifically referencing each Section of this Agreement under which such disclosure is being made. Information disclosed with respect to one Section shall be deemed to be disclosed for purposes of all other Sections, provided that the relevance to the Section from which any such matter is omitted is apparent from the disclosure with respect to the Section in which such matter is included.

1.29 "Related Party" Related Party means Seller; any of the officers or directors of any of the Companies; any affiliate of Seller, any Company or any of their respective officers or directors; or any business or entity in which Seller, any Company, or any affiliate of any such person has any direct or material indirect interest.

1.30 "SAP" SAP means the statutory accounting practices as prescribed or permitted by the Georgia Insurance Department.

1.31 "SEC" SEC means the Securities and Exchange Commission.

1.32 "Seller Disclosure Memorandum" Seller Disclosure Memorandum means the written information entitled "Seller Disclosure Memorandum" delivered to Purchaser prior to the date of this Agreement describing in reasonable detail the matters contained therein and, with respect to each disclosure made therein, specifically referencing each Section of this Agreement under which such disclosure is being made. Information disclosed with respect to one Section shall be deemed to be disclosed for purposes of all other Sections, provided that the relevance to the Section from which any such matter is omitted is apparent from the disclosure with respect to the Section in which such matter is included.

1.33 "Shares" Shares means 100% of the issued and outstanding shares of capital stock of American Southern.

1.34 "Stockholders' Equity" Stockholders' Equity means total assets minus total liabilities of American Southern on a consolidated SAP basis.

1.35 "Stock Purchase Agreement" Stock Purchase Agreement means that certain Stock Purchase Agreement dated as of September 17, 1991, among Seller, Concorde Finance & Investment, Inc., InterRedec, Inc., InterRedec and American Southern.

1.36 "Subsidiaries" Subsidiaries means American Safety, Automated Systems, Automobile Safety and Premier.

1.37 "Tax Allocation Agreement" Tax Allocation Agreement means the tax allocation agreement dated as of October 11, 1991 between Seller and American Southern.

1.38 "Tax Returns" Tax Returns means all returns or reports, including accompanying schedules, with respect to Taxes.

1.39 "Taxes" Taxes means all federal, state, local and foreign income, premium, payroll, withholding, excise, sales, use, real and personal property, use and occupation, mercantile, capital stock, franchise and other taxes, including interest and penalties thereon and all estimated taxes.

ARTICLE 2 STOCK PURCHASE AND CLOSING

2.01 Purchase and Sale of the Shares. Upon and subject to the terms and conditions of this Agreement, Seller shall sell, and Purchaser shall purchase, the Shares.

2.02 Consideration. The aggregate consideration (the "Purchase Price") to be paid by Purchaser to Seller for the Shares shall be \$34,000,000, subject to adjustment as described in Section 2.04.

2.03 Payment of Purchase Price. Purchaser shall pay the Purchase Price as follows:

(a) at Closing, Purchaser shall execute and deliver to Seller a promissory note (the "Purchaser Note") in substantially the form attached hereto as Exhibit 2.03 in a principal amount equal to the total amount of the principal plus accrued interest (as determined pursuant to Section 2(c) of the InterRedec Note) owed by Seller under the InterRedec Note as of the Closing Date; and

(b) at Closing, Purchaser shall pay to Seller in cash the difference between \$34,000,000 and the principal amount of the Purchaser Note, by means of a wire transfer of immediately available funds (U.S. Dollars) to an account designated by Seller.

2.04 Post-Closing Adjustment.

(a) As soon as practicable, but in any event within thirty (30) days after Closing, Purchaser shall, under the direction and supervision of Roy S. Thompson, Jr., Scott G. Thompson and Calvin L. Wall, or any of them, prepare and deliver to Seller a balance sheet of American Southern as of the Closing Date (the "Closing Balance Sheet"), prepared in accordance with SAP reporting practices consistently applied (but subject to the provisions of Section 5.04(i)). Without limiting the generality of the foregoing sentence, the parties expressly agree that the Closing Balance Sheet shall include amounts for insurance liability reserves calculated in a manner and using methodologies and assumptions consistent in all respects with American Southern's practice of calculating such reserves during the 24-month period immediately prior to the Closing Date.

(b) Seller shall have fifteen (15) days after receipt of the Closing Balance Sheet in which to review such Closing Balance Sheet, and during such 15-day period, Purchaser shall make available to Seller and its representatives all information regarding preparation of the Closing Balance Sheet as may be reasonably requested by Seller, including, without limitation, access to all employees, books, records and work papers. If within such 15-day period Seller does not provide Purchaser with written notice of any objection to the Closing Balance Sheet, the Closing Balance Sheet shall be deemed accepted by, and final and binding upon, both parties. If Seller does provide Purchaser with written notice of any objection within such 15-day period, then the parties shall in good faith attempt to resolve such dispute within fifteen (15) days after Purchaser's receipt of Seller's objection notice. If such dispute cannot be resolved by the parties, the dispute shall be submitted to arbitration in accordance with the provisions of Article 9 hereof, except that the third arbitrator selected from a AAA list (as described in Section 9.02) must be an independent certified public accountant knowledgeable about SAP.

(c) Once the Closing Balance Sheet has been deemed final and binding on the parties, whether by failure of Seller to object, agreement of the parties or arbitration, within five (5) business days thereafter, Seller shall pay to Purchaser in immediately available funds the amount, if any, by which the Stockholders' Equity reflected on the Closing Balance Sheet is less than

\$26,800,000, plus interest thereon at the Prime Rate in effect on the Closing Date for the period of the Closing Date through the date of payment. If such Stockholders' Equity as reflected on the Closing Balance Sheet is equal to or greater than \$26,800,000, neither party shall owe the other any additional amounts.

(d) Notwithstanding anything to the contrary contained herein, the parties agree that all payables of any of the Companies to Seller or any of its affiliates shall be accrued on the Closing Balance Sheet and paid at Closing or paid prior to Closing (in which case the Companies shall furnish Seller with satisfactory evidence of such payment).

2.05 Closing. Closing shall be effective as of the close of business on the last day of the month in which all of the conditions set forth in Article 6 are satisfied or waived, and Closing shall take place at such time and place as the parties may agree.

2.06 Deliveries and Proceedings at the Closing. At the Closing, the parties shall execute and deliver each agreement and instrument required or contemplated by this Agreement to be so executed and delivered and not theretofore executed and delivered. In addition, at the Closing, i) Purchaser shall deliver to Seller the Purchase Price, and (ii) Seller shall deliver to Purchaser the certificate or certificates evidencing the Shares, duly endorsed in blank for transfer or accompanied by duly executed irrevocable stock powers in blank, free and clear of all liens, encumbrances, pledges, options, voting agreements, contractual rights or other claims whatsoever. All actions taken at the Closing shall be deemed to occur simultaneously.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser as of the date hereof as follows:

3.01 Organization and Good Standing of Seller; Power and Authority. Seller is a corporation duly organized, validly existing and in good standing under the laws of Delaware. Seller has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of, and the performance by Seller of its obligations under, this Agreement have been duly and validly authorized by all necessary corporate action on the part of Seller. No other corporate or shareholder proceedings on the part of Seller is necessary to approve this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Seller and constitutes Seller's valid and binding obligations, enforceable against Seller in accordance with its terms.

3.02 Organization and Good Standing of American Southern; Power and Authority. American Southern is a corporation duly organized, validly existing and in good standing under the laws of Georgia. American Southern has all requisite corporate power and authority to own or lease its properties and

assets as now owned or leased. The copies of American Southern's articles of incorporation and bylaws, as amended to date, which have been delivered to Purchaser, are correct and complete and are in full force and effect.

3.03 Capitalization and Ownership. American Southern's authorized capital stock consists solely of 300,000 shares of common stock, par value \$10 per share, 300,000 of which are currently issued and outstanding and none of which are held in its treasury. All of such outstanding shares of American Southern have been duly authorized, validly issued and are fully paid and nonassessable. Such issued and outstanding shares constitute the Shares, all of which are owned beneficially and of record by Seller, free and clear of any liens, encumbrances, pledges, options, voting agreements, contractual rights or other claims whatsoever, other than the security interest created pursuant to the InterRedec Pledge. As of the Closing, the Shares will be solely owned, beneficially and of record, free and clear of all liens, encumbrances, pledges, options, voting agreements, contractual rights or other claims whatsoever. There are no outstanding options, warrants, preemptive rights, agreements, calls, commitments or demands of any character relating to the capital stock of American Southern and no securities convertible into or exchangeable for any of such capital stock.

3.04 Subsidiaries. American Southern owns, free and clear of all liens and encumbrances whatsoever, 100% of the issued and outstanding capital stock of each Subsidiary. All of such outstanding shares of the Subsidiaries have been duly authorized, validly issued and are fully paid and nonassessable. There are no outstanding options, warrants, rights, agreements, calls, commitments or demands of any character relating to the capital stock of any Subsidiary and no securities convertible into or exchangeable for any of such capital stock. Section 3.04 of the Seller Disclosure Memorandum accurately sets forth the number of shares, classes and par values of the authorized and issued shares of the Subsidiaries. American Southern does not, directly or indirectly, own any stock of, or any other interest in, any Person other than the Subsidiaries, except that American Southern may own interests held for investment purposes not exceeding 10% of any such single Person. Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its incorporation, and each Subsidiary has all requisite corporate power and authority to own or lease its properties and assets as now owned or leased. The copies of the articles of incorporation and bylaws of each Subsidiary, as amended to date, which have been delivered to Purchaser, are correct and complete and are in full force and effect.

3.05 Qualification. Each of the Companies is duly qualified or licensed to do business and is in good standing as a foreign corporation in each jurisdiction in which such qualification or licensing is necessary under Applicable Law, except where the failure to be so duly qualified or licensed or in good standing would not have a Material Adverse Effect.

3.06 No Violation of Applicable Laws or Agreements. The execution and delivery of this Agreement by Seller do not, and the consummation of the

transactions contemplated by this Agreement and the compliance with the terms, conditions and provisions of this Agreement by Seller, will not (a) violate or conflict with any provision of Seller's or the Companies' articles of incorporation or bylaws; (b) except as set forth in Section 3.06 of the Seller Disclosure Memorandum, violate, conflict with or result in the breach or termination of, or otherwise give any contracting party (which has not consented to such execution, delivery and consummation) the right to change the terms of, or to terminate or accelerate the maturity of, or constitute a default under the terms of, any indenture, mortgage, loan or credit agreement or any other material agreement or instrument to which any of Seller or the Companies is a party or by which any of them or any of their assets may be bound or affected, or any Applicable Law; (c) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the Companies' assets or give to others any interests or rights therein; other than any such conflicts, breaches, terminations, accelerations, defaults or violations that would not, individually or in the aggregate, have a Material Adverse Effect.

3.07 SEC Filings and Financial Statements.

(a) Seller has heretofore delivered to Purchaser copies of Seller's (i) Annual Report on Form 10-K for the fiscal year ended December 31, 1994, (ii) Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1995, and (iii) all other reports, registration statements and other documents filed by Seller with the SEC since December 31, 1994 (collectively, the "Seller SEC Filings"). Since December 31, 1994, Seller has timely filed all reports, registration statements and other documents required to be filed with the SEC under the rules and regulations of the SEC, and all such reports, registration statements and other documents have complied in all material respects, as of their respective filing dates and effective dates, as the case may be, with all applicable requirements of the 1933 Act or the 1934 Act. As of their respective filing and effective dates, none of such reports, registration statements or other documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Seller has delivered, or prior to Closing will deliver, to Purchaser complete and correct copies of the following financial statements:

(i)...the Annual Statements of each of American Southern and American Safety filed with the Georgia Insurance Department for the years ending December 31, 1992, 1993 and 1994, together with the exhibits and schedules thereto (collectively the "Annual Statements");

(ii)..the Quarterly Statements of each of American Southern and American Safety filed with the Georgia Insurance Department for the quarters ending March 31, 1995 and June 30, 1995, together with the exhibits and schedules thereto (collectively, the "Quarterly Statements");

(iii).the audited balance sheets (on a SAP basis), statements of income, statements of changes in capital and surplus, and statements of cash flows of American Southern on an unconsolidated basis as of and for the years ended December 31, 1992, 1993 and 1994 (such financial statements, including all notes and schedules thereto and the independent auditors' report of Ernst & Young LLP thereon, being the "Audited Statements") (the balance sheet as of December 31, 1994 included in the Audited Statements is referred to herein as the "1994 Balance Sheet"); and

(iv)..the unaudited balance sheet (on a SAP basis) of American Southern on a consolidated basis (consolidating American Southern with the Subsidiaries) as of June 30, 1995 (the "Balance Sheet Date"), and the unaudited statement of income of American Southern on a consolidated basis for the six-month period ending on the Balance Sheet Date (collectively, the "Interim Unaudited Statements").

