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**CIVIL CASE INFORMATION SHEET
IN THE CIRCUIT COURT OF KANAWHA COUNTY, WEST VIRGINIA**

GRAPHITE INVESTMENT, LLC,

Plaintiffs,

vs.

Civil Action No.

BC-1795
Judge Bloom

2013 SEP 20 PM 4:02

CLERK
COURT

**JACOBS FINANCIAL GROUP, INC., and
FIRST SURETY CORPORATION,**

Defendants.

II. TYPE OF CASE:

TORTS	OTHER	CIVIL
<input type="checkbox"/> Asbestos	<input type="checkbox"/> Adoption	<input type="checkbox"/> Appeal from Magistrate
<input type="checkbox"/> Professional Malpractice	<input checked="" type="checkbox"/> Contract Declaratory Judgment	<input type="checkbox"/> Petition for Modification of Magistrate Sentence
<input type="checkbox"/> Personal Injury	<input type="checkbox"/> Real Property	<input type="checkbox"/> Miscellaneous Civil – Wrongful Death Action
<input type="checkbox"/> Product Liability	<input type="checkbox"/> Mental Health	
<input type="checkbox"/> Negligence	<input type="checkbox"/> Appeal of Administrative Agency	

III. JURY DEMAND: ☒ YES ☐ NO
CASE WILL BE READY FOR TRIAL BY (Month/Year): 03/2014

**IV. DO YOU OR ANY OF YOUR CLIENTS OR WITNESSES IN THIS CASE REQUIRE
SPECIAL ACCOMMODATIONS DUE TO A DISABILITY OR AGE?** ☐ YES ☒ NO

IF YES, PLEASE SPECIFY:

- ☐ Wheelchair accessible hearing room and other facilities
- ☐ Interpreter of another auxiliary aid for the hearing impaired
- ☐ Reader or other auxiliary aid for the visually impaired
- ☐ Spokesperson or other auxiliary aid for the speech impaired
- ☐ Other:

Attorney Name: Edward D. McDevitt
(WV State Bar No. 2437) **Representing:** Plaintiff, Graphite Investment, LLC

Signature: *Edward D. McDevitt* **Dated:** September 20, 2013

Firm: Bowles Rice LLP

Address: Post Office Box 1386 (Zip: 25325-1386), 600 Quarrier Street, Charleston, West Virginia 25301

Telephone: 304) 347-1711

PYMT Type *507600* **\$155** ☒ **\$135** ☐
Rcpt # *507600*
Iss. Sum. + cc ☐ **No Sum. Iss** ☐
☒ **Ret. to Atty.** ☐ **\$20cm X** ☐
☐ **Mailed CM/RM** ☐ **\$5 clk X** ☐
☐ **Mailed to sos w/ck#** ☐
☐ **Sent to** ☐ **w/ck#** ☐

✓
IN THE CIRCUIT COURT OF KANAWHA COUNTY, WEST VIRGINIA

FILED

GRAPHITE INVESTMENT, LLC

Plaintiff,

v.

**JACOBS FINANCIAL GROUP, INC., and
FIRST SURETY CORPORATION**

Defendants.

2013 SEP 20 PM 4:02
K. M. C. CLERK
CIVIL COURT
Civil Action No. 13-C-1725

COMPLAINT

COME NOW the Plaintiff, Graphite Investment, LLC, by Counsel, Edward D. McDevitt and Bowles Rice LLP, and for causes of action against the Defendants aver as follows:

PARTIES

1. Plaintiff Graphite Investment, LLC ("Graphite") is a Wyoming limited liability corporation with its principal place of business located at 6318 Timarron Cove Lane, Burke, Virginia 22015-4073.
2. Defendant Jacobs Financial Group, Inc. ("Jacobs Financial") is a Delaware corporation with its principal place of business located at 300 Summers Street, Suite 970, Charleston, West Virginia, 25301.
3. NELX, Inc. ("NELX") was a publically traded Kansas corporation with its principal place of business located at 300 Summers Street, Suite 970, Charleston, West Virginia, 25301. NELX merged with Jacobs Financial with an effective date of April 18, 2007.
4. Defendant First Surety Corporation ("First Surety") is a West Virginia corporation with its principal place of business located at 300 Summers Street, Suite 970, Charleston, West Virginia, 25301. On or about January 9, 2006, "West Virginia Fire and Casualty Company" filed an amendment to its Articles of Incorporation with the West Virginia Secretary of State whereby its name was changed to "First Surety Corporation."
5. Jacobs Financial, NELX, and First Surety shall hereinafter be referred to as "Defendants."

Preferred Stock. In such circumstances, your request will be granted if at that time West Virginia Fire and Casualty Company has sufficient capital and surplus to provide the bonding capacity associated with all outstanding Series A Shares, plus an additional amount of capital and surplus sufficient to provide the bonding company to be associated with the Series A Shares into which your Series B Shares would be converted.” A copy of the December 15, 2005 letter is attached hereto as Exhibit B.

25. On or about December 23, 2005, the Insurance Commission for the State of West Virginia entered a Consent Order authorizing the acquisition of control of West Virginia Fire and Casualty Company, a wholly owned subsidiary of The Celina Mutual Insurance Company, an Ohio corporation, by Jacobs Financial. A copy of the December 23, 2005 Consent Order is attached hereto as Exhibit C.

26. Condition 3 of the December 23, 2005 Consent Order specifically provided that “[a]ny excess amount and all monies received by Applicant from the sale of Series A preferred stock subsequent to the Applicant’s acquisition of the Insurer shall be placed into the surplus accounts of the Insurer, provided that Applicant may substitute monies received from the sale of Series A preferred stock for surplus represented by proceeds of issuance of Series B preferred stock so long as there is no decrease in the surplus of the Insurer and the Insurer maintains bonding capacity promised to the subscribers of all outstanding Series A preferred stock.”

27. By letter dated December 29, 2005, Graphite by and through its President, Fay Alexander, informed Jacobs Financial of its wish to convert the Series B Preferred Stock to Series A Preferred Stock, and thus receive from an outside investor a return of its \$1,500,000 investment. A copy of the December 29, 2005 letter is attached hereto as Exhibit D.

28. Additionally, the December 29, 2005 letter explicitly stated that the Stock Conversion Clause of the Subscription Agreement was a “material inducement which we relied upon in making our investment in the Series B Preferred Stock.”

29. On or about December 30, 2005, NELX issued 2000 Shares of Series B Preferred Stock to Graphite under the terms of the October 7, 2005 Subscription Agreement.

30. On or after July 1, 2006, Graphite had the right and option to convert its Series B Preferred Stock to Series A Preferred Stock. Instead, the Defendant elected to skip this step and began redeeming Series B Preferred Stock directly from Graphite.

JURISDICTION AND VENUE

6. The Subscription Agreement, which is the subject of this complaint, was entered into in the State of West Virginia, and the terms of which were to be performed in the State of West Virginia.

7. Jurisdiction over the subject matter of this action is conferred, *inter alia*, pursuant to the express terms of the Subscription Agreement.

8. Venue is properly before this Honorable Court pursuant to the provisions of W. Va. Code § 56-1-1(2) because Defendants' principal places of business are located in Charleston, Kanawha County, West Virginia.

OPERATIVE FACTS

9. In or about 2005, NELX began the process to acquire and operate West Virginia Fire and Casualty Company, a West Virginia insurance company with an active license for the principal purpose of engaging in business as a surety.

10. NELX needed assistance to finance this acquisition and operation.

11. In or about September, 2005, NELX by and through its president, John M. Jacobs, discussed with certain individuals, who would later organize as Graphite, certain investment opportunities, including the purchase of shares of Series B Preferred Stock, which would assist NELX in financing the acquisition and operation of West Virginia Fire and Casualty Company. to sell the

12. During discussions, Graphite expressed a concern in its ability to quickly receive a return on its investment.

13. Graphite did not wish to maintain ownership of the Series B Stock for an extended period of time. Rather, Graphite wished to have the option to promptly sell or redeem its stock so as to recoup its initial investment.

14. At all relevant times herein, Defendants were aware of Graphite's interests and concerns.

15. Graphite had at and prior to this time established a relationship with Jacobs Financial through prior business dealings.

16. As a result, Defendants agreed to give Graphite the right and option to convert any Series B Preferred Stock purchased into Series A Preferred Stock at any time following the six (6) month anniversary of the issuance of the Series B Preferred Stock, for the purpose of having it purchased by Surety Bond customers of the Defendant, who were required to purchase Series A Stock under Defendants partially collateralized program.

17. Thereafter, Graphite showed an interest in purchasing shares of Series B Preferred Stock, solely based on the agreement that Graphite be permitted to convert Series B Preferred Stock into Series A Preferred Stock.

