

**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
of United Contractors Insurance Company, Inc., a Risk Retention Group**

United Contractors Insurance Company, Inc., a Risk Retention Group (hereinafter the “RRG”) has been formed under the Federal Risk Retention Act of 1986. As such, the RRG will operate as an insurance company providing liability insurance to contractors. Under the Federal Risk Retention Act of 1986 (hereinafter the “Act”), an insurance company must be owned by its policyholders. In conjunction with the procurement of insurance from the RRG by its policyholders, said policyholders are therefore required to have an ownership interest in the RRG.

No person has been authorized in connection with this offering to give any information or make any representations other than as contained in this information memorandum. Please direct any inquiries to United Contractors Insurance Agency at 333 North Palm Canyon Drive, Ste. 211, Palm Springs, CA 92262.

The securities offered herein have not been filed with or approved or disapproved by any regulatory authority of any country or other jurisdiction, nor has any such regulatory authority passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Confidential Private Placement Memorandum. Any representation to the contrary is unlawful. The manager of the RRG does not purport to profess any expertise in the field of financial investments and portfolio management, and will rely on outside consultants.

NOTICE

You should consult your stockbroker, accountant, tax advisor, insurance broker or other professional advisor if you have any questions regarding this offering. The shares of stock of the RRG are exempt from the Securities and Exchange Commission and will not be registered or qualified with any jurisdiction.

The RRG will initially issue shares in one class of stock which will be based proportionately on the amount of premium charged the purchaser for a policy of insurance. Only individuals and companies engaged in the business of construction will be qualified to purchase shares of stock. Only current policyholders holding shares of stock will be entitled to vote. Management will seek a proxy at the time of sale of stock. Prospective investors should not construe the contents of this memorandum as legal, tax or financial advice.

This memorandum is intended solely for the use of the person to whom it has been delivered by the RRG for the purpose of evaluating a possible investment by the recipient in the shares described herein, and it is not to be reproduced or distributed to any other persons (other than professional advisors of the prospective investor receiving this memorandum from the RRG).

BY AUTHORIZING THE FORMATION OF A RISK RETENTION GROUP IN THE DISTRICT OF COLUMBIA, THE DISTRICT OF COLUMBIA GOVERNMENT, ITS OFFICERS, EMPLOYEES, OR AGENTS DO NOT NECESSARILY ENDORSE THE QUALITY OF MANAGEMENT, THE COMPANY’S ABILITY TO EXECUTE ITS BUSINESS PLAN, OR THE POTENTIAL FOR EARNINGS OF SUCH COMPANY, AND SHALL NOT BE LIABLE FOR ANY DAMAGES OR LOSSES THAT ANY OWNER, POLICYHOLDER, OR INVESTOR MAY INCUR.

SUMMARY

The information set out below should be read in conjunction with, and is qualified in its entirety by, the Subscription and Shareholders Agreement.

THE RRG

United Contractors Insurance Company, Inc., a Risk Retention Group (the “RRG”) is a Washington, D.C., based corporation qualified to transact insurance nationally under the Federal Risk Retention Act of 1986 (the “Act”). In order to transact the business of insurance, pursuant to the Act, can only sell shares of stock in the RRG to policyholders of the RRG. Those policyholders consist of contractors licensed by the applicable Contractors

License Board of the appropriate state and engaged in the business of construction and related activities. Those contractors desiring to procure liability insurance offered by the RRG are required as a condition precedent to obtain equitable interest in the RRG.

The primary purpose, therefore, in marketing this security is to meet the legal requirement which mandates equity ownership in the RRG by policyholders. The purchase of stock in the RRG should be done solely as a vehicle to acquire an insurance policy and should not be considered as a meritorious stand-alone investment.

INVESTMENT OBJECTIVE

The purchase of the shares of stock should not be done investment purposes, as the purchase of the shares on a stand-alone basis is not considered a prudent investment, and not likely to yield any return, but should only be considered to allow an opportunity to purchase insurance from the RRG. The shares will be sold on a continual basis to policy holders only. The RRG will not issue actual certificates but will maintain a record of stock ownership.

BOARD OF DIRECTORS

The Board of Directors of the RRG will consist of a minimum of four directors, one of which must reside in Washington, D.C. The election of the Board of Directors is staggered on an annual basis under which only one director can be elected each year.

ADMINISTRATOR

The RRG will be managed by W. A. Taft & Company (DC), Ltd., 1250 H Street, N.W., Suite 901, Washington, D.C. 20005, as the captive manager. In addition, United Contractors Insurance Group, Inc., DBA: United Contractors Insurance Agency, 333 North Palm Canyon Drive, Ste. 211, Palm Springs, CA 92262, will act as the managing general underwriter handling the day-to-day operations of the RRG.

TRANSFERS

No transfer of shares is permitted by the policy holder.

DISTRIBUTIONS

It is the present intention of the RRG not to distribute net income by way of dividends. The only money that might possibly be received by an owner of the shares is a redemption which will not take place unless agreed to by a majority of the directors at their sole discretion. Certain other restrictions against redemption are more fully set forth in the Subscription and Shareholders Agreement. Please read the Subscription and Shareholders Agreement fully.

TAX TREATMENT

The purchaser is advised to seek the advice of a tax advisor to determine the appropriate state and federal tax treatment of monies expended to purchase shares under the Subscription and Shareholders Agreement.

GRIEVANCE PROCEDURES

Pursuant to the Subscription and Shareholders Agreement, the aggrieved purchaser is required to initiate a complaint with the captive manager of the RRG, W. A. Taft & Company (DC) Ltd., located at 1250 H Street, N. W., Suite 901, Washington DC 20005. If any grievance is not resolved through the intervention of the captive manager, the Subscription and Shareholders Agreement contains an arbitration clause with the American Arbitration Association.

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