The statutory financial statements contained in the Annual Statements (and with respect to clause (ii) below, other items contained in the Annual Statements) and the Audited Statements (i) have been prepared in conformity with SAP using comparable estimates and assumptions applied on a consistent basis with the December 31, 1994 financial statements, except that the financial statements contained in the Quarterly Statements are unaudited, (ii) are true, correct and complete and in accordance with the books and records of each Company, respectively, and (iii) present fully and fairly, on a SAP basis, the financial condition, assets and liabilities of each of American Southern and American Safety, as the case may be, as of the respective dates thereof and the results of operations and cash flows for the respective periods indicated. The financial statements contained in the Quarterly Statements include all adjustments necessary for a fair presentation of the financial position of each Company, respectively, and the results of its operations for the interim period presented, subject to normal recurring year-end adjustments and the omission of footnote disclosures. The Interim Unaudited Statements have been prepared in accordance with SAP applied on a consistent basis throughout the period involved and present fairly the financial condition, assets and liabilities of the Companies as of the respective dates thereof and the results of operations for the period indicated, subject to normal recurring year-end adjustments and the omission of footnote disclosures.

(c) Seller has delivered to Purchaser complete and correct copies of the Insurance Holding Company System Registration Statement on Form B as filed by American Southern on behalf of itself and American Safety for the years ended December 31, 1992, 1993 and 1994. Such Forms B, as well as the Annual Statements and the Quarterly Statements, when filed complied in all material respects with the Georgia Insurance Code.

3.08 Absence of Certain Changes. Except as disclosed in Section 3.08 of the Seller Disclosure Memorandum, since the Balance Sheet Date (i) there has been no occurrence having, or which would reasonably be expected to result in, a Material Adverse Effect upon the Companies, and (ii) none of the Companies has

taken any action that would be prohibited under Section 5.01 after the date of this Agreement. Since the Balance Sheet Date, the business of the Companies has been conducted only in the ordinary and usual course consistent with past practice, except with respect to the transactions contemplated in this Agreement.

3.09 Reserves. All losses and loss adjustment expenses established and reflected in the 1994 Balance Sheet in respect of the Companies' insurance policies was determined in accordance with generally accepted actuarial standards, was based on actuarial estimates and assumptions that were reasonable and appropriate to the relevant insurance policies and were recorded in compliance with the applicable requirements of the Georgia Insurance Code.

3.10 Tax Matters. Except as set forth in Section 3.10 of the Seller Disclosure Memorandum:

(a) None of the Companies (i) is, or since Seller's acquisition of the Shares has been, a member of an affiliated group of corporations within the meaning of Section 1504 of the Code filing a consolidated or combined Tax Return other than (A) the affiliated group of which Seller is the common parent (the "Seller Group") with respect to federal Tax Returns, and (B) an affiliated group or groups consisting solely of American Southern and one or more of the Subsidiaries with respect to state Tax Returns (a "Subsidiary Group"); or (ii) has any liability for Taxes of any Person other than the members of the Seller or Subsidiary Group.

(b) Each Seller Group and Subsidiary Group has (i) timely filed all Tax Returns required to be filed by it; (ii) paid all Taxes shown to have become due pursuant to such filed Tax Returns; and (iii) paid all other Taxes for which a notice of assessment or demand for payment has been received, except where the failure to file such Tax Returns or pay such Taxes would not have a Material Adverse Effect. All Tax Returns of each Seller Group and Subsidiary Group (i) have been prepared in accordance with all Applicable Laws, and (ii) accurately reflect the taxable income (or other measure of tax) of the corporation or corporations filing the same, except where the failure to do so has not had a Material Adverse Effect on the Companies. All Taxes of the Companies for periods after December 31, 1994 have been paid or are adequately reserved against on the GAAP and SAP books of the Companies. The Companies have timely filed all information returns or reports, including Forms 1099, that are required to be filed and have accurately reported all information required to be included on such returns or reports. True copies of federal income tax returns of the Companies included in the consolidated Tax Returns for the Seller Group for each of the fiscal years ended December 31, 1992 through December 31, 1994 have been made available to Purchaser. True copies of the state Tax Returns of the Companies filed most recently in each state, respectively, in which the Companies have filed Tax Returns have been delivered to Purchaser.

(c) There are no proposed assessments of Taxes against the Companies, no proposed adjustments to any Tax Return pending against the Seller Group with

respect to the Companies' operations or assets, and no proposed adjustments to the manner in which any Tax of the Seller Group is determined with respect to the Companies' operations or assets. No claim has been made by a taxing authority in a jurisdiction where the Companies do not file Tax Returns that any of the Companies is or may be subject to taxation by that jurisdiction.

(d) Since Seller's acquisition of the Shares, none of the Companies has (i) filed any consent agreement under Section 341(f) of the Code, (ii) executed or been the subject of a waiver or consent extending any statute of limitation for any Tax liability that remains outstanding, (iii) joined in or been required to join in filing a consolidated or combined federal, state or local Tax Return with any corporation other than a current or former member of the Seller Group or Subsidiary Group, (iv) been the subject of a ruling of the Internal Revenue Service or any state or local revenue authority that has continuing application to the Companies, (v) been the subject of a closing agreement with any taxing authority that has continuing effect, or (vi) granted a power of attorney with respect to any Tax matters that has continuing effect. During the immediately preceding three years, none of the Companies has agreed to make nor is it required to make any adjustment under Section 481 of the Code by reason of a change in accounting method or otherwise.

(e) Seller is not a "foreign person" within the meaning of Section 1445 of the Code.

(f) Seller has no Knowledge of any matter involving Taxes with respect to the Seller Group that would make the Companies subject to joint and severable liability of Seller and is reasonably likely to have a Material Adverse Effect on the Companies.

3.11 Pending Litigation or Proceedings. Except for claims under insurance contracts against the Companies in the ordinary course of business, or as set forth in Section 3.11 of the Seller Disclosure Memorandum, there are no claims, suits, actions, proceedings, arbitrations or investigations pending, or to the Knowledge of Seller threatened, against or otherwise relating to or involving any of the Companies or any of their properties, the outcome of which would reasonably be expected to have a Material Adverse Effect or to affect the ability of Seller to consummate the transactions contemplated by this Agreement. Except as set forth in Section 3.11 of the Seller Disclosure Memorandum, with respect to American Southern and American Safety (i) no investigation or examination by any insurance regulatory authority is pending, and (ii) no such investigation or examination has occurred since the date upon which Seller acquired the Shares. Section 3.11 of the Seller Disclosure Memorandum describes each instance in which either American Southern or American Safety has been the subject of a fine or penalty by an insurance regulatory authority since the date upon which Seller acquired the Shares.

3.12 Compliance With Applicable Laws. None of the Companies is in violation of any Applicable Law, except for possible violations that would

not, individually or in the aggregate, have or be reasonably likely to have a Material Adverse Effect. Each of the Companies holds all licenses, permits, registrations and other authorizations required to conduct its business, and all such licenses, permits, registrations and other authorizations are valid and in full force and effect, except for those the absence of which are not reasonably likely to have a Material Adverse Effect. Each of the Companies is in compliance with all such licenses, permits, registrations and authorizations, except for possible failures to be so in compliance which are not reasonably likely to have a Material Adverse Effect.

3.13 Consents and Approvals. Except as set forth in Section 3.13 of the Seller Disclosure Memorandum, except as required under the Hart-Scott Act, and except for the approval of the Georgia Insurance Department, the execution, delivery and performance of this Agreement by Seller and the consummation of the transactions contemplated hereby do not require any consent, approval or authorization of, or registration or filing with, any Person or Governmental Authority.

3.14 Legal Investments. The bonds, stocks and other investments owned beneficially or of record by the Companies are permissible investments for them under the Georgia Insurance Code.

3.15 Investment Assets Custody. Section 3.15 of the Seller Disclosure Memorandum contains a complete and correct list of all custodians and depositories for investment assets of any of the Companies, and lists the persons having signatory authority or access thereto on behalf of any of the Companies.

3.16 Insurance Issued. All insurance policies and contracts issued by American Southern or American Safety 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.

3.17 Insurance Agents. Section 3.17 of the Seller Disclosure Memorandum contains a complete and correct list of all insurance agencies and agents authorized to write insurance on behalf of American Southern or American Safety as of the date shown on such list. To the Knowledge of Seller, 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 American Southern or American Safety.

3.18 Title to Assets; Material Contracts.

(a) Each of the Companies has (i) good and marketable title, or valid and binding leasehold rights in the case of leased property, to all material personal property owned or leased by it, and (ii) valid and binding leasehold rights to all real property leased by it, free and clear of any lien, encumbrance, mortgage, pledge, charge or security interest whatsoever, other

than those that would not, individually or in the aggregate, have a Material Adverse Effect. None of the Companies owns any real property. Section 3.18(a) of the Seller Disclosure Memorandum contains a complete and accurate list of all real property leased by any of the Companies, including the date of expiration of each such lease. All material items of personal property owned or leased by the Companies are in good condition and repair, reasonable wear and tear excepted, and are usable in the ordinary course of business consistent with past practices. All of the assets that are being used on a regular basis in the business are being conveyed to Purchaser.

(b) Section 3.18(b) of the Seller Disclosure Memorandum contains a complete and correct list of (i) all reinsurance agreements; (ii) all loan or credit agreements, mortgages, indentures, or other agreements for borrowed money; (iii) all employment or compensation agreements with officers, directors, employees, agents (other than insurance agents), consultants and independent contractors; and (iv) all other contracts, leases, agreements or legal commitments of any kind, oral or written, formal or informal, pursuant to which any of the Companies owes more than \$50,000 per calendar year (the agreements described in (i)-(iv) and those that cannot be terminated upon 30 days notice without payment or penalty are collectively the "Material Contracts"). Except as described in Section 3.18 of the Seller Disclosure Memorandum, all Material Contracts are in full force and effect, and none of the Companies is in default under, nor has any event occurred which with the passage of time or giving of notice or both would result in any of the Companies being in default under, any of the terms thereof.

3.19 Employee Benefit Plans.

(a) The only employee pension benefit plans (as defined in Section 3(2) of ERISA), welfare benefit plans (as defined in Section 3(1) of ERISA), bonus, stock purchase, stock ownership, stock option, deferred compensation, incentive or other compensation plan or arrangement, and other employee fringe benefit plans presently maintained by, or contributed to by the Companies or by Seller for the benefit of any current or former employee of the Companies are those listed in Section 3.19 of the Seller Disclosure Memorandum (the "Benefit Plans"). None of the Benefit Plans are provided by Seller; all of such Benefit Plans are provided by American Southern.

(b) American Southern and each of the Benefit Plans, are in compliance in all material respects with the applicable provisions of ERISA and those provisions of the Code applicable to the Benefit Plans.

(c) All contributions to, and payments from, the Benefit Plans which may have been required to be made in accordance with the Benefit Plans and, when applicable, Section 302 of ERISA or Section 412 of the Code, have, in all material respects, been timely made.

(d) There are (i) no pending investigations by any Governmental Authority involving the Benefit Plans, (ii) no termination proceedings involving the

Benefit Plans, (iii) to Seller's Knowledge, no threatened or pending claims (except for claims for benefits payable in the normal operation of the Benefit Plans), suits or proceedings against any Benefit Plan or asserting any rights or claims to benefits under any Benefit Plan which could give rise to any material liability and (iv) no facts which could give rise to any material liability in the event of such investigation, claim, suit or proceeding.

(e) Neither the Benefit Plans, American Southern nor any employee of the foregoing, nor, to Seller's Knowledge, any trusts created thereunder, or any trustee, administrator or other fiduciary thereof, has engaged in a "prohibited transaction" (as such term is defined in Section 4975 of the Code or Section 406 of ERISA) which could subject the Companies to the tax or penalty on prohibited transactions imposed by such Section 4975 or the sanctions imposed under Title I of ERISA. Neither the Benefit Plans nor any such trust has been terminated nor to Seller's Knowledge have there been any "reportable events" (as defined in Section 4043 of ERISA and the regulations thereunder) with respect to either thereof.

(f) No Benefit Plan subject to Title IV of ERISA has incurred any material liability to the Pension Benefit Guaranty Corporation other than for the payment of premiums, all of which have been paid when due. No Benefit Plan has applied for or received a waiver of the minimum funding standards imposed by Section 412 of the Code.

(g) At no time for which any relevant statute of limitations remains open have (a) American Southern, (b) any employer that is, together with American Southern, treated as a "single employer" under Section 414(b), 414(c) or 414(m) of the Code (an "Affiliate"), or (c) any employer that was at any time after September 2, 1984, an Affiliate of American Southern (a "Former Affiliate"), incurred any liability which could subject Purchaser or American Southern to liability under Section 4062, 4063 or 4064 of ERISA.

(h) At no time for which any relevant statute of limitations remains open have American Southern or any Affiliate or Former Affiliate been required to contribute to, or incurred any withdrawal liability within the meaning of Section 4201 of ERISA, to any multiemployer pension plan, within the meaning of Section 3(37) of ERISA, which liability has not been fully paid as of the date hereof.