18. On or about October 7, 2005, Graphite and NELX entered into a Subscription Agreement, whereby Graphite agreed to subscribe to purchase 2000 Shares of Series B Preferred Stock, together with warrants to purchase 10,000,000 shares of Common Stock from NELX. A copy of said Subscription Agreement is attached hereto as Exhibit A.

19. According to the express terms of the Subscription Agreement, “[a]t any time after the six-month anniversary of the issuance of the Series B Preferred Stock, at the election of the holder, up to \$1,500,000 face amount of the Series B Preferred Stock issued pursuant hereto (i.e., three-fourths of the face amount) may be converted into Series A Preferred Stock (“Stock Conversion Clause”). See Appendix A, Subscription Agreement at A-1.

20. The Stock Conversion Clause was a material provision to the Subscription Agreement.

21. Graphite would not have entered into the Subscription Agreement without the Stock Conversion Clause.

22. At all relevant times herein, Defendants were aware that the Stock Conversion Clause was essential to the Subscription Agreement, and Graphite would not have entered into the Subscription Agreement without the Stock Conversion Clause.

23. No other subscriber was provided with the option to convert Series B Preferred Stock to Series A Preferred Stock as permitted by the Stock Conversion Clause.

24. By letter dated December 15, 2005 and hand delivered to Graphite on December 29, 2005, NELX by and through its President, John M. Jacobs Financial, confirmed Graphite’s right to convert its shares of Series B Preferred Stock to Series A Preferred Stock. Specifically, the letter stated “[a]t any time after the 6-month anniversary of your investment with NELX, you may request the conversion of your Series B Preferred stock to Series A

31. On or about July 28, 2006, Jacobs Financial redeemed 10 Shares of Series B Preferred Stock from Graphite. A copy of the July 28, 2006 Redemption Agreement is attached hereto as Exhibit E. Defendants informed Graphite that it had been determined that this direct redemption was preferred to the more complex B to A swap that was set forth in all prior documents.

32. On or about October 30, 2006, Jacobs Financial redeemed 48.659 Shares of Series B Preferred Stock. A copy of the October 30, 2006 Redemption Agreement is attached hereto as Exhibit F. Defendants informed Graphite that it had been determined that this direct redemption was preferred to the more complex B to A swap that was set forth in all prior documents.

33. From October 30, 2006 until June 8, 2007, Defendants claimed that that no Series A Stock was being sold and made no attempt to redeem any further Series B Stock from Graphite.

34. At all relevant times herein, Defendants were aware that Graphite wished to exercise its right to convert its Series B Preferred Stock into Series A Preferred Stock and have it purchased by Surety Bond customers of the defendant, who were required to purchase Series A Stock under Defendants partially collateralized program or, in the alternative, have the Defendant use any money from Series A Stock purchases to directly purchase Graphite's Series B Stock as was done in July and October, 2006.

35. On or about June 8, 2007, the Insurance Commissioner of the State of West Virginia entered an Amended Consent Order, agreed to by defendants and without the knowledge of Graphite, which suspended Jacobs Financial's ability to "substitute monies received from the sale of Series A Preferred Stock for surplus represented by proceeds of issuance of Series B Preferred Stock." A copy of the June 8, 2007 Amended Consent Order is attached hereto as Exhibit G.

36. During the suspension, upon information and belief, in excess of \$1,500,000 in Series A Stock was sold and these proceeds accumulated in the Defendant First Surety.

37. On or about March 26, 2012, the Insurance Commissioner of the State of West Virginia entered an Order Terminating the June 8, 2007 Amended Consent Order, which

removed the suspension of Defendants right to redeem Graphite's Series B Stock. A copy of the March 26, 2012 Order is attached hereto as Exhibit H.

38. Following the March 26, 2012 Order, Graphite again had the right and option to convert its Series B Preferred Stock into Series A Preferred Stock for the purpose of selling it to Defendant First Surety's surety bond customers or to follow the Defendant's procedure used in July and October, 2006 by directly redeeming Graphite's Series B Stock.

39. At no time after March 26, 2012 did Defendants permit Graphite to exercise its right under the Stock Conversion Clause nor did it attempt to redeem any of Graphite's Series B Stock.

40. Upon information and belief, subsequent to the termination of the Insurance Commissioners suspension, Defendant First Surety has paid to Defendant Jacobs Financial dividends in excess of \$600,000; money that should have been used to purchase Graphite's Series B Stock as agreed.

41. To date, Graphite has been unable to receive from an outside investor a return of its initial investment.

42. Defendants have failed to meet their obligations under the Subscription Agreement.

43. The 1941.341 Shares of Series B Preferred Stock¹ that Graphite currently owns are impaired and not convertible to Series A Preferred Stock as represented.

44. Graphite has been damaged by its inability to convert its Series B Preferred Stock to Series A Preferred Stock and thereby receive from an outside investor a return of its initial investment.

COUNT I

BREACH OF CONTRACT

45. The allegations of paragraphs 1 through 44, inclusive, of this Complaint are hereby realleged with the same force and effect as if sully set forth herein.

46. In connection with the subscription to purchase Series B Preferred Stock and other acts referenced above, the Defendants entered into express and/or implied contractual arrangements with Graphite.

¹ This number reflects the original 2000 shares purchased minus the 10 shares redeemed on July 28, 2006 and 48.659 shares redeemed on October 30 2006.

47. Through their actions, Defendants materially breached the terms of the Subscription Agreement.

48. Defendants have failed to cure the aforementioned breaches.

49. Defendants have failed to give reasonable assurances that the aforementioned breached would be cured.

50. Defendants have failed to satisfy their contractual obligations, and these obligations were so important and central to the Subscription Agreement that Defendants' failure defeated the very purpose for which Graphite entered into the Subscription Agreement.

51. Graphite satisfied all of its obligations under the Subscription Agreement.

52. As a direct and proximate result of Defendants breach of the contractual arrangement, Graphite has been damaged in an amount of not less than One Million Four Hundred Thirty Seven Thousand Five Hundred Twenty Three Dollars and One Cent. (\$1,437,523.01).²

COUNT II

UNJUST ENRICHMENT

53. The allegations of paragraphs 1 through 52, inclusive, of this Complaint are hereby realleged with the same force and effect as if sully set forth herein.

54. Defendants have obtained the benefits from Graphite's subscription to the Series B Preferred Stock without having permitted Graphite to exercise its right to convert the Series B Preferred Stock to Series A Preferred Stock and thereby receive from an outside investor a return of its initial investment.

55. Under the circumstances, Defendants have been unjustly enriched by their acts and omission as hereinabove set forth.

56. As a direct and proximate result of Defendants' breach of the contractual arrangement, Graphite has been damaged in an amount of not less than One Million Four Hundred Thirty Seven Thousand Five Hundred Twenty Three Dollars and One Cent. (\$1,437,523.01).

² This number reflects Graphite's initial investment of \$1,500,000 minus \$10,476.99 received from the July 28, 2006 redemption and \$52,000 received from the October 30, 2006 redemption.

PRAYER

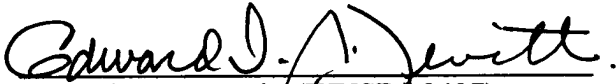
WHEREFORE, Graphite prays for judgment against the Defendants jointly and severally and in Graphite's favor as follows:

- (a) Compensatory damages of not less than One Million Four Hundred Thirty Seven Thousand Five Hundred Twenty Three Dollars and One Cent. (\$1,437,523.01);
- (b) Prejudgment interest;
- (c) Court costs and reasonable attorney's fees; and
- (d) Any other relief that this Court deems fair, just, and equitable.

PLAINTIFF DEMANDS A TRIAL BY JURY ON ALL MATTERS PROPERLY TRIABLE BY A JURY.

GRAPHITE INVESTMENT, LLC

by Counsel



Edward D. McDevitt (WVSB # 2437)

Patrick C. Timony (WVSB #11717)

BOWLES RICE LLP

600 Quarrier Street

Post Office Box 1386

Charleston, West Virginia 25325-1386

(304) 347-1100

NELX, Inc.

300 Summers Street, Suite 970

Charleston, WV 25301-1631

Telephone: 304-343-8171

*Original-
Graphite*

October 7, 2005

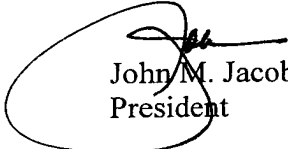
Fay Alexander, President
Graphite Investment, LLC
6318 Timarron Cove
Burke, VA 22015

Dear Fay,

We received your two originals of the Subscription Agreement dated October 6, 2005 and are returning for your file one that I have signed to acknowledge our acceptance.

