**Erebor Life, Inc. – Legal Due Diligence Documents**

**Effective Date:** March 31, 2023  
**Prepared For:** Argyle LLP Investment Committee  
**Seller:** Suregood Family Trust  
**Target:** Erebor Life, Inc. – Life Insurance and Financial Services Firm, Denver, CO  
**Proposed Transaction:** Acquisition of 51% stake for $231 million (negotiated from an initial offer of $215 million)

**1. Corporate Governance Documents**

**1.1 Articles of Incorporation and Bylaws**

* **Document Title:** Articles of Incorporation of Erebor Life, Inc.
  + **Incorporation Date:** March 15, 1978
  + **Jurisdiction:** Colorado
  + **Summary:** Establishes the legal existence of the Company, authorized share capital of 10,000,000 common shares, and the basic corporate purpose, which includes providing life insurance and financial services.
* **Document Title:** Bylaws of Erebor Life, Inc.
  + **Effective Date:** March 20, 1978
  + **Key Provisions:**
    - Annual and special shareholder meetings, Board composition (9 directors; 6 designated by the Suregood Family Trust and 3 independent appointees, including representatives recommended by Argyle LLP post-transaction), and procedures for amending corporate governance policies.

**1.2 Shareholder Agreements and Board Resolutions**

* **Document Title:** Shareholder Agreement of Erebor Life, Inc.
  + **Effective Date:** January 5, 2023
  + **Key Terms:**
    - Transfer restrictions, tag-along and drag-along rights, and provisions regarding minority shareholder protections, particularly addressing concerns from Paula Wellington (4% owner).
* **Board Resolutions:**
  + **Date:** March 1, 2023
  + **Summary:** Approvals for recent capital restructuring, strategic transformation initiatives, and authorization to negotiate the sale of a 51% stake.

**2. Material Contracts**

**2.1 Key Customer and Vendor Agreements**

* **Insurance Distribution Agreement:**
  + **Parties:** Erebor Life, Inc. and Alpine Mutual Insurance
  + **Contract Date:** February 1, 2021
  + **Value:** Estimated annual premium volume of $12 million
  + **Summary:** Outlines distribution channels for life insurance policies.
* **Service Agreement with Centennial Financial Advisors:**
  + **Parties:** Erebor Life, Inc. and Centennial Financial Advisors
  + **Contract Date:** June 15, 2020
  + **Value:** Annual retainer of $750,000 plus performance incentives
  + **Summary:** Provides market analysis and risk management consulting for the asset management division.

**2.2 IT and Systems Maintenance Contracts**

* **IT System Maintenance Agreement:**
  + **Vendor:** TechSol Solutions, Inc.
  + **Contract Date:** January 10, 2022
  + **Value:** Annual fee of $1.2 million
  + **Summary:** Supports core IT systems for underwriting, policy administration, and digital transformation initiatives.

**3. Compliance Records**

**3.1 Regulatory Filings**

* **SEC Form D Filing:**
  + **Filing Date:** January 10, 2023
  + **Purpose:** Notification of recent private placement adjustments related to the Company’s capital structure.
* **State Filings:**
  + **Colorado Business Registration:** Updated as of March 1, 2023.
  + **Insurance License:** License No. CO-INS-4587, issued April 10, 2022, valid through April 10, 2024.
* **NAIC Submissions:**
  + **Filing Date:** December 31, 2022
  + **Summary:** Annual statements and solvency filings in compliance with NAIC guidelines.

**3.2 Audit and Internal Compliance Reports**

* **Independent Audit Report – FY 2022:**
  + **Prepared By:** Davidson & Associates Audit Group
  + **Report Date:** February 15, 2023
  + **Opinion:** Unqualified opinion with minor adjustments totaling $150,000 recorded.
* **Internal Compliance Report:**
  + **Prepared By:** Erebor Life, Inc. Compliance Department
  + **Review Date:** January 10, 2023
  + **Summary:** Confirms adherence to internal controls and regulatory standards across operational areas, including IT, underwriting, and asset management.

**4. Litigation History**

**4.1 Ongoing Litigation**

* **Case Title:** Colorado Division of Insurance vs. Erebor Life, Inc.
  + **Case Number:** CDI-2022-1015
  + **Filing Date:** November 10, 2022
  + **Summary:** An investigation into asset valuation practices related to the Company’s $22.1 billion AUM.
  + **Status:** Ongoing, with interim reports submitted; expected resolution by June 2023.
* **Case Title:** Paula Wellington vs. Erebor Life, Inc.
  + **Case Number:** EW-2021-072
  + **Filing Date:** August 5, 2021
  + **Summary:** A dispute initiated by minority shareholder Paula Wellington challenging certain strategic decisions and alleging breaches of fiduciary duty.
  + **Status:** Currently in mediation; preliminary settlement framework agreed upon, with final resolution anticipated by May 2023.

**4.2 Resolved Litigation**

* **Case Title:** RapidClaims Inc. vs. Erebor Life, Inc.
  + **Case Number:** RC-2019-044
  + **Filing Date:** July 15, 2019
  + **Resolution Date:** March 10, 2020
  + **Settlement:** $150,000 settlement with revised fee structures implemented.
* **Case Title:** Former CFO Employment Dispute
  + **Case Number:** EMP-2018-089
  + **Filing Date:** May 1, 2018
  + **Resolution Date:** December 15, 2018
  + **Settlement:** Out-of-court settlement of $500,000, with confidentiality agreement in place.

**5. Conclusion**

The legal due diligence review confirms that Erebor Life, Inc. maintains a strong legal foundation with robust corporate governance, enforceable contractual obligations, and comprehensive compliance with regulatory standards. While the majority of legal documentation supports the Company’s stable operational framework, specific risks have been identified:

* **Asset Quality Verification:** Ongoing monitoring of the $22.1 billion AUM is necessary.
* **Minority Shareholder Risks:** Proactive measures are required to manage potential interference from Paula Wellington.
* **Litigation Exposure:** Current litigation matters, while not expected to materially impact valuation, must be closely monitored.

These findings support the valuation and strategic rationale behind the proposed acquisition, while also providing clear recommendations for mitigating identified legal risks.

*This Legal Due Diligence Documents package is confidential and intended solely for internal review during the due diligence process by Argyle LLP. All information is accurate as of March 31, 2023, and subject to further verification and updates as additional legal records and documents become available.*