(i) American Southern has complied in all material respects with the notice and continuation coverage requirements of Section 4980B of the Code and the regulations thereunder with respect to each Benefit Plan that is, or was during any taxable year of American Southern for which the statute of limitations on the assessment of federal income taxes remains open, by consent or otherwise, a group health plan within the meaning of Section 5000(b)(1) of the Code.

(j) American Southern has not incurred and is not reasonably likely to incur any liability that is or could reasonably be expected to become a material liability of American Southern with respect to any plan or arrangement that

would be included within the definition of "Benefit Plan" hereunder but for the fact that such plan or arrangement was terminated before the date of this Agreement.

(k) No payment which is or may be made by American Southern, or from any Benefit Plan, to any employee, former employee, director or agent of American Southern under the terms of any Benefit Plan, either alone or in conjunction with any other payment, will or could be characterized as an excess parachute payment under Section 280G of the Code.

3.20 Compensation Arrangements; Bank Accounts; Officers and Directors. Section 3.20 of the Seller Disclosure Memorandum sets forth the following information:

(a) the name and current annual salary, including any bonus, if applicable, of each of the present officers and employees of the Companies whose current annual salary, including any promised or customary bonus, equals or exceeds \$100,000, together with a statement of the full amount of all cash remuneration paid by the Companies to each such person and to any director of the Companies, during the twelve-month period ending on August 31, 1995;

(b) the name of each bank in which any of the Companies has an account or safe deposit box, the identifying numbers thereof, and the names of all persons authorized to draw thereon or to have access thereto; and

(c) the name and title of each director and officer of each of the Companies and of each trustee, fiduciary or plan administrator of each Benefit Plan.

3.21 Transactions With Related Parties. Except as disclosed in Section 3.21 of the Seller Disclosure Memorandum, no Related Party:

(a) has borrowed money or loaned money to any of the Companies which will not be repaid on or before Closing;

(b) has any contractual or other claim against any of the Companies;
or

(c) had, since January 1, 1993, any interest in any property or assets used by the Companies in its business.

3.22 Labor Relations. Except as disclosed in Section 3.22 of the Seller Disclosure Memorandum, (a) no employee of any of the Companies is represented by any union or other labor organization; (b) there is no unfair labor practice complaint against any of the Companies pending or overtly threatened before the National Labor Relations Board; and (c) there is no labor strike, dispute, slow down or stoppage actually pending or, to the knowledge of Seller, threatened against or involving any of the Companies.

3.23 Brokerage. None of Seller or the Companies has made any agreement or taken any other action which might cause anyone to become entitled to a broker's fee or commission as a result of the transactions contemplated hereby.

3.24 Insurance. All of the Companies' properties and assets of an insurable nature and of a character usually insured by companies of similar size and in similar businesses are insured by the Companies in such amounts and against such losses, casualties or risks as is (a) usual in such companies and for such properties, assets and businesses, or (b) required by any Applicable Law. Section 3.24 of the Seller Disclosure Memorandum contains a complete and accurate list of all insurance policies held or owned by the Companies relating to their business now in force. All such policies are in full force and effect.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as of the date hereof as follows:

4.01 Purchaser's Organization and Good Standing; Power and Authority. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Georgia. Purchaser has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of, and the performance by Purchaser of its obligations under, this Agreement have been duly and validly authorized by all necessary corporate action on the part of Purchaser. No other corporate or shareholder proceedings on the part of Purchaser are necessary to approve this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Purchaser and constitutes Purchaser's valid and binding obligation, enforceable against Purchaser in accordance with its terms.

4.02 No Violation of Applicable Laws or Agreements. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated by this Agreement and the compliance with the terms, conditions and provisions of this Agreement by Purchaser, will not (a) violate or conflict with any provision of Purchaser's articles of incorporation or bylaws; (b) except as set forth in Section 4.02 of the Purchaser Disclosure Memorandum, violate, conflict with or result in the breach or termination of, or otherwise give any contracting party (which has not consented to such execution, delivery and consummation) the right to change the terms of, or to terminate or accelerate the maturity of, or constitute a default under the terms of, any indenture, mortgage, loan or credit agreement or any other material agreement or instrument to which Purchaser is a party or by which any of its assets may be bound or affected, or any Applicable Law; (c) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of Purchaser's assets or give to others any interests or rights therein; other than any such conflicts, breaches, terminations, accelerations, defaults or violations

that would not, individually or in the aggregate, have a Material Adverse Effect.

4.03 Pending Litigation or Proceedings. Except as set forth in Section 4.03 of the Purchaser Disclosure Memorandum, there are no claims, suits, actions, proceedings, arbitrations or investigations pending or, to the knowledge of Purchaser, threatened, against or otherwise relating to or involving Purchaser or any of its properties, the outcome of which would reasonably be expected to have a Material Adverse Effect or to affect the ability of Purchaser to consummate the transactions contemplated by this Agreement.

4.04 Brokerage. Purchaser has not made any agreement or taken any other action which might cause anyone to become entitled to a broker's fee or commission as a result of the transactions contemplated hereby.

4.05 Investment Intent; Ability to Bear Risk. Purchaser is acquiring the Shares for investment for its own account and not with a view to, or for offer or sale in connection with, any public distribution thereof. Purchaser has not been and is not involved with any Person concerning an Alternative Transaction (as such term is defined in Section 5.07). Purchaser is familiar with the property and casualty insurance business, and has the requisite knowledge and experience to evaluate the merits and risks of its acquisition of the Shares.

4.06 SEC Filings and Financial Statements.

(a) Purchaser has heretofore delivered to Seller copies of Purchaser's (i) Annual Report on Form 10-K for the fiscal year ended December 31, 1994, (ii) 1994 Annual Report to Shareholders, (iii) Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1995, and (iv) all other reports, registration statements and other documents filed by Purchaser with the SEC since December 31, 1994 (collectively, the "Purchaser SEC Filings"). Since December 31, 1994, Purchaser has timely filed all reports, registration statements and other documents required to be filed with the SEC under the rules and regulations of the SEC, and all such reports, registration statements and other documents have complied in all material respects, as of their respective filing dates and effective dates, as the case may be, with all applicable requirements of the 1933 Act or the 1934 Act. As of their respective filing and effective dates, none of such reports, registration statements or other documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The audited consolidated financial statements and unaudited interim consolidated financial statements of Purchaser contained or incorporated by reference in the Purchaser SEC Filings have been prepared in conformity with GAAP, and, together with the notes thereto, present fairly the consolidated

financial position of Purchaser and its subsidiaries at the dates shown and the consolidated results of their operations, changes in stockholders' equity and cash flows for the periods then ended. The unaudited interim consolidated financial statements as of, and for, the period ending June 30, 1995 include all adjustments necessary for a fair presentation of the financial position of Purchaser and its subsidiaries and the results of their respective operations for the interim periods presented, subject to normal, recurring year-end adjustments and the omission of footnote disclosures.

4.07 Absence of Certain Changes. Except as disclosed in Section 4.07 of the Purchaser Disclosure Memorandum or as specifically disclosed in the Purchaser SEC Filings, since June 30, 1995 (i) there has been no occurrence having, or which would reasonably be expected to result in, a Material Adverse Effect upon Purchaser. Since June 30, 1995, the business of Purchaser has been conducted only in the ordinary and usual course consistent with past practice, except with respect to transactions contemplated in this Agreement.

4.08 Consents and Approvals. Except as set forth in Section 4.08 of the Purchaser Disclosure Memorandum, except as required under the Hart-Scott Act, and except for the approval of the Georgia Insurance Department, the execution, delivery and performance of this Agreement by Purchaser and the consummation of the transactions contemplated hereby do not require any consent, approval or authorization of, or registration or filing with, any Person or Governmental Authority.

ARTICLE 5 CERTAIN ADDITIONAL COVENANTS AND AGREEMENTS

5.01 Operation of Business Pending Closing. Prior to the Closing Date, except with the prior consent of Purchaser and except as necessary to effect the transactions contemplated in this Agreement, (a) Seller shall cause the Companies to conduct their business in the usual and ordinary course as currently being conducted, and (b) without limiting the generality of the foregoing clause (a), Seller shall cause each of the Companies not to do any of the following:

(i)...amend its articles of incorporation or bylaws, or merge, consolidate, liquidate or dissolve;

(ii)..issue any capital stock, any securities convertible or exchangeable into capital stock, or any options, warrants or rights with respect to capital stock, or split, subdivide or reclassify its capital stock;

(iii).declare or pay any dividend or make any other distribution on its capital stock other than cash dividends on the Shares in an amount not exceeding \$300,000 per month;

(iv)..increase the compensation or benefits of officers or employees of the Companies or pay any bonuses except for normal and customary increases made or bonuses paid or accrued in accordance with past practices;

(v)...except in the ordinary course of business, create or incur any lien, encumbrance, mortgage, pledge, charge or security interest whatsoever on any of its properties; or, except for the issuance of insurance contracts or policies and the settlement of insurance claims in the ordinary course of business, incur or assume any guaranty or other liability to discharge an obligation of another, or incur or assume any obligations for money borrowed, or cancel or discount any material debt owed to it;

(vi)..enter into or terminate any Material Contract;

(vii).make any expenditure for fixed assets in excess of \$25,000 for any single item or \$100,000 in the aggregate;

(viii) do or fail to do anything that will cause a breach of, or default under, any Material Contract; or

(ix)..make any change of a material nature in the Companies' accounting procedures, methods, policies or practices or the manner in which the Companies maintain their records.

5.02 Access to Information. Between the date hereof and the Closing Date, Seller shall give, and shall cause the Companies to give, to Purchaser and its authorized representatives, during normal business hours, access to all of the Companies' properties, contracts, books and records, and Seller shall furnish, and shall cause the Companies to furnish, to Purchaser and its authorized representatives such additional financial, legal and other information with respect to the Companies that Purchaser may reasonably request. Purchaser shall use such information solely for the purpose of conducting business, legal and financial reviews of the Companies and for such other purposes as may be related to this Agreement. Purchaser shall maintain the confidentiality of all such information (other than information that is in the public domain or otherwise ascertainable from public or outside sources) except to the extent that disclosure is required by judicial process or governmental regulatory authorities, in which case Purchaser shall give Seller prompt notice in order that Seller may seek to obtain a protective order.

5.03 Supplements to Disclosure Memoranda. At any time and from time to time between the date hereof and the date that is two business days prior to the Closing Date, Seller and Purchaser shall have the right and the continuing obligation to supplement their respective Disclosure Memoranda with respect to any matter arising or coming to the Knowledge of Seller or Purchaser after the date hereof that, if existing, occurring or known at such date, would have been required to be set forth or described in such Disclosure Memorandum. A party receiving a supplemented Disclosure Memorandum within 10 days prior to the anticipated Closing Date may unilaterally extend the time of the Closing up to 10 days from the receipt of the supplement for the sole

purpose of reviewing the supplemental Disclosure Memorandum. If, in the recipient party's reasonable determination, any such supplements provided by the other party reveal any Material Adverse Effect or any condition or event that would be reasonably likely to result in a Material Adverse Effect, the recipient party may terminate this Agreement.

5.04 Certain Tax Matters.

(a) Except as otherwise provided in this Section 5.04, all tax sharing agreements, arrangements, policies and guidelines, formal or informal, express or implied, that may exist between the Companies and Seller or their affiliates and all obligations thereunder shall terminate as of the Closing Date, and the Companies shall have no liability thereunder for any and all amounts due in respect to periods prior to the Closing Date. Notwithstanding any other provision of this Agreement, Seller and the Companies may make reasonable payments pursuant to such tax sharing agreements and understandings prior to the Closing Date in amounts consistent with past practices and procedures under such tax sharing agreements and the Tax Allocation Agreement shall remain in effect until any overpayments or underpayments are adjusted in accordance with past practices and procedures.

(b) The Companies shall continue to be included, up to and including the Closing Date, in the Seller Group's consolidated federal income Tax Return and any required state or local consolidated or combined income Tax Returns that include any of the Companies (all such Tax Returns including taxable periods of the Companies ending on or before the Closing Date are hereinafter referred to as "Pre-Closing Consolidated Returns").

Seller shall timely (which shall not preclude obtaining or filing normal or customary extensions) prepare and file (or cause to be prepared and filed) all Pre-Closing Consolidated Returns and all other Tax Returns required to be filed on or before the Closing Date with respect to the Companies (the "Seller Group Returns"). Seller shall timely pay (or cause to be paid) all Taxes shown as due and payable on the Seller Group Returns ("Seller's Taxes").

Purchaser and Seller agree that if the Companies are permitted under any Applicable Law relating to state or local income tax to treat the Closing Date as the last day of a taxable period, Purchaser and Seller shall treat (and cause their respective affiliates to treat) the Closing Date as the last day of a taxable period, and any Tax Return for such a period shall be considered a Seller Group Return for purposes hereof.