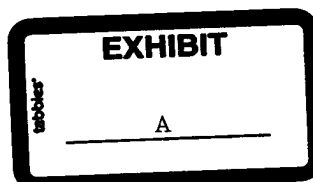
Thank you for your time and confidence. I will keep you posted as we secure additional capital and move forward with our application to the Department of Insurance.

Sincerely,


John M. Jacobs
President

JMJ/bt

cc: T Randolph Cox, Esquire



SUBSCRIPTION AGREEMENT

NELX, Inc.
300 Summers Street
Suite 970
Charleston, West Virginia 25301

Gentlemen:

SECTION 1. Subscription.

1.1 NELX, Inc. a Kansas corporation (the "Company"), is offering to you for sale 2000 shares of Series B Preferred Stock of the Company (the "Shares"), together with warrants to purchase 10,000,000 shares of Common Stock of the Company (the "Warrants"), for the purpose and with terms as described on Appendix A to this Agreement (collectively, the "Securities"). The undersigned (the "Subscriber") hereby subscribes for the purchase of such Securities as set forth on the signature page hereto (the "Purchased Securities"), for \$1,500,000 (the "Purchase Price") determined at the rate of \$750 for each Share, with Warrants (such subscription referred to herein as the "Subscription").

1.2 The Subscriber shall fully complete this Agreement, including Appendices B and C attached hereto. Upon the execution hereof, the Subscriber shall deliver to the Company (i) two executed copies of this Agreement, (ii) \$150,000, being 10% of the Purchase Price (the "Deposit"), which shall be paid by a check payable to the order of the Spilman Thomas & Battle, PLLC, as Escrow Agent, and (iii) three executed copies of the Escrow Agreement in the form attached hereto as Exhibit 1.

1.3 As soon as practicable after receipt of the foregoing items, the Company shall notify the Subscriber whether the Subscription has been accepted. If the Company accepts all or a portion of the Subscription, this Agreement shall become effective, and the Company shall promptly deliver to the Subscriber (i) one fully-executed copy of this Agreement, countersigned by the Company and (ii) a fully executed copy of the Escrow Agreement.

1.4 Following the effectiveness of this Agreement, the balance of the Purchase Price shall be paid to the Company by Subscriber, and the Deposit held pursuant to the Escrow Agreement will be released, upon five (5) days notice to Subscriber and the Escrow Agent that the following conditions have been satisfied:

(a) The Company shall have obtained the requisite power and authority to issue the Securities;

(b) The Company shall have entered into a definitive agreement for the acquisition of the target insurance company (the "Insurance Company") with the owner of the Insurance Company (accomplished July 31, 2005);

(c) The acquisition of the Insurance Company by the Company shall have been approved by the Insurance Commissioner of the State of West Virginia; and

(d) The Company shall have obtained sufficient Subscriptions to accomplish the acquisition of the Insurance Company.

1.5 Upon receipt of the Purchase Price, the Company shall issue the Securities to Subscriber.

SECTION 2. Representations and Warranties of the Company. The Company represents and warrants to the Subscriber that:

2.1 This Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws now or hereafter in effect relating to creditors' rights generally and by general principles of equity, regardless of whether considered in a proceeding in equity or at law.

2.2 Within seventy-five (75) days following the acceptance of this Subscription, the Company shall have called a meeting of the shareholders of the Company seeking an approval of an amendment to the Articles of Incorporation of the Company, establishing the Company's authority to issue Series B Preferred Stock.

2.3 When issued in accordance herewith, the Securities shall be fully paid and non-assessable.

SECTION 3. Representations and Warranties of the Subscriber. The Subscriber represents and warrants to the Company that:

3.1 This Agreement has been duly authorized, executed and delivered by the Subscriber and constitutes a legal, valid and binding obligation of the Subscriber, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws now or hereafter in effect relating to creditors' rights generally and by general principles of equity, regardless of whether considered in a proceeding in equity or at law.

3.2 The Subscriber has knowledge and experience in financial and business matters sufficient to enable it to evaluate the merits and risks of an investment in the Securities.

3.3 The Subscriber is acquiring the Securities hereunder for its own account, solely for investment and not with a view to the resale or distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

3.4 The Subscriber understands that its investment in the Securities entails a high degree of risk. The Subscriber understands that its acquisition of the Securities will be a speculative investment, and, without impairing its financial condition, it is able to hold the Securities for an

indefinite period of time and would be able to suffer a complete loss of its investment without undue financial hardship.

3.5 The Subscriber understands that the acquisition of the Insurance Company is subject to (i) the Company's entering into a definitive purchase agreement with the owner of the Insurance Company, which definitive purchase agreement was executed on July 31, 2005, (ii) the prior approval of the acquisition by the Insurance Commissioner of the State of West Virginia, which application for such approval was initially filed on May 20, 2005, and (iii) the Company's obtaining Subscriptions for at least \$3,000,000.

3.6 The Subscriber has had an opportunity to ask questions of and receive answers from the Company and its officers concerning the terms and conditions of the sale of the Securities contemplated hereby and has had an opportunity to obtain additional information from the Company to the extent deemed necessary or advisable by the Subscriber in order to verify the accuracy of the information obtained. The Subscriber has, to the extent deemed necessary by the Subscriber, consulted with its own advisors (including the Subscriber's attorney, accountant or investment advisor) regarding the Subscriber's investment in the Securities and understands the significance and effect of its representations, warranties, acknowledgments and agreements set forth in this Agreement.

3.7 The Subscriber has reviewed copies of the public filings of the Company on Forms 10-KSB and 10-QSB. The Subscriber has, to the extent deemed necessary by the Subscriber, completed due diligence and an independent investigation concerning the Company and the terms and conditions of the sale of the Securities contemplated hereby. The Subscriber acknowledges that there can be no assurance the Company will be successful in the implementation of its business plan, and a total loss of the Subscriber's investment in the Securities is possible.

3.8 The Subscriber acknowledges that neither the Company, nor any of its officers, representatives or affiliates, nor any other person or entity, has made any representations or warranties with respect to the Company, its business or the Securities other than as set forth herein.

3.9 The Subscriber understands that the Securities have not been registered under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act pursuant to Section 4(2) thereof, that the Securities have not been registered under applicable state securities laws, and that the Securities may not be sold or otherwise disposed of unless registered under the Securities Act and applicable state securities laws (the Company being under no obligation to so register such Securities) or exempted from registration. The Subscriber further understands that the exemption from registration afforded by Rule 144 promulgated under the Securities Act is not presently available with respect to the Securities. When such an exemption does become available, upon Subscriber's request, the Company will facilitate removal of any legend restricting the transfer of the Securities and pay the expenses of any necessary opinion of Company counsel associated therewith.

3.10 The Subscriber is an "Accredited Investor" as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act and has accurately completed Appendix B to this Agreement.

3.11 The Subscriber acknowledges that neither the Company nor any person or entity acting on its behalf has offered to sell any of the Securities to the Subscriber by means of any form of general solicitation or advertising, including without limitation (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media, or broadcast over television or radio, and (ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

SECTION 4. General.

4.1 Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered to the parties at the addresses set forth below or on Appendix C, as applicable, as same may be modified from time to time. Each such notice, request or other communication shall be effective (a) if given by facsimile, when such facsimile is transmitted to the facsimile number set forth below or on Appendix C, as applicable, if such facsimile is transmitted on a business day, and if not, then on the next business day thereafter, and the appropriate answer back is received or (b) if given by mail, three (3) days after mailed by registered or certified mail (return receipt requested) or (c) if given by express courier, on the day delivered by an express courier (with confirmation from recipient) to the following addresses:

(a) if to the Company, to:

NELX, Inc.
300 Summers Street
Suite 970
Charleston, West Virginia 25301
Attention: President
Facsimile No.: 304-342-9726

(b) if to the Subscriber, to its mailing address and facsimile number as shown on the Appendix C to this Agreement.

Notice of any change in any address or facsimile number shall also be given in the manner set forth above. Whenever the giving of notice is required, the giving of such notice may be waived by the party entitled to receive such notice.

4.2 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the matters contemplated herein and supersedes all prior agreements or understandings among the parties related to such matters.

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

4.4 Amendment and Modification. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by all of the parties hereto or, in the case of a waiver, by the party waiving compliance. Except as otherwise specifically provided in this Agreement, no waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar provision or condition at the same or at any prior or subsequent time.

4.5 Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of West Virginia, without giving effect to the principles of conflicts of laws thereof.

4.6 Headings. Headings to the sections in this Agreement are intended solely for convenience, and no provision of this Agreement is to be construed by reference to the heading of any section.

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

4.8 Fees and Expenses. The Company, on the one hand, and the Subscriber, on the other hand, shall pay the respective fees and expenses incurred by them in connection with the transactions contemplated herein.

4.9 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms and provisions of this Agreement in any other jurisdiction.

4.10 Further Actions. The parties hereto agree to execute such further instruments and to take such further actions as may reasonably be necessary to carry out the intent of this Agreement.

[Signatures Appear on Following Page.]

IN WITNESS WHEREOF, the Subscriber has executed this Subscription Agreement.

NAME OF SUBSCRIBER:

Graphite Investment, LLC

Authorized Signature:

Fay S. Alexander
Name: Fay Alexander

Date: Oct. 6, 2005

Agreed and Accepted
this 7th day of October, 2005:

NELX, INC.

By:

John M. Jacobs, President
Name: John M. Jacobs
Title: President

APPENDIX A

TERM SHEET

Securities: 2000 Shares of Series B Preferred Stock and Warrants for 10,000,000 Common Shares

Issuer: NELX, Inc. (NLXI)

Purpose: To finance the acquisition and operation of a West Virginia insurance company with active licenses (the "Insurance Company") for the principal purpose of engaging in business as a surety

Issue Price: \$1,500,000 in total, being \$750 per Share for each of the 2000 Shares of Series B Preferred Stock

Face Amount: \$2,000,000 in total

Preferred Stock Dividend Rights: 8% of the Face Amount per annum, cumulative, which dividend shall accrue and be payable quarterly

Preferred Stock Maturity: Five years, at which point the Series B Preferred Stock will be redeemed by the Issuer for the Face Amount, plus any accrued but unpaid dividends.

Preferred Stock Priority: The Series B Preferred Stock will have priority in relation to the Common Stock with respect to dividends and on liquidation, and will be *parri passu* with the Series A Preferred Stock.

Conversion Feature: At any time after the six-month anniversary of the issuance of the Series B Preferred Stock, at the election of the holder, up to \$1,500,000 face amount of the Series B Preferred Stock issued pursuant hereto (*i.e.*, three-fourths of the face amount) may be converted into Series A Preferred Stock.

Warrants: Warrants will be issued for 10,000,000 shares of common stock of NELX. Warrants will have a term of five years and an exercise price of \$.01 for each ten Warrants.

Protective Provisions:

Anti-dilution protection with respect to the Warrants, excluding (i) Common Shares or Warrants issued incident to the financing of the acquisition of the Insurance Company, including upon the conversion of convertible debt, (ii) options to acquire Common Shares authorized by the Board of Directors of NELX for issuance to employees of the company and its subsidiaries with an exercise price of no less than fair market value at the time of issuance; and (iii) Common Shares issued by the Company for an amount per share equal to the greater of \$.05 per Share or the average closing price for such Common Shares over the last 25 trading days preceding the date of issuance.

Prior consent of Series B Preferred Stock will be required for (i) fundamental corporate transactions and (ii) the issuance of equity securities senior in priority to Series B Preferred Stock.

Use of Funds:

The proceeds of the offering will be used (i) to pay the expenses of acquisition of the Insurance Company, which is currently subject of a definitive purchase agreement in favor of NELX, including necessary regulatory approvals, and provide working capital for NELX (approximately, \$1,000,000), and (ii) to pay the purchase price of the Insurance Company, provide the initial capital reserves necessary to commence operations, and provide working capital for the Insurance Company (the balance of Subscription proceeds).

NELX, Inc.

300 Summers Street, Suite 970
Charleston, WV 25301-1631
Telephone: 304-343-8171

December 15, 2005

Fay S. Alexander, Manager
Graphite Investment, LLC
6318 Timarron Cove
Burke, VA 22015


Re: Form A Filing on behalf of NELX, Inc. ("NELX")

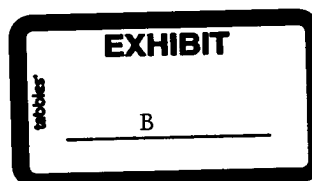
Dear Fay,

This letter is written to reflect our agreement regarding your right to convert your shares of Series B Preferred Stock of NELX into shares of Series A Preferred Stock of the corporation.

At any time after the 6-month anniversary of your investment in Series B Preferred Stock in accordance with the terms of your subscription agreement with NELX, you may request the conversion of your Series B Preferred Stock to Series A Preferred Stock. In such circumstances, your request will be granted if at that time West Virginia Fire and Casualty Company has sufficient capital and surplus to provide the bonding capacity associated with all outstanding Series A Shares, plus an additional amount of capital and surplus sufficient to provide the bonding capacity to be associated with the Series A Shares into which your Series B Shares would be converted. Upon conversion in accordance herewith, NELX will assist you by introducing you to applicants for surety bonds of WVFCC under the insurance company's partially collateralized program who would be likely purchasers of such Series A Shares.

Sincerely,


John M. Jacobs,
President



**PROCEEDING BEFORE JANE L. CLINE, INSURANCE COMMISSIONER
STATE OF WEST VIRGINIA**

**ACQUISITION OF CONTROL OF WEST VIRGINIA FIRE AND
CASUALTY COMPANY, BY JACOBS FINANCIAL GROUP, INC.**

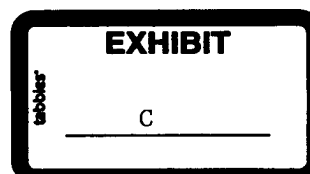
HEARING NO. 05-AP-068

CONSENT ORDER

In accordance with Sections 33-27-3(g) and 33-2-13 of the West Virginia Code of 1931, as amended, and other pertinent provisions of the West Virginia Code, a public hearing was held on Thursday, December 22, 2005 in the offices of the Insurance Commissioner of the State of West Virginia (the Commissioner), Financial Conditions Division, 1124 Smith Street, Charleston, West Virginia for purposes of comment and adducing of evidence relating to the acquisition of control of West Virginia Fire and Casualty Company (the Insurer) by Jacobs Financial Group, Inc. (Applicant).

FINDINGS OF FACT

1. Notice of Public Hearing was made in accordance with the provisions of W. Va. Code § 33-27-3(h) and included notice to the Applicant by certified mail. Applicant waived the 15 days notice in advance of the hearing requirement; Notice by the Applicant to the shareholders of insurer at least seven days in advance of the hearing was waived. The security holder of the Insurer acknowledged notice of the hearing and waived any time requirement for notice.
2. There were no public comments.
3. Insurer is a West Virginia Licensed insurance company operating under a valid certificate of Authority, W.Va. File number D026, issued by the Commissioner on November 19, 1979.
4. Insurer is a wholly owned subsidiary of The Celina Mutual Insurance Company, an Ohio corporation.
5. Jane L. Cline is the Insurance Commissioner of the State of West Virginia.
6. Applicant has entered into a Stock Purchase Agreement with The Celina Mutual Insurance Company (Principal), an Ohio corporation, to purchase one thousand shares of the common stock of Insurer for a purchase price of Three Million Dollars.



7. Applicant filed its Form A Statement Regarding the Acquisition of Control of a Domestic Insurer and supporting documents with the Commissioner on or about December 15, 2005. Applicant filed supplemental supporting documents as requested by the Commissioner on or about December 19 and December 20, 2005.
8. No evidence was presented that, immediately upon the change in control, Insurer would not be able to satisfy the requirements for the issuance of a new or renewal certificate of authority to engage in the business of a Surety, Inland Marine, and Property and Casualty Insurer in the State of West Virginia, for which it is presently licensed.
9. No evidence was presented that the effect of such acquisition of control would substantially lessen competition in surety, inland marine or property and casualty insurance lines in this State or to create a monopoly therein.
10. No evidence was presented that the financial condition of the Applicant is such that it might jeopardize the financial stability of the Insurer or prejudice the interests of its subscribers.
11. No evidence was presented that the terms of the acquisition are unfair or unreasonable to Principal, the sole security holder of Insurer.
12. No evidence was presented that the Applicant has any plans or proposals to liquidate the Insurer, cause it to declare dividends or make other distributions, or sell any of its assets. The change in control will not cause any material agreements, arrangements, or transactions of any kind with any party that are unfair, prejudicial, hazardous or unreasonable to the subscribers of Insurer and not in the public interest.
13. No evidence was presented that the competence, trustworthiness, experience and integrity of those persons who would control the operations of Insurer are such that it would not be in the interest of the subscribers of Insurer and of the public to permit the change in control.
14. No evidence was presented that the acquisition of change in control is likely to be hazardous or prejudicial to the insurance buying public.
15. No evidence was presented that the acquisition of control would violate any laws of this State, any other State, or the United States.
16. There was no opposition to this acquisition of Insurer presented during the public hearing.