(c) Purchaser shall timely (which shall not preclude obtaining or filing normal or customary extensions) prepare and file (or cause to be filed) all Tax Returns required by Applicable Law for the Companies that are not required to be prepared and filed by Seller pursuant to Section 5.04(b) ("Purchaser's Returns"). Any Purchaser's Return including a period prior to the Closing Date

shall be prepared in a manner consistent with prior practice and copies of such Purchaser's Returns shall be delivered to Seller. Purchaser shall timely pay (or cause to be paid) all Taxes shown as due and payable on the Purchaser's Returns ("Purchaser's Taxes").

(d) After the Closing Date, Seller shall submit to Purchaser blank Tax Return workpaper packages reasonably necessary for Seller to prepare any Seller Group Returns. Purchaser shall cause the Companies to prepare completely and accurately all information that Seller shall reasonably request in such workpaper packages and shall submit to Seller such packages within the later of 90 days after Purchaser's receipt thereof or 60 days after the close of the taxable period to which a workpaper package relates. Each party shall cooperate with the other in connection with any tax filing, investigation, audit or other proceeding. Purchaser and Seller and their subsidiaries shall preserve all information, returns, books, records and documents relating to any liabilities for Taxes with respect to a taxable period until the later of the expiration of all applicable statutes of limitation and extensions thereof, or the conclusion of all litigation with respect to Taxes for such period.

(e) After the Closing Date, Seller shall indemnify and hold harmless Purchaser from and against any Tax liability with respect to (i) any Seller's Taxes; (ii) the Florida Tax Litigation; and (iii) any increase in Tax liability resulting from the Companies being severally liable for any Taxes of the Seller Group or any other consolidated group of which any of the Companies was a member prior to the Closing Date pursuant to Treasury Regulations Section 1.1502-6 or any analogous state or local tax provision; provided that Seller's liability under clause (ii) shall be subject to the limitation of paragraph 7.01(c) and shall be treated, solely for purposes of such subparagraph, as Damages and Costs and, provided, further, that Seller shall have no indemnification obligations with respect to amounts that have been accrued in the Audited Statements and the Interim Unaudited Statements (as such terms are defined in Section 3.07(b) hereof) and any regularly prepared financial statements for a period after June 30, 1995. Subject to the provisions of the third paragraph of Section 5.04(f), Seller shall pay such amounts as they are obligated to pay to Purchaser under the preceding sentence within 15 days after payment of any applicable Tax liability by Purchaser or the Companies and, to the extent not paid by Seller within such 15-day period, shall thereafter include interest thereon at the Prime Rate (reported as of the last day of such 15-day period).

After the Closing Date, Purchaser and the Companies shall indemnify and hold harmless Seller and its affiliates from and against any Tax liability with respect to Purchaser's Taxes that are allocable to or apportioned to a period after the Closing Date. Purchaser shall pay such amounts within 15 days after payment of any such Tax liability by Seller or any of their affiliates and to the extent not paid by Purchaser within such 15-day period shall thereafter include interest thereon at the Prime Rate (reported as of the last day of such 15-day period).

(f) In the event that Purchaser or any of the Companies receives notice, whether orally or in writing, of any pending or threatened federal, state, local, municipal or foreign tax examinations, claims settlements, proposed

adjustments, assessments or reassessments or related matters with respect to Taxes that could affect the Seller Group, or if Seller receives notice of matters that could affect Purchaser or the Companies, the party receiving notice shall notify in writing the potentially affected party within 10 days thereof. The failure of any party to give the notice required by this paragraph shall not impair that party's rights under this Agreement except to the extent that the other parties demonstrate that they have been damaged thereby.

Subject to Section 5.04(g), each of Seller and Purchaser (as applicable, the "Controlling Party") shall have the right to control any audit or examination by any taxing authority, initiate any claim for refund, file any amended return, contest, resolve, settle and defend against any assessment, notice of deficiency or other adjustment or proposed adjustment relating to or with respect to those Tax Returns that each is required to prepare and file pursuant to Sections 5.04(b) and (c); provided that, in the event that any such adjustment could have an adverse effect on the Tax liability of the other party (or affect the Purchaser by having an adverse effect on the Tax liability of the Companies, or affect Seller by having an adverse effect on the Tax liability of the Seller Group) (the "Affected Party"), the Controlling Party (i) shall give the Affected Party written notice of any such adjustment, (ii) shall permit the Affected Party to participate in the proceeding to the extent the adjustment may adversely affect the Tax liability of the Affected Party and (iii) shall not settle or otherwise compromise such proceeding without the prior written consent of the Affected Party, which consent shall not be unreasonably withheld or delayed. Except as specified in Section 5.04(g) or the following sentence, Seller and Purchaser shall each be entitled to retain for its own account any refunds of Taxes attributable to those Tax Returns that each is required to prepare and file pursuant to Sections 5.04(b) and (c) and shall pay to the other the amount of any refund to which the other is entitled within 15 days after the receipt of such refund and, to the extent not paid within such 15-day period, shall thereafter include interest at the Prime Rate (reported as of the last day of such 15-day period). In the case of Purchaser, a refund attributable to any Purchaser's Return including a period prior to the Closing Date shall be divided between Purchaser and Seller by recomputing the portion of Tax as readjusted that is allocable to a period prior to the Closing Date.

Notwithstanding the foregoing, but subject to Section 5.04(g), Seller shall have the exclusive right to direct and to control the Florida Tax Litigation and to initiate any claim for refund, file any amended return and contest, resolve, settle and defend against such litigation. Purchaser shall use its best efforts to assist Seller in connection with the Florida Tax Litigation, including, without limitation, providing Seller access to information relating to the Florida Tax Litigation that is in Purchaser's or the Companies' possession and making available the officers and employees of Purchaser and the Companies to provide assistance and information in connection therewith and to continue to have the Companies participate as litigants in the Florida Tax Litigation.

(g) To the extent permitted under applicable law, neither Purchaser nor the Companies shall carry back any tax attribute ("Purchaser Tax Attribute") to a period ending on or before the Closing Date ("Pre-Closing Period").

Notwithstanding anything to the contrary contained in this Section 5.04(g), if the failure to carry back a Purchaser Tax Attribute is not permitted by law or would be unreasonably burdensome to Purchaser, Purchaser may request Seller to waive the restrictions imposed by this Section 5.04(g), and Seller shall agree to such request unless Seller's obligations hereunder would be unreasonably burdensome to Seller. If Seller agrees to such request, and Purchaser carries back a Purchaser Tax Attribute to a Pre-Closing Period, Seller shall promptly file (or cause to be filed) a claim for refund and shall pay (or cause to be paid) to Purchaser the full amount of any resulting Tax Benefit within 30 days of the date such Tax Benefit is realized, but only to the extent that Seller would not otherwise have been entitled to utilize such Tax Attribute. The Tax Benefit shall be recomputed and any payment made in excess of the redetermined Tax Benefit shall be refunded if and to the extent that Seller subsequently realizes tax attributes that could have been utilized but for the carryback of Purchaser Tax Attributes pursuant to this Section 5.04(g). Such recomputation shall assume that the tax attributes of Seller were utilized first and that the Purchaser Tax Attributes carried back by Purchaser were then utilized in accordance with Applicable Law. For purposes hereof, "Tax Benefit" shall mean

(i)...in the case of any Tax Return, the sum of the amount by which the Tax liability is reduced (or the Tax refund is increased) plus any interest (net of Taxes, if any, thereon) relating to such Tax liability (or Tax refund), and in the case of a consolidated federal income Tax Return or unconsolidated, combined, unitary or similar state, local or other Tax return, the sum of the amount by which the Tax liability of the affiliated group of corporations is reduced (or Tax refund is increased) plus any interest (net of Taxes, if any, thereon) from such government or jurisdiction relating to such Tax liability or Tax refund;

(ii)..a Tax Benefit shall be deemed to have been realized (A) at the time any refund of Taxes is received, (B) at the time any refund of Taxes is applied against other Taxes due (which, in the case of refunds so applied in the course of an audit or other proceeding, shall be the date on which the audit or other proceeding is finalized) or (C) at the time a liability for Taxes is otherwise reduced (which, in each case, shall be 2 1/2 months after the close of the year in which such liability for Taxes arose); and

(iii).where a party has other losses, deductions, credits or similar items available to it, losses, deductions, credits or items for which the other party would be entitled to a payment under this Agreement shall be treated as the last items utilized to produce a Tax Benefit.

(h) Purchaser and Seller agree that any indemnification payments made pursuant to this Section 5.04 or Article 7 shall be treated for tax purposes as an adjustment to the Purchase Price unless otherwise required by Applicable Law.

(i) Notwithstanding SAP accrual requirements, in preparing the Closing Balance Sheet, an accrual of liability for Taxes (to the extent not paid prior to Closing), will be included in such Closing Balance Sheet and shall only reflect

(as a liability for amounts unpaid net of amounts prepaid) the portion of the Companies' Taxes allocable to the period up to and including the Closing Date ("the Companies' Accrued Taxes"). Such allocable portion shall, in the case of Taxes that are based on income or gross receipts, be determined as if the Closing Date were the last day of any applicable taxable period and, in the case of other Taxes, be apportioned ratably on a daily basis. Except as specified in the preceding sentence or the Tax Allocation Agreement, the Closing Balance Sheet specifically shall not reflect a liability for Taxes allocable to Seller Group Returns, which Taxes are solely the responsibility of Seller.

(j) Seller agrees that upon Purchaser's request it shall file, or caused to be filed, all documents reasonably necessary for the making of an election under Section 338(h)(10) of the Code (or, at Purchaser's request, any analogous provision of any state or local tax law) and in such case shall file or cause to be filed all tax returns consistent with such election or elections. Seller agrees to provide Purchaser with all relevant information to analyze the impact of a Section 338(h)(10) election. In the event Purchaser determines to make such an election, Purchaser shall provide to Seller in writing a determination of the allocation of the Purchase Price among the assets of the Companies. Seller shall accept any such reasonable allocation by Purchaser, and Seller, Purchaser and the Companies shall file all Tax Returns in a manner consistent with such allocation.

5.05 Regulatory Approvals and Consents.

(a) As soon as practicable, but in any event within 30 days, after the date hereof:

(i)...Each of Purchaser and Seller will make all necessary filings under the Hart-Scott Act. Each party shall pay the expenses of preparing its own filing, and Purchaser shall pay the \$45,000 filing fee.

(ii)..Purchaser shall file with the Georgia Insurance Department all Form(s) A required to request such Department's approval of the changes in control of American Southern and American Safety that will be effected by the transfer of the Shares. Seller shall cause the Companies to cooperate reasonably with Purchaser in preparing the Form(s) A. Not less than 10 days prior to making such filing, Purchaser shall deliver a copy of the filing materials to American Southern, and American Southern shall be entitled to provide comments thereon to Purchaser within 5 days after receipt. Seller shall, and shall cause the Companies to, support such filing by Purchaser, so long as it is consistent with this Agreement, and Purchaser shall use its best efforts to obtain the approval of the Georgia Insurance Department for the changes in control. All costs and fees of making such filings shall be paid by Purchaser.

(b) Seller and Purchaser shall promptly advise the other of all oral, and promptly provide each other with copies of all written, communications,

requests, inquiries or other notifications received from any Governmental Authorities with respect to the transactions contemplated hereby.

(c) Seller shall take all reasonable action required to obtain prior to Closing all consents with respect to the material agreements listed in Section 5.05(c) of the Seller Disclosure Memorandum. To the extent any such consent has not been obtained, Seller shall continue its efforts to obtain such consent after the Closing. In order, however, that the full value of every such material agreement may be realized by Purchaser, at Purchaser's request, direction and expense, Seller shall take all such action as shall be reasonably necessary or appropriate (i) in order to preserve for the benefit of Purchaser the rights and obligations of Seller under such agreements, and (ii) to facilitate the collection of any monies due and payable, or to become due and payable, to Seller pursuant to such agreements, and Seller shall remit such monies to Purchaser within five business days of collection. Purchaser shall be entitled to the benefits accruing after the Closing Date of any such agreements, and Purchaser, at its expense, shall perform all of Seller's obligations due to be performed under any such agreements to the extent (i) Purchaser can perform such obligations without violating the terms of such agreements, and (ii) Purchaser is being provided the benefits of such agreements.

(d) Purchaser shall take all reasonable action required to obtain all consents and approvals listed in Section 5.05(d) of the Purchaser Disclosure Memorandum.

5.06 Best Efforts. Each of the parties hereto agrees to use its best efforts to take, or to cause to be taken, all reasonable actions and to do, or to cause to be done, all reasonable things necessary, proper or advisable under Applicable Laws to consummate the transactions contemplated by this Agreement. None of the parties hereto will intentionally take or intentionally permit to be taken any action that would be in breach of the terms or provisions of this Agreement or that would cause any of the representations contained herein to be or become untrue.