CONCLUSIONS OF LAW

1. West Virginia Code § 33-27-2(c) defines "Control" as existing if any person, directly or indirectly, owns, controls, holds the power to vote, or holds proxies representing ten percent or more of the voting securities of any other person. Upon

completion of the purchase of the common stock of Insurer from Principal, Applicant will own 100% of the voting securities of Insurer. Therefore, Applicant will directly control the Insurer within the contemplation of the Code.

2. The Commissioner has the duty of enforcing and administering the insurance laws of the state of West Virginia under Chapter 33 of the West Virginia Code. West Virginia Code § 33-27-1, et seq., empowers the Commissioner with jurisdiction and authority over this application for approval of the acquisition or change in control of the Insurer.

3. There is no evidence that any of the events or conditions set forth in W. Va. Code § 33-27-3(g) would occur or exist after the acquisition of control of the Insurer by Applicant.

4. There was no evidence presented in the filing or during the hearings upon which the Insurance Commissioner could predicate a denial of the acquisition of the Insurer under the provisions of W. Va. Code § 33-27-3(g).

ORDER

The transaction described in the Form A filing submitted by Applicant, being the purchase by Applicant of the outstanding stock of the Insurer pursuant to the Stock Purchase Agreement, does not trigger any of the statutory grounds for disapproval set forth in W. Va. Code § 33-27-3(g) and therefore is hereby APPROVED.

The approval granted is subject to the following CONDITIONS in the absence of which this approval is void without further notice or action by the Commissioner:

1. Representations of fact made by representatives of the Applicant in the Form A filing and all material and supplementary information and at the evidentiary hearing were truthful and accurate in all material respects.

2. There will be no dividends declared or monies paid to Applicant from the Insurer without the prior written approval of the Insurance Commissioner.

3. The monies received by Applicant from the sale of Series A preferred stock prior to the acquisition of the Insurer, limited to an amount not in excess of the surplus of the Insurer at the date of acquisition, (licenses plus cash and securities) shall be used to purchase the stock of the Insurer. Any excess amounts and all monies received by Applicant from the sale of Series A preferred stock subsequent to the Applicant's acquisition of the Insurer shall be placed into the surplus accounts of the Insurer, provided that Applicant may substitute monies received from the sale of Series A preferred stock for surplus represented by proceeds of issuance of Series B preferred stock so long as there is no decrease in the surplus of the Insurer and the Insurer maintains bonding capacity promised to the subscribers of all outstanding Series A preferred stock.

4. The collateral accounts of companies issued surety bonds by Insurer over which Insurer has control shall be open to inspection and review by the Insurance Commissioner.

5. The collateral accounts of companies issued surety bonds by Insurer over which Insurer has control will be only considered for the purpose of exposure with respect to the specific policy/surety bond as surplus of Insurer to the extent that the collateral accounts are invested in accordance with West Virginia Code Section 33-8-1 et seq.

6. The Insurer may withdraw monies from the collateral account to pay premiums due the Insurer by the owner of the collateral account. Premium withdrawals are limited to earnings on the collateral accounts. Principal monies in the collateral accounts may not be used for premium payments.

7. The Insurer will file monthly financial statements as prescribed by the Insurance Commissioner for a period of two years following the acquisition of Insurer by the Applicant. The Commissioner may extend this requirement for additional six month periods.

8. The Insurer's management will participate in quarterly meeting with the Insurance Commissioner to discuss the quarterly statements and financial issues of the Insurer for a period of two years following the acquisition of Insurer by the Applicant. The Commissioner may extend this requirement for additional six month periods.

9. The Insurer will be restricted to writing only surety business. Before the Insurer may write fire, casualty, or inland marine insurance in West Virginia or any other state, it must obtain written approval from the West Virginia Insurance Commissioner to utilize its property, fire, or inland marine license lines of authority.

10. The Insurer will withdraw all current insurance forms which have been approved by the West Virginia Insurance Commissioner. All insurance forms will be filed prior to use in West Virginia.

11. With respect to collateral accounts or money from the Insurer, the Insurer will provide to the Insurance Commissioner all documents provided to mutual fund shareholders of any mutual fund to which any affiliate of Applicant, Applicant or the Insurer serves as investment advisor or any other advisory capacity.

12. Upon acquisition of the Insurer by the Applicant, the Applicant shall cause the Insurer to consent to and execute a Consent Agreement containing the terms of this Consent Order.

This Order shall be limited to those points expressly set forth herein. It is not intended, nor shall it be construed, as an implicit decision on any other question or controversy, nor as a waiver of the Commissioner's power and discretion to make any such decision in the future.

This order shall be effective on DECEMBER 23, 2005

ENTERED this 23rd day of December, 2005.



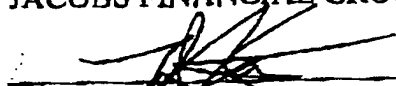
Jane L. Cline

Insurance Commissioner of West Virginia

IN WITNESS WHEREOF, Jacobs Financial Group, Inc, has consented to and duly executed this Consent Order as of the dates indicated below.

CONSENTED TO:

JACOBS FINANCIAL GROUP, INC.



Name ROBERT J KENNEY

Title VICE PRESIDENT

Date 12 - 23 - 05

392335

LAW OFFICES
SPILMAN THOMAS & BATTLE, PLLC
SINCE 1864

SPILMAN CENTER
300 KANAWHA BOULEVARD, EAST
P. O. BOX 273
CHARLESTON, WEST VIRGINIA 25321-0273
MAIN: 304/340-3800
FAX: 304/340-3801

FAX INFORMATION SHEET

TO: John Jacobs (304) 342-9726

FROM: Randy Cox/lb
Direct Telephone: 304/340-3829
E-Mail: tc Cox@spilmanlaw.com

DATE: March 27, 2006

PAGES: 6 (Including This Sheet) **FIRM CODE:** 11454.1

MESSAGE:

Original will be sent: ☐ Regular Mail ☐ Messenger ☐ Overnight Mail
☐ This will be the only form of delivery

If you have difficulty with this fax transmission, please call my secretary, Linda Blackshire, at 304/340-3782.

CONFIDENTIALITY NOTE: The information contained in this fax transmission is legally privileged and confidential information intended only for the use of the recipient named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this fax transmission is strictly prohibited. If you have received this fax transmission in error, please notify us immediately by telephone and return the original of this transmission to us at the address above via the United States Postal Service.

GRAPHITE INVESTMENT LLC
6318 Timarron Cove
Burke, VA 22015

December 29, 2005

Mr. John M. Jacobs
Jacobs Financial Group
300 Summers Street - Suite 970
Charleston, WV 25301

Dear Mr. Jacobs:

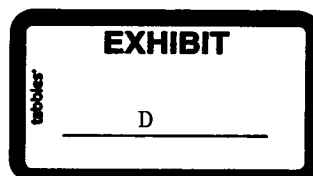
We have received and reviewed your letter of December 29, 2005. We believe this undertaking on your part sets forth our firm agreement reached on September 30, 2005, with respect to our wish to convert our investment to the Series A Preferred Stock, and thus receive from an outside investor a return of our investment to the extent of \$1,500,000.00. ¹⁵ 750

As you know, this feature of the Subscription Agreement was a material inducement which we relied upon in making our investment in the Series B Preferred Stock. Accordingly, we very much appreciate your reducing the understanding/agreement to a formal writing.

Very truly yours,

Fay S. Alexander

Fay Alexander
President



JACOBS FINANCIAL GROUP, INC.

300 Summers Street, Suite 970
Charleston, WV 25301
Telephone 304-343-8171

*Redemption
10 shares*

July 27, 2006

VIA OVERNIGHT DELIVERY
(703) 914-1267

Fay S. Alexander, President
Graphite Investment, LLC
6318 Timarron Cove Lane
Burke, VA 22015-4073

Re: Series B Preferred redemption
10 Shares

Dear Fay,

In accordance with our discussions, we are enclosing our check for \$10,476.99 representing redemption of 10 shares of Series B Preferred Stock at \$1,000/share including quarterly compounded and accrued dividends through July 31, 2006.

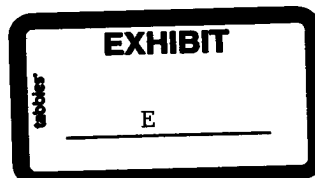
Please sign the enclosed Redemption Agreement that has been prepared in accordance with your request for early redemption and return it along with your original stock certificate using the enclosed envelope. A Stock Power is also enclosed. Please sign where indicated, and return it us in the second envelope. Upon its return, we will forward the certificate and the Stock Power to our transfer agent for cancellation and a new certificate will be issued to reflect the 1,990 Series B Preferred shares that remain.