5.07 Exclusive Dealings. Unless and until this Agreement is terminated prior to Closing pursuant to Article 8, neither of the Seller nor any of Seller's affiliates, officers, directors, agents or advisers shall, directly or indirectly, solicit, encourage or initiate any discussions or negotiations with, provide any information to, or otherwise cooperate in any other way with any Person (other than Purchaser) concerning any direct or indirect purchase of the Shares or of any substantial amount of the assets or properties of the Companies (an "Alternative Transaction").

5.08 Expenses. Whether or not the Closing occurs, except as otherwise stated herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense.

5.09 Resignations. At Closing, Seller will deliver written resignations of the Companies' directors.

5.10 Maintenance of Records. For a period of 7 years after Closing, or for any longer period (i) as may be required by any federal, state, local or foreign Governmental Authority, (ii) as may be reasonably necessary in respect of the prosecution or defense of any suit, action, litigation or administrative, arbitration or other proceeding or investigation that is pending or threatened at the time of any notice to Purchaser while such records are still maintained, or (iii) that is equivalent to the period established by any applicable statute of limitations (or any extension or waiver thereof) with respect to matters pertaining to Taxes, Purchaser shall maintain and shall allow Seller, during normal business hours, through its employees and representatives, the right, at Seller's expense, to examine and make copies of, the books and records of the Companies pertaining to the Companies' business prior to the Closing Date, for any reasonable business purpose.

5.11 Proposals. Purchaser shall promptly notify Seller of any inquiries or proposals by any Person concerning an Alternative Transaction.

5.12 Press Releases. Except as otherwise required by Applicable Law, Purchaser and Seller shall consult with each other in advance concerning any proposed press release or public announcement pertaining to the transactions contemplated by this Agreement, and no such release or announcement shall be made unless both parties have agreed as to the timing, manner and content thereof in their reasonable judgment.

5.13 GAAP Financial Statements. Promptly following the Closing, Purchaser shall cause the Companies to prepare and deliver to Seller GAAP financial statements of the Companies from January 1, 1995 through the Closing Date.

ARTICLE 6 CONDITIONS TO CLOSING

6.01 Conditions to Obligations of Purchaser. The obligations of Purchaser to proceed with the Closing under this Agreement are subject to the fulfillment prior to or at Closing of the following conditions (any one or more of which may be waived in whole or in part by Purchaser at Purchaser's option):

(a) The representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects on and as of the time of Closing, with the same force and effect as though such representations and warranties had been made on, as of and with reference to such time and Purchaser shall have received a certificate to such effect signed by an authorized officer of Seller.

(b) Seller shall have performed in all material respects all of the covenants and complied in all material respects with all of the provisions required by this Agreement to be performed or complied with by it on or before the Closing, and Purchaser shall have received a certificate to such effect signed by an authorized officer of Seller.

(c) The applicable waiting period under the Hart-Scott Act (and any extension thereof) shall have expired or been terminated.

(d) The Georgia Insurance Department shall have approved the changes in control of American Southern and American Safety effected by the transfer of the Shares.

(e) Seller shall have obtained a release from the InterRedec Pledge and the InterRedec Escrow of all of the shares subject to the InterRedec Pledge.

(f) No order of any court or administrative agency shall be in effect which enjoins or prohibits the transactions contemplated hereby or which would limit or materially adversely affect Purchaser's ownership or control of the Companies or the business of the Companies, and there shall not have been threatened, nor shall there be pending, any action or proceeding by or before any Governmental Authority (i) challenging any of the transactions contemplated by this Agreement or seeking monetary relief by reason of the consummation of such transactions or (ii) which might have a Material Adverse Effect on the future conduct of the business of the Companies.

(g) There shall not have occurred any Material Adverse Effect with respect to the Companies, or any condition or event which is reasonably likely to result in a Material Adverse Effect, subsequent to June 30, 1995.

6.02 Conditions to Obligations of Seller. The obligations of Seller to proceed with the Closing under this Agreement are subject to the fulfillment prior to or at Closing of the following conditions (any one or more of which may be waived in whole or in part by Seller at Seller's option):

(a) The representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects on and as of the time of Closing, with the same force and effect as though such representations and warranties had been made on, as of and with reference to such time, and Seller shall have received a certificate to such effect signed by an authorized officer of Purchaser.

(b) Purchaser shall have performed in all material respects all of the covenants and complied in all material respects with all of the provisions required by this Agreement to be performed or complied with by it on or before the Closing, and Seller shall have received a certificate to such effect signed by an authorized officer of Purchaser.

(c) The applicable waiting period under the Hart-Scott Act (and any extension thereof) shall have expired or been terminated.

(d) All consents listed on Schedule 5.05(d) shall have been obtained and the Georgia Insurance Department shall have approved the changes in control of American Southern and American Safety effected by the transfer of the Shares.

(e) Seller shall have obtained a release from the InterRedec Pledge and the InterRedec Escrow of all of the Shares subject to such InterRedec Pledge.

(f) No order of any court or administrative agency shall be in effect which enjoins or prohibits the transactions contemplated hereby, and there shall not have been threatened, nor shall there be pending, any action or proceeding by or before any Governmental Authority (i) challenging any of the transactions contemplated by this Agreement or seeking monetary relief by reason of the consummation of such transactions or (ii) which might have a Material Adverse Effect on the future conduct of the business of the Companies.

(g) No Material Adverse Effect. There shall not have occurred any Material Adverse Effect with respect to Purchaser, or any condition or event which is reasonably likely to result in a Material Adverse Effect, subsequent to June 30, 1995.

ARTICLE 7 INDEMNIFICATION

7.01 Indemnification by Seller.

(a) Seller hereby agrees to indemnify and hold harmless Purchaser and the Companies from and against (i) any loss, liability, claim, obligation, damage or deficiency (any "Damage") of or to Purchaser or any of the Companies (other than any relating to Taxes, for which indemnification provisions are set forth in Section 5.04(e)) arising out of or resulting from any misrepresentation, breach of warranty or nonfulfillment of any covenant or agreement on the part of Seller contained in this Agreement or in any statement or certificate furnished or to be furnished to Purchaser pursuant hereto or in connection with the transactions contemplated hereby, and (ii) any actions, judgments, costs and expenses (including reasonable attorneys' fees and all other expenses incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened) (any "Costs") incident to any of the foregoing or the enforcement of this Section 7.01.

(b) No action or claim for Damages resulting from breaches of the representations and warranties of Seller or pursuant to Section 5.04(e) shall be brought or made after the third anniversary of the Closing Date, except that such time limitation shall not apply to (i) any breach of the representations contained in Sections 3.03 or 3.04 or (ii) any claims which exist prior to the third anniversary of the Closing Date, and which have been the subject of a written notice from Purchaser to Seller prior to such date, which notice specified in reasonable detail the nature of the claim.

(c) Seller shall be liable to Purchaser only to the extent the cumulative total of Damages and Costs under this Section 7.01 and Section 5.04(e) exceeds \$200,000 (at which time rights to indemnification may be asserted for such \$200,000 amount and amounts in excess thereof) and in no event shall Seller be

liable under this Section 7.01 for any amount in excess of \$5,000,000; provided, however, no limitation of liability provided in this paragraph (c) shall apply to any Damage or Cost arising out of or resulting from common law fraud in connection with the transactions contemplated by this Agreement.

(d) Any indemnification payment by Seller under this Agreement shall be reduced by the amount of any Purchaser's Tax Effect. For purposes hereof, "Purchaser's Tax Effect" shall mean an amount equal to the amount of the federal, state, local or foreign tax savings attributable to Purchaser's payment of any Damage or Cost for which it receives an indemnification payment under this Section 7.01 or under Section 5.04(e) (after taking into account the tax effect, if any, of receipt of any indemnification payment). To the extent the parties cannot agree whether any tax benefit exists or on the appropriate treatment of any tax benefit, such disagreement shall be resolved by either an accounting firm or a law firm with a nationally recognized tax practice selected jointly by Purchaser and Seller. If such parties cannot agree on a firm as specified in the prior sentence, the firm shall be selected jointly by the independent auditors of such parties.

7.02 Indemnification by Purchaser.

(a) Purchaser hereby agrees to indemnify and hold harmless Seller from and against (i) any Damage (other than any relating to Taxes, for which indemnification provisions are set forth in Section 5.04(e)) arising out of or resulting from any misrepresentation, breach of warranty or nonfulfillment of any covenant or agreement on the part of Purchaser contained in this Agreement, or in any statement or certificate furnished or to be furnished to Seller in connection with the transactions contemplated hereby, and (ii) any Costs incident to any of the foregoing or the enforcement of this Section.

(b) No action or claim for Damages resulting from breaches of the representations and warranties of Purchaser shall be brought or made after the third anniversary of the Closing Date, except that such time limitation shall not apply to any claims which exist prior to the third anniversary of the Closing Date and which have been the subject of a written notice from Seller to Purchaser prior to such date, which notice specified in reasonable detail the nature of the claim.

(c) Purchaser shall be liable to Seller only to the extent the cumulative total of Damages and Costs under this Section 7.02 and Section 5.04(e) exceeds \$200,000 (at which time rights to indemnification may be asserted for such \$200,000 amount and amounts in excess thereof) and in no event shall Purchaser be liable under this Section 7.02 for any amount in excess of \$5,000,000; provided, however, no limitation of liability provided in this paragraph (c) shall apply to any Damage or Cost arising out of or resulting from common law fraud in connection with the transactions contemplated by this Agreement or the failure of Purchaser to make payments under the Purchaser Note in accordance with the terms thereof.

(d) Any indemnification payment by Purchaser under this Agreement shall be reduced by the amount of any Seller's Tax Effect. For purposes hereof, "Seller's Tax Effect" shall mean an amount equal to the amount of the federal, state, local or foreign tax savings attributable to Seller's payment of any Damage or Cost for which it receives an indemnification payment under this Section 7.02 or under Section 5.04(e) (after taking into account the tax effect, if any, of receipt of any indemnification payment). To the extent the parties cannot agree whether any tax benefit exists or on the appropriate treatment of any tax benefit, such disagreement shall be resolved by either an accounting firm or a law firm with a nationally recognized tax practice selected jointly by Purchaser and Seller. If such parties cannot agree on a firm as specified in the prior sentence, the firm shall be selected jointly by the independent auditors of such parties.

7.03 Indemnification Procedures.

(a) If a claim is made, or any suit or action is commenced for which defense or indemnity is claimed to be due under Section 5.04(e), 7.01 or 7.02, or if knowledge is received of any other state of facts which, if not corrected, may give rise to a right of defense or indemnification under Section 5.04(e), 7.01 or 7.02, the party seeking defense or indemnity ("Indemnified Party") shall give written notice to the party claimed to be liable on the defense or indemnity obligation ("Indemnifying Party") as soon as practicable after, but in no event (i) more than 10 days following notice to the Indemnified Party of any claim, suit or action for which defense or indemnity will be sought, or (ii) more than 30 days following the Indemnified Party's knowledge of any other state of facts which may give rise to a right to defense or indemnity under Section 5.04(e), 7.01 or 7.02. A failure to give prompt notice shall not relieve an Indemnifying Party of its obligation to defend or indemnify, except to the extent the Indemnifying Party is prejudiced by such failure. The Indemnified Party shall make available to the Indemnifying Party and its counsel and accountants at reasonable times and for reasonable periods, during normal business hours, all books and records of the Indemnified Party relating to the matter for which defense or indemnity has been claimed, and each party hereunder will render to the other such assistance as the other may reasonably require in order to assure prompt and adequate defense of any suit, claim or proceeding to which this Section 7.03 applies.

(b) If defense or indemnification is sought with respect to a claim, suit or other proceeding against the Indemnified Party, the Indemnifying Party shall have the right to defend, compromise and settle the matter in the name of the Indemnified Party to the extent that the Indemnifying Party may be liable to the Indemnified Party under Section 5.04(e), 7.01 or 7.02 hereof; provided, however, that the Indemnifying Party shall not compromise or settle a suit, claim or proceeding unless it assumes the obligation to indemnify for all losses relating thereto. The Indemnifying Party shall notify the Indemnified Party promptly if the Indemnifying Party elects to assume the defense of any such claim, suit or action. In assuming the defense of a matter hereunder, the Indemnifying Party shall have the right to select counsel, provided that the Indemnified Party does not object to such counsel in a reasonable exercise of its discretion. The Indemnified Party shall have the right to employ its own counsel who may

associate with the counsel designated by the Indemnifying Party (upon the Indemnifying Party's assumption of the defense of the matter), but the fees and expenses of such counsel shall be at the Indemnified Party's expense.