The recent sale of \$10,000 in Series A Preferred Stock has provided funding for this redemption, which is made in accordance with Condition #3 of the December 23, 2005, Consent Order between the Insurance Commissioner of the State of West Virginia and Jacobs Financial Group, Inc.

Sincerely,


John M. Jacobs
President

Enclosures



2025

REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
	Redemption of 10 Shares of Series B Accrued Dividends from 12/30/05 to				10,000.00 476.99
			</		

REDEMPTION AGREEMENT

This REDEMPTION AGREEMENT (this "Agreement") dated as of July 28, 2006, is entered into by and between Jacobs Financial Group, Inc., a corporation organized in the State of Delaware with principal offices at Suite 970, 300 Summers Street, Charleston, West Virginia 25301 (the "Corporation"), and Graphite Investment, LLC, 6318 Timarron Cove Lane, Burke, VA 22015-4073 (the "Seller").

W I T N E S S E T H

WHEREAS, pursuant to a Certificate of Designations, Powers, Preferences and Rights of Series B Preferred Shares dated December 22, 2005 (the "Certificate"), the Corporation issued shares of Series B Preferred Stock (the "Series B Shares") on or about December 30, 2005; and

WHEREAS, Seller subscribed for and is the owner of 2000 Series B Shares; and

WHEREAS, the Corporation has offered to redeem 10 of the Series B Shares held by Seller, and Seller has offered 10 Series B Shares (the "Offered Shares") to the Corporation for redemption.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. **Redemption of Offered Shares.** Upon the terms and subject to the conditions set forth in this Agreement, simultaneously with the execution of this Agreement, Seller shall assign and deliver to the Corporation, and the Corporation shall redeem from Seller, the Offered Shares.
2. **Endorsement and Surrender of Stock Certificate.** Seller shall deliver the certificate for the Offered Shares to the Corporation, duly endorsed for transfer to the Corporation, or with an executed stock power endorsed to the Corporation. To the extent the share certificate is for a number of Series B Shares in excess of the Offered Shares, the Corporation shall cause and direct the transfer agent of the Corporation to cancel the Offered Shares and return for delivery to Seller a Certificate for the remaining Series B Shares represented by the certificate.
3. **Payment of Redemption Price.** With delivery of this Agreement, the Corporation shall pay the redemption price in the amount of \$10,478.40 (representing the Redemption Price for Offered Shares computed in accordance with the Certificate) by check of the Corporation made payable to the Seller.
4. **Release.** Upon its acceptance of the Redemption Price and the redemption of the Offered Shares, Seller releases the Corporation, and the Corporation agrees to release Seller, from any further claims or obligations related to or arising out of the Offered Shares.
5. **Seller's Representations and Warranties.** Seller represents and warrants that it has good title to the Offered Shares, free and clear of all pledges, warrants, liens, charges, encumbrances, security interests, or adverse claims of whatever nature and that it has full power and authority to sell the Offered Shares to the Corporation as provided in and in accordance with this Agreement.

6. Corporation's Representations and Warranties. The Corporation represents and warrants that the redemption of the Offered Shares in accordance with this Agreement has been duly authorized by its Board of Directors and, when consummated, will be a valid and binding act of the Corporation and will not violate: (a) any court or administrative order, decree, agreement or other document to which the Corporation is a party or by which it is bound; (b) the Corporation's Certificate of Incorporation or By-Laws; or (c) any applicable law.

7. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, written or oral, with respect thereto.

8. Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia, without giving effect to the principles of conflicts of laws thereof. The parties hereto irrevocably consent to the jurisdiction of, and venue in, any federal or state court of competent jurisdiction located in Charleston, West Virginia, in connection with any dispute based on or arising out of or in connection with this Agreement.

9. Binding Effect; No Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns and legal representatives, whether by merger, consolidation or otherwise. This Agreement may not be assigned by a party without the prior written consent of the other party.

10. Expenses. Except as otherwise provided herein, the parties hereto shall each bear its respective expenses incurred in connection with the negotiation, preparation, execution, and performance of this Agreement and the transactions contemplated hereby.

11. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each, signed by less than both, but together signed by both, of the parties hereto.

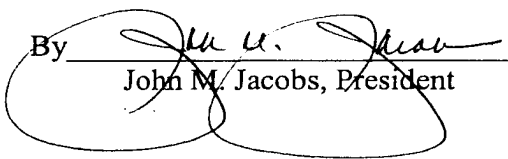
12. Headings. The headings in this Agreement are for reference only, and shall not affect in any way the meaning or interpretation of this Agreement.

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

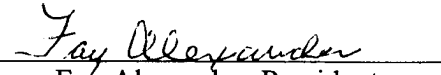
JACOBS FINANCIAL GROUP, INC.

GRAPHITE INVESTMENT, LLC

By


John M. Jacobs, President

By


Fay Alexander, President

JACOBS FINANCIAL GROUP, INC.

300 Summers Street, Suite 970

Charleston, WV 25301

Telephone 304-343-8171

August 2, 2006


Fay S. Alexander, President
Graphite Investment, LLC
6318 Timarron Cove Lane
Burke, VA 22015-4073

Re: Series B Preferred redemption
10 Shares

Dear Fay,

Please find enclosed a copy of the signed Redemption Agreement for your file. We are forwarding to our transfer agent your Certificate # B 0014 representing 2,000 shares of Series B Preferred Stock with instruction to issue a new certificate for the remaining 1,900 shares. The new certificate will be delivered directly to you.

Sincerely,



John M. Jacobs
President

Enclosures

JACOBS FINANCIAL GROUP, INC.

300 Summers Street, Suite 970
Charleston, WV 25301
Telephone 304-343-8171

*Redemption
48.659
shares*

October 30, 2006

VIA OVERNIGHT DELIVERY
(703) 914-1267

Fay S. Alexander, President
Graphite Investment, LLC
6318 Timarron Cove Lane
Burke, VA 22015-4073

Re: Series B Preferred redemption
48.659 Shares

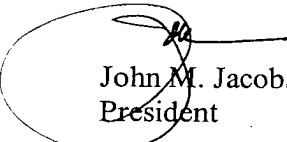
Dear Fay,

In accordance with our discussions, we are enclosing our check for \$ 52,000.00 representing redemption of 48.659 shares of Series B Preferred Stock.

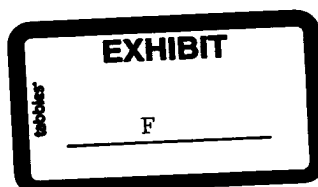
Please sign the enclosed Redemption Agreement that has been prepared in accordance with your request for early redemption and return it along with your original stock certificate using the enclosed envelope. A Stock Power is also enclosed. Please sign where indicated, and return it us in the second envelope. Upon its return, we will forward the certificate and the Stock Power to our transfer agent for cancellation and a new certificate will be issued to reflect the 1,941.341 Series B Preferred shares that remain.


The recent sales of \$52,000 in Series A Preferred Stock have provided funding for this redemption, which is made in accordance with Condition #3 of the December 23, 2005, Consent Order between the Insurance Commissioner of the State of West Virginia and Jacobs Financial Group, Inc.

Sincerely,


John M. Jacobs
President

Enclosures



REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
	Redemption of 48.659 Shares of Redemption of 48.659 Shares of Redemption of 48.659 Shares of		 11/3/06		38,291.77 10,367.64 3,340.59
	<div>3,340.59 3,243.93 <hr/>96.66</div>			<div>38,291.77 10,367.64 <hr/>48,659.41</div>	
CHECK DATE	CHECK NO.	PAYEE		DISCOUNTS TAKEN	CHECK AMOUNT
10/31/06	2107	Graphite Investment, LLC			\$52,000.00

REDEMPTION AGREEMENT

This REDEMPTION AGREEMENT (this "Agreement") dated as of October 30, 2006, is entered into by and between Jacobs Financial Group, Inc., a corporation organized in the State of Delaware with principal offices at Suite 970, 300 Summers Street, Charleston, West Virginia 25301 (the "Corporation"), and Graphite Investment, LLC, 6318 Timarron Cove Lane, Burke, VA 22015-4073 (the "Seller").

W I T N E S S E T H

WHEREAS, pursuant to a Certificate of Designations, Powers, Preferences and Rights of Series B Preferred Shares dated December 22, 2005 (the "Certificate"), the Corporation issued shares of Series B Preferred Stock (the "Series B Shares") on or about December 30, 2005; and

WHEREAS, Seller subscribed for 2,000 Series B Shares and currently is the owner of 1,990 Series B Shares; and

WHEREAS, the Corporation has offered to redeem 48.659 of the Series B Shares held by Seller, and Seller has offered 48.659 Series B Shares (the "Offered Shares") to the Corporation for redemption.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

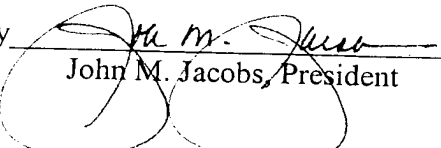
1. Redemption of Offered Shares. Upon the terms and subject to the conditions set forth in this Agreement, simultaneously with the execution of this Agreement, Seller shall assign and deliver to the Corporation, and the Corporation shall redeem from Seller, the Offered Shares.
2. Endorsement and Surrender of Stock Certificate. Seller shall deliver the certificate for the Offered Shares to the Corporation, duly endorsed for transfer to the Corporation, or with an executed stock power endorsed to the Corporation. To the extent the share certificate is for a number of Series B Shares in excess of the Offered Shares, the Corporation shall cause and direct the transfer agent of the Corporation to cancel the Offered Shares and return for delivery to Seller a Certificate for the remaining Series B Shares represented by the certificate.
3. Payment of Redemption Price. With delivery of this Agreement, the Corporation shall pay the redemption price in the amount of \$52,000.00 (representing the Redemption Price for Offered Shares computed in accordance with the Certificate) by check of the Corporation made payable to the Seller.
4. Release. Upon its acceptance of the Redemption Price and the redemption of the Offered Shares, Seller releases the Corporation, and the Corporation agrees to release Seller, from any further claims or obligations related to or arising out of the Offered Shares.
5. Seller's Representations and Warranties. Seller represents and warrants that it has good title to the Offered Shares, free and clear of all pledges, warrants, liens, charges, encumbrances, security interests, or adverse claims of whatever nature and that it has full power and authority to sell the Offered Shares to the Corporation as provided in and in accordance with this Agreement.

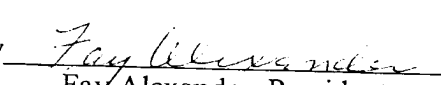
6. Corporation's Representations and Warranties. The Corporation represents and warrants that the redemption of the Offered Shares in accordance with this Agreement has been duly authorized by its Board of Directors and, when consummated, will be a valid and binding act of the Corporation and will not violate: (a) any court or administrative order, decree, agreement or other document to which the Corporation is a party or by which it is bound; (b) the Corporation's Certificate of Incorporation or By-Laws; or (c) any applicable law.
7. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, written or oral, with respect thereto.
8. Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia, without giving effect to the principles of conflicts of laws thereof. The parties hereto irrevocably consent to the jurisdiction of, and venue in, any federal or state court of competent jurisdiction located in Charleston, West Virginia, in connection with any dispute based on or arising out of or in connection with this Agreement.
9. Binding Effect; No Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns and legal representatives, whether by merger, consolidation or otherwise. This Agreement may not be assigned by a party without the prior written consent of the other party.
10. Expenses. Except as otherwise provided herein, the parties hereto shall each bear its respective expenses incurred in connection with the negotiation, preparation, execution, and performance of this Agreement and the transactions contemplated hereby.
11. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each, signed by less than both, but together signed by both, of the parties hereto.
12. Headings. The headings in this Agreement are for reference only, and shall not affect in any way the meaning or interpretation of this Agreement.

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

JACOBS FINANCIAL GROUP, INC.

GRAPHITE INVESTMENT, LLC

By 
John M. Jacobs, President

By 
Fay Alexander, President

JACOBS FINANCIAL GROUP, INC.

300 Summers Street, Suite 970
Charleston, WV 25301
Telephone 304-343-8171

November 8, 2006

Ms. Beth Powell
Mountain Share Transfer, Inc.
1625 Abilene Drive
Broomfield CO 80020-1147

VIA OVERNIGHT DELIVERY

Dear Beth:

Please find enclosed Certificate # B 0050 in the name of Graphite Investment, LLC representing 1,990 shares of our Series B Preferred Stock.

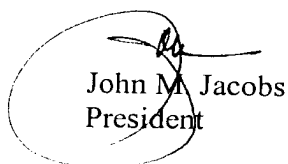
We have redeemed 48.659 of these shares and request that you cancel same on your records and issue a certificate for the remaining 1,941.341 shares to the owner. The new certificate should be delivered to:

Graphite Investment, LLC
6318 Timarron Cove
Burke, VA 22015

A stock power executed by the owner for this transaction has been sent to you in a separate mailing.

Thank you for your assistance and please call me if you have any questions.

Sincerely,


John M. Jacobs
President

Enclosure

cc: Graphite Investment, LLC

**PROCEEDING BEFORE JANE L. CLINE, INSURANCE COMMISSIONER
STATE OF WEST VIRGINIA**

**ACQUISITION OF CONTROL OF WEST VIRGINIA FIRE AND
CASUALTY COMPANY, BY JACOBS FINANCIAL GROUP, INC.**

HEARING NO. 05-AP-068

AMENDED CONSENT ORDER

WHEREAS, by Order dated December 23, 2005 (the "Consent Order"), the Insurance Commissioner ("Commissioner") issued and First Surety Corporation ("First Surety") agreed to a Consent Order authorizing the acquisition of control of West Virginia Fire and Casualty Company by Jacobs Financial Group, Inc.; and

WHEREAS, Jacobs Financial Group, Inc., submitted a business plan for First Surety as part of its Form A filing;

WHEREAS, First Surety has not successfully met its business plan as filed with its Form A application;

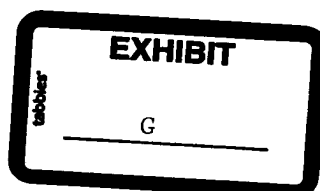
WHEREAS, the parent and affiliates of the parent of First Surety continue to have a negative net worth and have been delinquent in their payment of monetary obligations; and

WHEREAS, the Commissioner desires to impose and First Surety agrees to comply with certain additional conditions on the business practices of First Surety until certain conditions are satisfied by First Surety.

Findings of Fact

(1) The findings of fact contained in the Consent Order are hereby incorporated by reference herein in their entirety.

(2) First Surety has filed with the Commissioner its Annual Statement for the period December 31, 2006, and its Quarterly Statement for the quarter ending March 31, 2007.



(3) Jacobs Financial acquired control of West Virginia Fire and Casualty Company ("WVFC") in 2005. WVFC was an active insurance company which sold property and casualty insurance in West Virginia and had substantial business in West Virginia, which business was assumed by an affiliate of WVFC. When acquired by Jacobs Financial, WVFC was a shell with minimum reserves and surplus and no ongoing business. Current operations of First Surety began January 1, 2006, with a balance sheet showing \$2,750,000 capital and surplus as to policyholders and insurance licenses in West Virginia, Ohio and Indiana.

(4) First Surety's National Association of Insurance Regulatory Information System ("IRIS") report showed three unusual ratios for the year ended December 31, 2006, based on the financial history of West Virginia Fire and Casualty Company, a property and casualty insurer that did not write surety business or utilize its surety license; however, excluding the history of WVFC, the company has only one ratio that is flagged as unusual, and this result is attributable to the non-admission of the purchase price paid for the P&C licenses acquired at the date of acquisition, December 31, 2005.

(5) First Surety's underwriting expenses incurred for 2006, and for the period ending March 31, 2007, exceeded First Surety's net written premium resulting in underwriting expense ratios of 136.48% for 2006 and 101.94% for the period ending March 31, 2007.

(6) After its first year of operation, First Surety posted a statutory basis net loss of \$100,851.

(7) The Commissioner desires to implement certain additional conditions on the operations of First Surety in order to address certain financial conditions that have resulted from First Surety's first fifteen months of operations.

Conclusions of Law

The Conclusions of Law contained in the Consent Order are continued and incorporated herein by reference.

ORDER

Therefore, it is hereby ORDERED and agreed that:

1. The Order and conditions contained in the Consent Order are continued and incorporated by reference herein in their entirety, except as follows:

a. The provisions of Condition 3 in the Consent Order permitting Applicant to substitute monies received from the sale of Series A preferred stock for surplus represented by proceeds of issuance of Series B is hereby suspended.

b. The requirements of paragraph 7 of the Consent Order shall include but not be limited to the Balance Sheet, Statement of Income, Statement of Cash Flow and insureds issued surety bonds, being due thirty (30) days after the end of the month for which the data is

currently being provided will be amended to include an actual to budget comparison beginning with the June 30, 2007 financial reports.

2. First Surety shall file its financial statements required pursuant to West Virginia Code § 33-14-14(a) and (b).

3. First Surety shall file within thirty (30) days of the signing of this Amended Consent Order for approval by the Commissioner a revised business plan for years 2007, 2008 and 2009 ("Financial Projections") and detail the information contained therein. Such business plan may provide different scenarios based on First Surety only writing in West Virginia versus writing in other states.