(c) The Indemnified Party may at any time notify the Indemnifying Party of its intention to settle or compromise any claim, suit or action against the Indemnified Party in respect of which indemnification payments may be sought from the Indemnifying Party hereunder, but shall not settle nor compromise any matter for which indemnification may be sought, notwithstanding this Section 7.03(c), in excess of \$1,000 without the consent of the Indemnifying Party, which shall not be unreasonably withheld. Any settlement or compromise of any claim, suit or action in accordance with the preceding sentence, or any final judgment or decree entered on or in, any claim, suit or action in which the Indemnifying Party did not assume the defense in accordance herewith, shall be deemed to have been consented to by, and shall be binding upon, the Indemnifying Party as fully as if the Indemnifying Party had assumed the defense thereof and a final judgment or decree had been entered in such suit or action, or with regard to such claim, by a court of competent jurisdiction for the amount of such settlement, compromise, judgment or decree.

(d) The Indemnifying Party shall be subrogated to any claims or rights of the Indemnified Party as against any other persons with respect to any amount paid by the Indemnifying Party under this Article 7 or under Section 5.04(e). The Indemnified Party shall cooperate with the Indemnifying Party, at the Indemnifying Party's expense, in the assertion by the Indemnifying Party of any such claim against other persons.

7.04 Sole Remedy.

(a) Purchaser's sole and exclusive remedy for any breach of this Agreement by Seller shall be the provisions in Sections 5.04(e) and 7.01, and Purchaser hereby waives any and all other remedies which may be available at law or equity for any breach or alleged breach of this Agreement.

(b) Seller's sole and exclusive remedy for any breach of this Agreement by Purchaser shall be the provisions in Sections 5.04(e) and 7.02, and Seller hereby waives any and all other remedies which may be available at law or equity for any breach or alleged breach of this Agreement.

(c) Notwithstanding anything to the contrary contained herein, if the Closing occurs no claim for indemnification may be asserted under this Agreement or any document delivered in connection herewith with respect to any matter discovered or known to the party otherwise entitled to seek indemnification on or before the Closing Date.

ARTICLE 8
TERMINATION

8.01 When Agreement May be Terminated. This Agreement may be terminated prior to Closing:

(a) By mutual written consent of Purchaser and Seller;

(b) By Seller in the event that it has not obtained a letter of credit to be used as substitute collateral under the InterRedec Pledge by December 31, 1995 for the reasons described in the second sentence of Section 5.13(b); or

(c) In accordance with Section 5.03.

8.02 Final Termination. This Agreement will terminate on January 31, 1996 if the Closing has not yet occurred.

8.03 Effect of Termination. In the event of termination of this Agreement by either Seller or Purchaser, as provided above, this Agreement shall forthwith terminate and there shall be no liability on the part of any party or any party's officers or directors, except for liabilities arising from a breach of this Agreement prior to such termination; provided, however, that the obligations of the parties set forth in Article 7 shall survive such termination.

ARTICLE 9
ARBITRATION

9.01 Agreement to Arbitrate. Except as set forth in Sections 7.01(d) and 7.02(d), any claim, controversy or dispute arising out of or relating to this Agreement, on which an amicable understanding cannot be reached, to the maximum extent allowed by applicable law and irrespective of the type of relief sought, shall be submitted to and resolved by arbitration, and such arbitration shall be the sole remedy for such matter. Such arbitration shall be heard and conducted in Atlanta, Georgia and shall be conducted expeditiously and confidentially in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), as such rules shall be in effect on the date of delivery of demand for arbitration, with the exception that the arbitrators may not award any punitive or exemplary damages or any damages other than compensatory, and except as such rules may be otherwise inconsistent with the express provisions of this Article 9.

9.02 Initiating Arbitration. To initiate arbitration, a party shall notify the other party in writing of its desire to arbitrate, stating the nature of its dispute and the remedy sought. The receiving party shall acknowledge receipt of the notice in writing within 5 days, and thereafter the parties shall attempt in good faith to resolve the dispute within 15 days. If the

dispute cannot be resolved within such 15-day period, any party may file a written demand for arbitration by filing a written notice with the AAA and with the other party, complying with the AAA's prescribed procedures for such notices. Within 15 days of delivery of such demand for arbitration, each party shall appoint one arbitrator, and the arbitrators so selected shall, within 15 days of their appointment, appoint an additional arbitrator. In the event that the arbitrators selected by the parties are unable to agree upon the selection of the additional arbitrator after reasonable efforts within such 15-day period, a list of 7 qualified and available persons shall be requested from the AAA. The parties shall take turns striking one person each from the list with the last remaining person being the additional selected arbitrator. Once selected, the arbitration panel shall meet as expeditiously as possible, select a chairman, schedule the arbitration hearing, and notify the parties in writing of the date, time and place of the hearing. With respect to any arbitration pursuant to Section 2.04, the provisions of Section 2.04 shall apply where inconsistent with this Article 9.

9.03 Effect. All conclusions of law reached by the arbitrators shall be made in accordance with the internal laws of the State of Georgia without regard for its conflict of laws doctrine. Any award rendered by the arbitrators shall be accompanied by a written opinion setting forth the findings of fact and conclusions of law relied upon in reaching their decision. The award rendered by the arbitrators shall be final, binding and non-appealable, and judgment upon such award may be entered by any court having jurisdiction thereof. The parties agree that the existence, conduct and content of any such arbitration shall be kept confidential and no party shall disclose to any person any information about such arbitration, except as may be required by law or for financial reporting purposes in each party's financial statements.

9.04 Costs. Each party shall pay the fees of its own arbitrator, attorneys, expenses of witnesses and all other expenses in connection with the presentation of such party's case. The remaining costs of the arbitration, including, without limitation, fees of the additional arbitrator, costs of records or transcripts and administrative fees, shall be paid as designated by the arbitrators.

ARTICLE 10 MISCELLANEOUS

10.01 Nature and Survival of Representations. The representations, warranties, covenants and agreements of Purchaser and Seller contained in this Agreement shall survive the Closing and shall not merge in the performance of any obligation by any party hereto. Seller acknowledges and agrees that prior to Closing, Purchaser intends to perform such investigation of the Companies as it deems necessary or appropriate; however, no investigation by Purchaser will diminish or obviate any of the representations, warranties, covenants or agreements made or to be performed by Seller pursuant to this Agreement, or Purchaser's right to rely upon such representations, warranties, covenants and agreements.

10.02 Amendment. This Agreement may not be amended or modified without the prior written consent of all parties.

10.03 Waiver. Failure to insist upon strict compliance with any of the terms or conditions of this Agreement at any one time shall not be deemed a waiver of such term or condition at any other time; nor shall any waiver or relinquishment of any right or power granted herein at any time be deemed a waiver or relinquishment of the same or any other right or power at any other time.

10.04 Governing Law. Notwithstanding the place where this Agreement may be executed by any of the parties, the parties expressly agree that this Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of Georgia, without regard for its conflict of laws doctrine.

10.05 Notices. Any notice or other communication to be given hereunder shall be in writing and shall be deemed sufficient when (i) mailed by United States certified mail, return receipt requested, (ii) mailed by overnight express mail, (iii) sent by facsimile or telecopy machine, followed by confirmation mailed by first-class mail or overnight express mail, or (iv) delivered in person, at the address set forth below, or such other address as a party may provide to the other in accordance with the procedure for notices set forth in this Section:

If to Purchaser:

Atlantic American Corporation
4370 Peachtree Road, N.E.
Atlanta, Georgia 30319-3000
Attention: Hilton H. Howell, Jr.
Telephone: 404-266-5505
Telecopy: 404-231-2123

with a copy (which shall not constitute notice) to:

Heyman & Sizemore
2300 Cain Tower
229 Peachtree Street, N.E.
Atlanta, Georgia 30303-1608
Attention: Neal H. Ray
Telephone: 404-521-2268
Telecopy: 404-521-2838

If to Seller:

Fuqua Enterprises, Inc.
One Atlantic Center, Suite 5000
1201 West Peachtree Street
Atlanta, Georgia 30309-3400
Attention: John J. Huntz, Jr.
Telephone: 404-815-2000
Telecopy: 404-815-4529

with a copy (which shall not constitute notice) to:

Alston & Bird
One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309-3424
Attention: Bryan E. Davis
Telephone: 404-881-7000
Telecopy: 404-881-7777

10.06 Invalid Provision. If any provision of this Agreement shall be determined by arbitrators (acting in accordance with Article 9) to be invalid or unenforceable, this Agreement shall be deemed amended to delete such provision and the remainder of this Agreement shall be enforceable by its terms.

10.07 Subsequent SEC Filings. After the Closing, the parties agree to furnish information to each other (on a GAAP and SAP basis) so that each party may prepare any filings required to be made with the SEC or any other Governmental Authorities. The parties shall each be responsible for their own costs and expenses (including, without limitation professional fees and expenses) incurred in preparing such filings.

10.08 Assignment. This Agreement may not be assigned or delegated by any party without the prior written consent of all other parties.

10.09 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

10.10 Further Assurances. Each party agrees to execute and deliver all such further instruments and do all such further acts as may be reasonably necessary or appropriate to effectuate this Agreement.

10.11 Headings. Headings and captions contained in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, extend or prescribe the scope of this Agreement or the intent of any provision.

10.12 Person and Gender. The masculine gender shall include the feminine and neuter genders and the singular shall include the plural.

10.13 Entire Agreement. This Agreement, together with the Seller Disclosure Memorandum, Purchaser Disclosure Memorandum and the Exhibit referenced herein, constitute the entire agreement of the parties with respect to matters set forth in this Agreement and supersede any prior understanding or agreement, oral or written, with respect to such matters.

10.14 Interpretations. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. No party shall be considered the draftsman. On the contrary, this Agreement has been reviewed, negotiated and accepted by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

10.15 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, and all such counterparts shall constitute one and the same Agreement, binding on all the parties notwithstanding that all the parties are not signatories to the same counterpart.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ATLANTIC AMERICAN CORPORATION

By: -----

Attest:

Secretary

Name: Hilton H. Howell, Jr.
Title: President

FUQUA ENTERPRISES, INC.

By: -----

Attest:

Secretary

Name: Lawrence P. Klamon
Title: President and Chief Executive Officer

CREDIT AGREEMENT

dated as of

December 29, 1995

between

ATLANTIC AMERICAN CORPORATION

and

WACHOVIA BANK OF GEORGIA, N.A.

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CREDIT AGREEMENT

AGREEMENT dated as of December 29, 1995 between ATLANTIC AMERICAN CORPORATION and WACHOVIA BANK OF GEORGIA, 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:

"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 value, without duplication, of all bonds rated "2" or better by NAIC, owned by American Southern Insurance Company and held as investments, as shown on American Southern Insurance Company's books and records as determined in accordance with GAAP.

"Aggregate Value of Total Investments" shall mean the aggregate value, 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 American Southern Insurance Company held for investment purposes, as shown on American Southern Insurance Company's books and records and as determined in accordance with GAAP.

"Agreement" means this Credit Agreement, together with all amendments and supplements hereto.

"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.

"Assignee" has the meaning set forth in Section 7.07(c).

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"Assignment and Acceptance" means an Assignment and Acceptance executed in accordance with Section 7.07(c) in the form attached hereto as Exhibit G.

"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" means any governmental authority, central bank or comparable agency charged with the interpretation or administration of any applicable law, rule or regulation, or any change in any existing or future law, rule or regulation.

"Bank" means Wachovia Bank of Georgia, 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.

"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.

"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.

"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.

"Cash Flow" means, for any period, the sum of (i) EBIT, plus (ii) the aggregate of the changes in depreciation and deferred taxes, net premiums receivable, defined policy acquisition costs, unpaid losses and adjustments to premium reserves, all as determined in accordance with GAAP; provided, however, for purposes of Section 5.05, there shall be deducted from the calculation of "Cash Flow" for the Borrower's Fiscal Quarter ending June 30, 1997, the principal amount paid by the Borrower on May 15, 1997 with respect to the Convertible Subordinated Notes.

"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.

"Closing Certificate" has the meaning set forth in Section 3.01(d).

"Closing Date" means December 29, 1995.

"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 the Tranche A Commitment or the Tranche B Commitment, or both, as the context shall require.

"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 September 30, 1995;

(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.

"Convertible Subordinated Notes" means those certain convertible subordinated notes dated May 15, 1987, made by the Borrower in the aggregate principal amount of \$5,627,000 due May 15, 1997.

"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.

"Debt Conversion" means the conversion of Shareholder Debt into preferred stock or other equity interests in the Borrower pursuant to the Debt Conversion Documents.

"Debt Conversion Documents" means documentation satisfactory to the Bank in its sole discretion pursuant to which the Borrower and certain holders of the Shareholder Debt agree to convert an amount equal to or greater than \$13,400,000 of the Shareholder Debt into preferred stock or other equity interests in the Borrower on or before the 90th day after the Closing Date, all in accordance with the Debt Conversion Memorandum.