4. First Surety shall suspend effective June 1, 2007, its contracts with Affiliated Companies and terminate its Managing General Agent Agreement with Triangle Surety. First Surety may reinstitute those Agreements which have been suspended with the Commissioner's consent by demonstrating that they are at arm's length and the term and conditions and expenses are competitive with those types of services available in the marketplace.

5. First Surety may enter into an agreement with Triangle Surety to act as an agent on behalf of First Surety. Triangle shall receive commissions on premiums in the amount of 15% on renewal business, and 30% on new business. First Surety may enter into agency agreements with other agents or agencies on the same terms or more beneficial terms to First Surety.

6. First Surety shall demonstrate that its rates are adequate to cover all underwriting and operating expenses and that rates plus investment income will cause surplus for First Surety to increase.

7. First Surety may continue to write coal reclamation bonds only in West Virginia and in accordance with its underwriting guidelines previously approved by the Commissioner.

8. First Surety may write surety bonds other than coal reclamation in West Virginia. Prior to writing surety bonds other than coal reclamation, First Surety shall file underwriting guidelines and rates and obtain approval from the Commissioner.

9. First Surety shall endeavor to reduce or eliminate any unnecessary administrative and operating expenses not essential to the continued operation of the company.

10. First Surety shall endeavor to reduce or eliminate any unnecessary underwriting expenses not essential to the continued operation of the company.

11. First Surety shall determine from the Insurance Department of other states in which it seeks to write surety business, the minimum amount of capital and surplus and other requirements for First Surety to be licensed in those states. First Surety shall provide such information to the Commissioner. Based on this information, First Surety may amend its business plan to reflect the order in which it will seek to be licensed in other states. First Surety

shall not seek license or Extension of its Authority in other states without obtaining prior approval of the Commissioner.

12. First Surety shall continue to work with its parent to secure additional capital to infuse into the company and into the parent and its affiliates. First Surety shall keep the Commissioner advised on the progress of obtaining new capital by providing the Commissioner factual updates on the progress.

13. First Surety shall assist the Commissioner in analyzing or evaluating the financial condition of First Surety by responding to any written request for information and/or documentation concerning First Surety and its operations within ten (10) calendar days, unless extended by the Commissioner.

14. First Surety shall obtain the approval of the Commissioner prior to authorizing any changes in management.

15. First Surety shall keep the Commissioner apprised on a monthly basis of the financial condition of its affiliates.

16. In the event that First Surety has successfully met the following:

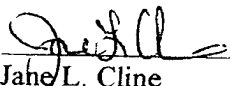
- 1) Has sufficiently decreased expenses and or increased premium to attain profitable operations, in accordance with Statutory Accounting Practices, for a period of four consecutive quarters.
- 2) Has attained a level of surplus through the operations of the company and through investment income which allow the company to sustain its current risks and business plan.

First Surety may apply to the Commissioner to terminate the restrictions of this Amended Consent Order. Upon termination of the restrictions in this Amended Order, the terms of the Consent Order shall be continued.

17. Any knowing and intentional violation of the conditions of this Order shall constitute grounds for the Commissioner to issue a Order immediately suspending First Surety from writing business in West Virginia. First Surety knowingly waives prior notice of hearing in the event of a knowing and intentional violation of this Consent Order. First Surety will be entitled to an expedited hearing and decision to consider lifting the suspension.

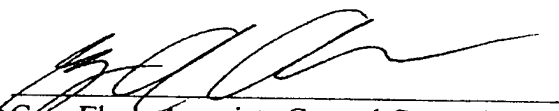
18. Nothing in this Amended Consent Order shall prevent the Commissioner from taking any further action provided by law.

ENTERED this 8th day of June, 2007.


Jane L. Cline
Insurance Commissioner
State of West Virginia

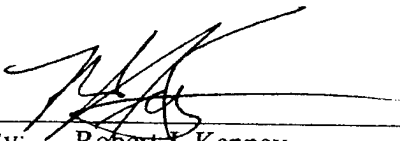
Prepared by:

OFFICES OF THE INSURANCE COMMISSIONER


Greg Elam, Associate General Counsel
W. Va. State Bar No. 6026


Agreed to by:

FIRST SURETY CORPORATION


By: Robert J. Kenney
Its: President

Agreed to by:

JACOBS FINANCIAL GROUP, INC.


Name John M. Jacobs

President
Title

June 8, 2007
Date

3-11

**PROCEEDING BEFORE MICHAEL D. RILEY, INSURANCE COMMISSIONER
STATE OF WEST VIRGINIA**

**ACQUISITION OF CONTROL OF WEST VIRGINIA FIRE AND
CASUALTY COMPANY, BY JACOBS FINANCIAL GROUP, INC.**

HEARING NO. 05-AP-068

**ORDER ON TERMINATING AMENDED CONSENT ORDER AND
TERMINATING THE CONDITIONS OF CONSENT ORDER**

WHEREAS, Michael D. Riley is the Insurance Commissioner of the State of West Virginia ("Commissioner") and is charged with enforcing the provisions of Chapter 33 of the West Virginia Code;

WHEREAS, First Surety Corporation ("First Surety"), a West Virginia insurance company is licensed to transact the business of fire, marine, casualty and surety in the State of West Virginia, pursuant to West Virginia Code Section 33-1-10(c), (d), (e) and (f) (1), (2), and (3), under a Certificate of Authority issued by the Commissioner on December 31, 2005;

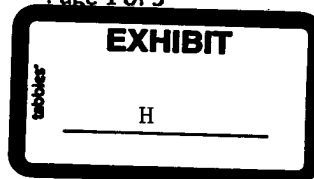
WHEREAS, First Surety is subject to Article 5, Chapter 33 of the West Virginia Code and related legislative rules and the authority of the Commissioner, as a domestic stock and mutual insurance company;

WHEREAS, by Order dated December 23, 2005 (the "Consent Order"), the Insurance Commissioner issued and First Surety Corporation and Jacobs Financial Group, Inc. ("Jacobs") agreed to a Consent Order authorizing the acquisition of control of West Virginia Fire and Casualty Company by Jacobs Financial Group, Inc. and imposing certain conditions, and by Order dated June 8, 2007 (the "Amended Consent Order") First Surety agreed to an Amended Consent Order containing additional conditions;

WHEREAS, First Surety has filed with the Commissioner a request to be released from the conditions of the Consent Order dated December 23, 2005 and the Amended Consent Order dated June 8, 2007;

WHEREAS, First Surety has requested the Amended Consent Order be terminated, First Surety and Jacobs be released from paragraphs two through twelve of the Consent Order. First Surety further advised that it has met the conditions imposed by the Consent Order and the Amended Consent Order; and

Page 1 of 3



WHEREAS, First Surety has met the conditions imposed by the Commissioner and First Surety desires and the Commissioner agrees to terminate the Amended Consent Order and terminate the conditions in paragraphs two through twelve of the Consent Order.

Findings of Fact

(1) First Surety has filed with the Commissioner its Annual Statement for the period ending December 31, 2011 and previous years.

(2) First Surety has produced underwriting profits and net income for the preceding five years.

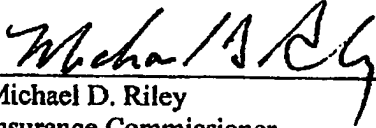
(3) First Surety by resolution dated February 22, 2012 of its Board of Directors does not require investment in its capital and surplus to qualify for its partially collateralized surety program.

(4) First Surety has complied with the conditions of the Consent Order and the Amended Consent Order.

Therefore, it is hereby ORDERED and agreed that:

1. The Amended Consent Order issued in this proceeding is hereby terminated.
2. The conditions imposed in paragraphs two through twelve of the December 23, 2005 Consent Order are hereby terminated.

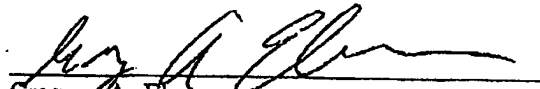
ENTERED this 26th day of March, 2012.



Michael D. Riley
Insurance Commissioner
State of West Virginia

Prepared by:

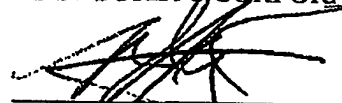
OFFICES OF THE INSURANCE COMMISSIONER



Gregory A. Elam
Associate General Counsel
W. Va. State Bar No. 6026

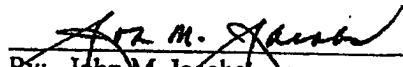
Agreed to by:

FIRST SURETY CORPORATION



By: Robert J. Kenney
Its: President

JACOBS FINANCIAL GROUP, INC.



By: John M. Jacobs
Its: President