"Debt Conversion Memorandum" means a Memorandum executed by certain holders of the Shareholder Debt and the Borrower, in form and content satisfactory to the Bank in its sole discretion setting forth the primary terms pursuant to which the Borrower and certain holders of the Shareholder Debt agree to convert an amount equal to or greater than \$13,400,000 of the Shareholder Debt into preferred stock or other equity interests in the Borrower on or before the 90th day after the Closing Date.

"Debt Service" means, for any period, the sum of (i) Consolidated Interest Expense for such period, and (ii) regularly scheduled payments of principal due and payable during such period with respect to Debt of the Borrower and its Consolidated Subsidiaries, provided however that: (1) so long as the Tranche B Loan is held by the Bank, all regularly scheduled principal payments due and payable with respect to the Tranche B Loan during such period shall be excluded from the calculation of Debt Service; and (2) for purposes of Section 5.05, there shall be deducted from the calculation of "Debt Service" for the Borrower's Fiscal Quarter ending June 30, 1997, the principal amount paid by the Borrower on May 15, 1997 with respect to the Convertible Subordinated Notes.

"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 3% plus the Base Rate for such day.

"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.

"EBIT" for any period means the sum of (i) Consolidated Net Income, (ii) taxes on income and (iii) Consolidated Interest Expense, all determined with respect to the Borrower and its Consolidated Subsidiaries on a consolidated basis for such period and in accordance with GAAP.

"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 notice from any Environmental Authority or by any other person or entity, 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 or from any other person or entity 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.

"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 \$100,000, or (ii) a Material Adverse Effect.

"Funded Debt" means, at any date, the total Debt of the Borrower and its Subsidiaries.

"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.

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"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.

"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 the Tranche A Loan or the Tranche B Loan, or both, as the context shall require.

"Loan Documents" means this Agreement, the Notes, the Pledge Agreement, the Subordination 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.

"Margin Stock" means "margin stock" as defined in Regulation G, 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, properties or prospects 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.

"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 Tranche A Note or the Tranche B Note, or either or both of them, as the context shall require.

"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 7.07(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"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 of even date herewith executed by the Borrower for the benefit of the Bank, as the same may be amended, modified or supplemented from time to time; pursuant to which the Borrower has pledged to the Bank the stock or other equity interests it holds in its Subsidiaries (excluding the shares of stock of Leath Furniture, Inc., but including without limitation the shares of stock of American Southern Insurance Company, Atlantic American Life Insurance Company, 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.

"Redeemable Preferred Stock" of any Person means any preferred stock issued by such Person which is at any time prior to the later of the Tranche A Maturity Date or the Tranche B Maturity Date either (i) mandatorily redeemable (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"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.

"Shareholder Debt" means any Debt of the Borrower held by J. Mack Robinson, his family or any Person owned or controlled, directly or indirectly by J. Mack Robinson or his family. For purposes of this definition, "family" shall mean any lineal descendant of J. Mack Robinson and their respective spouses.

"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.

"Subordination Agreement" means the Subordination Agreement of even date herewith, duly executed by the holders of the Shareholder Debt and the Borrower for the benefit of the Bank, as the same may be amended, modified or supplemented from time to time.

"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, American Southern 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 2.08(c).

"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 business and on a temporary basis.

"Tranche A Commitment" means \$22,641,627.11.

"Tranche B Commitment" means \$11,352,168.00.

"Tranche A Loan" means the outstanding principal amount under the Tranche A Commitment.

"Tranche B Loan" means the outstanding principal amount under an advance made pursuant to the Tranche B Commitment.

"Tranche A Maturity Date" means December 31, 2000.

"Tranche B Maturity Date" means December 31, 1997, or if the term of the Tranche B Loan is extended as contemplated in Section 2.04(b), the date as so extended, provided however, that in no event shall the Tranche B Maturity Date be extended past the Tranche A Maturity Date.

"Tranche A Note" means a promissory note of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligations of the Borrower to repay the Tranche A Loan.

"Tranche B Note" means a promissory note of the Borrower, substantially in the form of Exhibit B hereto, evidencing the obligations of the Borrower to repay the Tranche B Loan.

"Transferee" has the meaning set forth in Section 7.07(d).

"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.

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. (a) The Bank hereby agrees, on the terms and conditions set forth herein, to make the Tranche A Loan to the Borrower on the Closing Date in the amount of the Tranche A Commitment. Upon funding the Tranche A Loan, the Tranche A Commitment shall terminate and the Bank shall have no obligation to make further advances thereunder.

(b) The Bank hereby agrees, on the terms and conditions set forth herein, to make the Tranche B Loan to the Borrower on the Closing Date or within 1 year thereafter upon receipt of a Notice of Borrowing from the Borrower, in an amount equal to the lesser of (i) the Tranche B Commitment, or (ii) so much of the Tranche B Commitment as is required to repay the indebtedness of the Borrower to Fuqua Enterprises, Inc. in its entirety (the proceeds of which will, in turn, be used by Fuqua Enterprises, Inc. to repay any and all indebtedness, liabilities and obligations of Fuqua Enterprises, Inc. to INTERREDIC). If the Borrower fails to deliver a Notice of Borrowing requesting that the Tranche B Loan be made on the Closing Date or within 1 year after the Closing Date, the Tranche B Commitment shall terminate and the Bank shall have no obligation to make an advance thereunder. Upon funding of the Tranche B Loan (in an amount equal to or less than the Tranche B Commitment), the Tranche B Commitment shall terminate and the Bank shall have no obligation to make further advances thereunder.

SECTION 2.02. Method of Borrowing Tranche B Loan. The Borrower shall give the Bank notice in the form attached hereto as Exhibit H (a "Notice of Borrowing") prior to 11:00 A.M. (Atlanta, Georgia time) at least 1 Business Day before the date on which the Borrower wishes

the Tranche B Loan to be made, specifying the principal amount of and the date on which such Tranche B Loan shall be made, which date shall be a Business Day.

SECTION 2.03. Notes. (a) The Tranche A Loan shall be evidenced by a Tranche A 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 Tranche A Commitment and the Tranche B Loan shall be evidenced by a Tranche B 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 Tranche B Commitment.

(b) The Bank shall record, and prior to any transfer of its Notes shall endorse on the schedule forming a part thereof appropriate notations to evidence, the date, amount and maturity of each Loan made by it, 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 Notes; 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 Notes or the ability of the Bank to assign its Notes. The Bank is hereby irrevocably authorized by the Borrower so to endorse its Notes and to attach to and make a part of any Note a continuation of any such schedule as and when required.

SECTION 2.04. Repayment of the Loans. Unless due sooner pursuant to the provisions of Article 6, the aggregate principal amount of the Tranche A Loan shall be due and payable and shall be repaid by the Borrower in eighteen (18) installments (including the amount payable on the Tranche A Maturity Date) in the amounts, and on the dates, set forth below:

| Payment Date | Amount of Installment |
|--------------------|-----------------------|
| June 30, 1996 | \$1,000,000 |
| December 31, 1996 | \$1,000,000 |
| March 31, 1997 | \$1,000,000 |
| June 30, 1997 | \$1,000,000 |
| September 30, 1997 | \$1,000,000 |
| December 31, 1997 | \$1,000,000 |
| March 31, 1998 | \$1,000,000 |
| June 30, 1998 | \$1,000,000 |
| September 30, 1998 | \$1,000,000 |
| December 31, 1998 | \$1,000,000 |
| March 31, 1999 | \$1,000,000 |
| June 30, 1999 | \$1,000,000 |
| September 30, 1999 | \$1,000,000 |
| December 31, 1999 | \$1,000,000 |
| March 31, 2000 | \$1,000,000 |
| June 30, 2000 | \$1,000,000 |
| September 30, 2000 | \$1,000,000 |

The entire unpaid principal of, and all accrued and unpaid interest on the Tranche A Loan, if not sooner paid, shall be due and payable in full on the Tranche A Maturity Date.

(b) Unless due sooner pursuant to the provisions of Article 6, the entire unpaid principal of, and all accrued and unpaid interest on the Tranche B Loan shall be due and payable on the Tranche B Maturity Date. On the first anniversary of the Closing Date, the Bank shall have the option (without any obligation whatsoever so to do) of extending the Tranche B Maturity Date for a period of one calendar month. If the Bank exercises its option to extend the Tranche B Maturity Date, the Tranche B Maturity Date shall thereafter be automatically extended for successive additional periods of one calendar month each until the earlier of (i) the date of the thirteenth month corresponding to and following the date on which the Bank notifies the Borrower that the Bank wishes to terminate the extension of the Tranche B Maturity Date; or (ii) the Tranche A Maturity Date. The Bank may determine to extend the Tranche B Maturity Date in its sole discretion and no course of dealing or other circumstances shall require the Bank to extend the Tranche B Maturity Date.

SECTION 2.05. Interest Rates. (a) The Tranche A Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Tranche A Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable in arrears on each March 31, June 30, September 30 and December 31. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on the Tranche A Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

(b) The Tranche B Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Tranche B Loan is made until it becomes due, at a rate per annum equal to the sum of the Base Rate for such day plus .50%; provided however, that if the Borrower repays the outstanding principal balance of the Tranche A Loan in an amount equal to or greater than \$4,000,000 on or before January 31, 1997, the Tranche B Loan shall bear interest on the outstanding principal amount thereof, for each day from February 1, 1997 until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable in arrears on each March 31, June 30, September 30, and December 31. Any overdue principal of and, to the extent permitted by applicable law, overdue interest on the Tranche B Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

(c) The Bank shall determine the interest rate 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.

(d) 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. Fees. On the Closing Date, the Borrower shall pay to the Bank a commitment fee equal to \$75,000.00.

SECTION 2.07. Optional Prepayments. The Borrower may, upon at least 1 Business Day's notice to the Bank, prepay the Loans in whole at any time, or from time to time in part in amounts aggregating at least \$500,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Prepayments made on or before January 31, 1997 shall be applied first to installments due (including the final installment due on the Tranche A Maturity Date) with respect to the Tranche A Loan, in the inverse order of their maturity, and then, to the extent necessary to the Tranche B Loan. Prepayments made on or after February 1, 1997 shall be applied first to installments due (including the final installment due on the Tranche A Maturity Date) with respect to the Tranche A Loan, in the order of their maturity, and then, to the extent necessary to the Tranche B Loan.

SECTION 2.08. 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 Loans or of fees 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. 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 2.08, 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 2.08 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, 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 2.09. Computation of Interest. Interest on the Loans shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

ARTICLE III

CONDITIONS TO BORROWINGS

SECTION 3.01. Conditions to Funding on Closing Date. The obligation of the Bank to make the Tranche A Loan on the Closing Date is subject to the following conditions and the obligation of the Bank to make the Tranche B Loan is subject to the satisfaction of the conditions set forth in Section 3.02 and 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 a duly executed Tranche A Note and a duly executed Tranche B 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 Heyman & Sizemore, counsel for the Borrower, dated as of the Closing Date, substantially in the form of Exhibit C 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 D 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 Notes, 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 E 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 (excluding the shares of stock of Leath Furniture, Inc.), 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 of the Subordination Agreement in form and substance satisfactory to the Bank in its sole discretion, duly executed by each of the parties thereto;

(h) receipt by the Bank of the Debt Conversion Memorandum in form and substance satisfactory to the Bank in its sole discretion;

(i) 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, 1994; and

(j) such other items as the Bank or its counsel may reasonably request.

SECTION 3.02. Other Conditions to Funding Tranche B Loan. The obligation of the Bank to make the Tranche B Loan is subject to the satisfaction of the following additional conditions:

(a) receipt by the Bank of Notice of Borrowing as required by Section 2.02;

(b) the fact that, immediately before and after the funding of the Tranche B Loan, no Default shall have occurred and be continuing; and

(c) 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 funding of the Tranche B Loan.

The funding of the Tranche B Loan shall be deemed to be a representation and warranty by the Borrower on the date of such funding as to the truth and accuracy of the facts specified in clauses (b) and (c) of this Section.

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.

SECTION 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of this Agreement, the Notes 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 Georgia Department of Insurance 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 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.

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) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 1994 and the related consolidated statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, reported on by Ernst & Young, copies of which have been delivered to the Bank, and the unaudited consolidated financial statements of the Borrower for the interim period ended September 30, 1995, 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) The consolidated balance sheet of American Southern Insurance Company and its Consolidated Subsidiaries as of December 31, 1994 and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal year of American Southern Insurance Company and its Consolidated Subsidiaries then ended, reported on by Ernst & Young, copies of which have been delivered to the Bank, and the unaudited consolidated financial statements of American Southern Insurance Company for the interim period ending September 30, 1995, copies of which have been delivered to the Bank, fairly present, in conformity with GAAP, the consolidated financial position of American Southern Insurance Company and its Consolidated Subsidiaries as of such dates and their consolidated results of operations and cash flows for such periods stated.

(c) The Annual Statements of the Insurance Subsidiaries together with supplemental schedules thereto, dated as of December 31, 1994, and the Quarterly Statements of the Insurance Subsidiaries together with supplemental schedules thereto, dated as of September 30, 1995, 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 September 30, 1995 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 Notes 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 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.

(b) 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 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 5.09.

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. The Borrower has disclosed to the Bank in writing any and all facts which could have or cause a Material Adverse Effect.

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. Shareholder Debt. The amount, maturity, amortization schedule, interest rate and holder of all Shareholder Debt is accurately set forth on Schedule 4.19.

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 Ernst & Young 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 F (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, 5.09, 5.24, 5.25 and 5.27 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 or threat thereof, notice of any Forfeiture Proceeding;

(k) as soon as available, a copy of any and all reports, conclusions, recommendations, observations, summaries and written materials prepared by or for the Georgia Department of Insurance in connection with the audit and review of the Borrower and its Subsidiaries scheduled to be conducted by the Georgia Department of Insurance during the First Quarter of 1996; and

(l) 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 date of the Debt Conversion to and including December 31, 1996, 65%; (ii) for the period from and including January 1, 1997 to and including December 31, 1997, 55%; and (iii) for any period on or after January 1, 1998, 45%.

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 \$1,000,000 in the aggregate in any Fiscal Year.

SECTION 5.05. Ratio of Cash Flow to Debt Service. At the end of each Fiscal Quarter, the ratio of Cash Flow for the Applicable Period to Debt Service for the Applicable Period, shall not have been less than (i) for each Fiscal Quarter commencing with the first Fiscal Quarter ending after the date on which the Debt Conversion is effective and each subsequent Fiscal Quarter ending prior to or on December 31, 1996, 1.0 to 1.0; (ii) for each Fiscal Quarter ending on or after January 1, 1997 and prior to or on December 31, 1997, 1.05 to 1.00; (iii) for each Fiscal Quarter ending on or after January 1, 1998 and prior to or on December 31, 1998, 1.10 to 1.00; and (iv) for each Fiscal Quarter ending on or after January 1, 1999, 1.15 to 1.00. As used in this Section 5.05, "Applicable Period" means: (i) for calculations made with respect to Fiscal Quarters ending prior to or on December 31, 1996, the period commencing on January 1, 1996 and ending on the last day of such Fiscal Quarter; and (ii) for calculations made with respect to Fiscal Quarters ending after December 31, 1996, the immediately preceding 12 months ending on the last day of such Fiscal Quarter.

SECTION 5.06. Capital Expenditures. Capital Expenditures will not exceed in the aggregate in any Fiscal Year the sum of \$5,000,000.00; 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 5.07. 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 5.08. Investments. Neither the Borrower nor any of its Subsidiaries shall make Investments in any Person except as permitted by Section 5.07 and except Investments in (i) direct obligations of the United States Government maturing within one year, (ii) certificates of deposit issued by a commercial bank whose credit is satisfactory to the Bank, (iii) 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 and/or (iv) 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.; provided, however, that this Section 5.08 shall not prohibit Investments made in the ordinary course of business involving the investment portfolio of any Insurance Subsidiary.

SECTION 5.09. 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 any Lien on Margin Stock.

SECTION 5.10. 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 5.11. 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 5.12.

SECTION 5.12. 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 5.13. 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 (except as permitted in Section 5.13(b)), stock of any corporation with a view toward obtaining control of such other corporation, (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) The proceeds of the Tranche A Loan shall be used solely to acquire American Southern Insurance Company. The proceeds of the Tranche B Loan shall be used solely to repay, in its entirety, all indebtedness of the Borrower to Fuqua Enterprises, Inc. (the proceeds of such payment will, in turn, be used by Fuqua Enterprises, Inc. to repay any and all indebtedness, liabilities and obligations of Fuqua Enterprises, Inc. to INTERREDIC).

SECTION 5.14. 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 5.15. 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 5.16. Change in Fiscal Year. The Borrower will not change its Fiscal Year without the consent of the Bank.

SECTION 5.17. 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 5.18. Environmental Notices. The Borrower shall furnish to the Bank prompt written notice of all 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 lead to any of the foregoing.

SECTION 5.19. 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 5.20. Environmental Release. The Borrower agrees that upon the occurrence of an 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 5.21 Additional Covenants, Etc. In the event that at any time this Agreement is in effect or any 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 5.22. 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 which are fully disclosed to the Bank, 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 5.23. Modification of Shareholder Debt. The Borrower will not amend or modify the scheduled maturity, pricing or amortization of the Shareholder Debt.

SECTION 5.24. 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 5.25. 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 5.26. 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 5.26 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) Leath Furniture, Inc. may incur Debt provided that: (1) the aggregate outstanding principal amount of such Debt permitted under this Section 5.26(d) shall not at any time exceed

\$5,000,000; (2) the proceeds of such Debt shall be used by Leath Furniture, Inc. to finance capital expenditures of Leath Furniture, Inc.; and (3) such Debt shall be subordinated pursuant to a subordination agreement in form and content satisfactory to the Bank providing that the holder of such Debt shall not ask, demand, sue for, set off, accept or receive any payment of all or any part of such Debt after the occurrence of a Default or Event of Default hereunder.

SECTION 5.27. Minimum Investment in NAIC Rated Bonds; Maximum Investment in Investment Properties. The Borrower will not permit American Southern Insurance Company at any time to 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.

SECTION 5.28. Debt Conversion Documents. No less than 30 days prior to the Debt Conversion, the Borrower shall deliver to the Bank complete and accurate copies of the Debt Conversion Documents.

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 five Business Days after such interest shall become due, or shall fail to pay any fee or other amount payable hereunder within five 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 5.13, inclusive, Section 5.16, Section 5.21 or Sections 5.24 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) or (o) 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 (or, with the giving of notice or lapse of time or both, would enable) 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; 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 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 or has a reasonable probability of causing a Material Adverse Effect; or

(n) any party thereto shall fail to observe or perform any of its obligation under the Subordination Agreement, the Subordination Agreement shall cease to be in full force and effect, or any party thereto (or any Person acting on their behalf) shall deny or disaffirm its obligations under the Subordination Agreement; or

(o) 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

(p) the Debt Conversion does not occur upon terms and conditions satisfactory to the Bank in its sole discretion on or before that date which is 90 days after the Closing Date; or

(q) Atlantic American Life Insurance Company, 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

(r) 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 and Bankers Fidelity Life Insurance Company; or

(s) J. Mack Robinson shall cease to be the Chairman of the Board of Directors of the Borrower, or Hilton H. Howell, Jr. shall cease to be the Chief Executive Officer and President of the Borrower, or if any two of the following individuals shall cease to hold the following positions with American Southern Insurance Company: Roy Steele Thompson, Jr.(Chairman of the Board), Calvin Lee Wall (Vice Chairman and Chief Executive Officer), or Scott Gallatin Thompson (President); or

(t) 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; or

(u) the Borrower has not fully consummated the acquisition of 100% of the issued and outstanding capital stock of American Southern Insurance Company on or before January 1, 1996;

then, and in every such event, the Bank may (i) terminate the Tranche B Commitment (if the Tranche B Loan has not yet been funded) and it shall thereupon terminate, and (ii) by notice to the Borrower declare the Notes (together with accrued interest thereon) and all other amounts payable hereunder and under the other Loan Documents to be, and the Notes (together with 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 Tranche B Commitment (if the Tranche B Loan has not yet been funded) shall thereupon automatically terminate and the Notes (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 VIII

MISCELLANEOUS

SECTION 7.01. 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 7.02. No Waivers. No failure or delay by the Bank in exercising any right, power or privilege hereunder or under any 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 7.03. Expenses; Documentary Taxes; Indemnification; Increased Cost and Reduced Return. (a) The Borrower shall pay (i) all out-of-pocket expenses of the Bank, including fees and disbursements of counsel for the Bank, 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 fees and disbursements of counsel, 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.

(d) 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. 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 paragraph 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 judgement of the Bank, be otherwise disadvantageous to the Bank. A certificate of the Bank claiming compensation under this paragraph 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. The provisions of this Section 7.03(d) 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. 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 7.05. 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 7.06. Amendments and Waivers. Any provision of this Agreement, the Notes 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 7.07. 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 Notes 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 G, 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) no interest may be sold by the Bank pursuant to this paragraph (c) unless the Assignee shall agree to assume ratably equivalent portions of the transferor Bank's Tranche A Loan and Tranche B Loan (or, if the Tranche B Loan has not yet been funded, the Tranche B Commitment), (ii) the amount of the Loans (or Tranche B Commitment if the Tranche B Loan has not yet been funded) of the Bank subject to such assignment (determined as of the effective date of the assignment) shall be equal to or greater than \$1,000,000, and (iii) unless a Default shall have occurred and be continuing), no interest may be sold by a 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 Commitments 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 Banks 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 7.08, 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 7.07 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 7.08. 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 7.08.

SECTION 7.09. Survival of Certain Obligations. Section 7.03 and the obligations of the Borrower thereunder, shall survive, and shall continue to be enforceable notwithstanding, the termination of this Agreement and the Commitments and the payment in full of the principal of and interest on all Loans.

SECTION 7.10. Georgia Law. This Agreement and each Note shall be construed in accordance with and governed by the law of the State of Georgia.

SECTION 7.11. Severability. In case any one or more of the provisions contained in this Agreement, the Notes 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 7.12. Interest. In no event shall the amount of interest due or payable hereunder or under the Notes 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 7.13. 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 7.14. 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 Notes 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 Notes or the other Loan Documents, and (c) agrees that service of process may be made upon it in the manner prescribed in Section 7.01 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 7.15. 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.

A#0004945.01

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:

_____, Secretary

[CORPORATE SEAL]

By: _____(SEAL)
Title:
4370 Peachtree Street, N.E.
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 OF GEORGIA, N.A.

By: _____(SEAL)
Title:

Lending Office
Wachovia Bank of Georgia, N.A.
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attention: Southeast Corporate (MC 3940)
Telecopy number: (404) 332-5016
Telephone number: (404) 332-1371

NEWS RELEASE
For Immediate Release

For further information contact:
John W. Hancock
Senior Vice President and Treasurer
Atlantic American Corporation
(404) 266-5500

ATLANTIC AMERICAN CLOSES ON ACQUISITION OF
AMERICAN SOUTHERN INSURANCE COMPANY

ATLANTA, January 2, 1996 -- Atlantic American Corporation (NASDAQ:AAME) today announced as of December 31, 1995, it closed on the acquisition of American Southern Insurance Company from Fuqua Enterprises, Inc.

Hilton Howell, Atlantic American's President and CEO, said: "We are very pleased to have closed the acquisition of American Southern Insurance Company. It is one of the most successful property and casualty insurance companies in the country and will add significantly to the financial strength and flexibility of our insurance operations."

On a pro forma basis compared with year-end 1994, this acquisition will increase Atlantic American's consolidated assets from \$205.0 million to approximately \$300.0 million, will double the insurance division's net premiums written from \$42.8 million to approximately \$86.0 million, and will increase the division's statutory capital and surplus from \$29.5 million to approximately \$63.5 million.

Atlantic American is a diversified holding company involved in the life, health, property and casualty insurance and retail furniture industries. Its subsidiaries include Atlantic American Life Insurance Company, Bankers Fidelity Life Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company, American Safety Insurance Company, Leath Furniture, Inc., Modernage Furniture, Inc. and Jefferson Home Furniture Company.

NEWS RELEASE
For Immediate Release

For further information contact:
John W. Hancock
Senior Vice President and Treasurer
Atlantic American Corporation
(404) 266-5500

ATLANTA, January 9, 1996 -- Atlantic American Corporation (NASDAQ-NNM:AAME) today announced that it had entered into a merger agreement pursuant to which it will acquire all of the remaining publicly-held shares of its subsidiary, Bankers Fidelity Life Insurance Company. Atlantic American currently owns 93% of the outstanding stock of Bankers Fidelity. The transaction will be completed through the merger of a newly formed wholly-owned subsidiary of Atlantic American into Bankers Fidelity, with Bankers Fidelity being the surviving corporation in the merger. As a result of the merger, the public shareholders of Bankers Fidelity will receive \$6.25 in cash for each share of common stock, for an aggregate of approximately \$1,264,000.

Commenting on the announcement, Hilton Howell, Atlantic American's President and CEO, said: "We appreciate the participation and loyalty of the many long-standing shareholders of Bankers Fidelity and believe that the transaction will permit those shareholders to maximize the value of their investment in Bankers Fidelity."

Atlantic American expects to complete the transaction by the end of March, following approval at a shareholders meeting and receipt of any necessary regulatory approvals.

Bankers Fidelity offers Medicare supplement and other accident and health insurance, as well as life insurance, through a network of approximately 1,300 independent agents in 22 states.

Atlantic American is a diversified holding company involved in the life, health, property and casualty insurance and retail furniture industries. Its subsidiaries include Atlantic American Life Insurance Company, Bankers Fidelity Life Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company, American Safety Insurance Company, Leath Furniture, Inc., Modernage Furniture, Inc. and Jefferson Home Furniture Company, Inc.