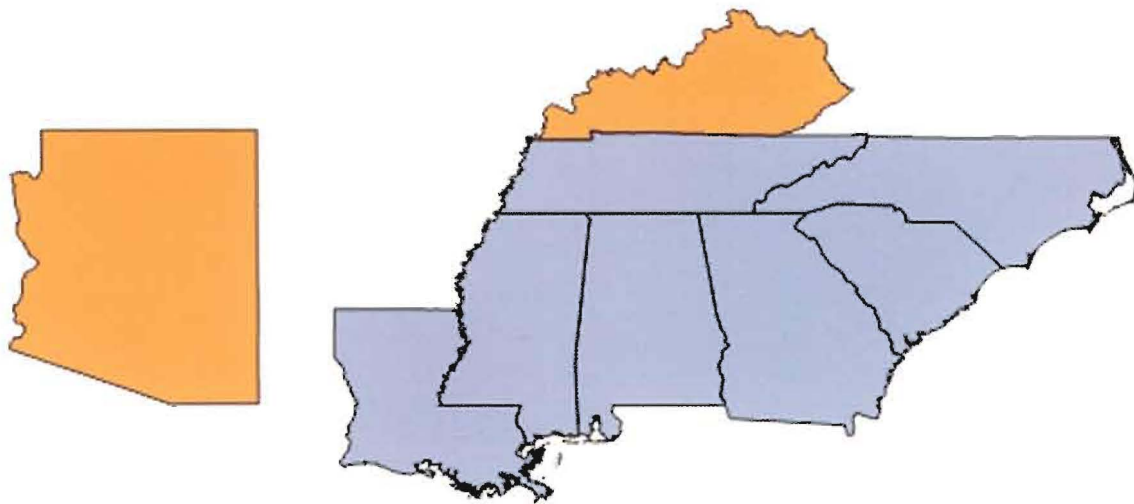




ANNUAL REPORT 2009
The Plateau Group

Company Profile

Founded in 1981 in Crossville, Tennessee, The Plateau Group, Inc. is an underwriter of payment protection products and a distributor of related financial products and services throughout the Southeast. Plateau serves clients in the banking, consumer finance, automotive and retail industries. The company is considered one of the premier providers of products and services to financial institutions. Plateau also holds a national reputation as a provider of reinsurance and reinsurance accounting.



*Blue states - both PIC and PCIC are licensed.
Orange States - only PIC is licensed.*

Financial Highlights

For the Year

	<u>2009</u>	<u>2008</u>
Total Insurance Premiums	\$30,567,002	\$36,131,037
Total Revenue	\$29,060,073	\$31,724,288
Net Income	\$901,435	\$1,339,832
Net Income Per Share	\$0.78	\$1.15
Return on Equity	4.5%	6.9%

At Year End

Cash & Invested Assets	\$36,130,917	\$36,911,787
Shareholders Equity	\$19,246,986	\$19,149,763

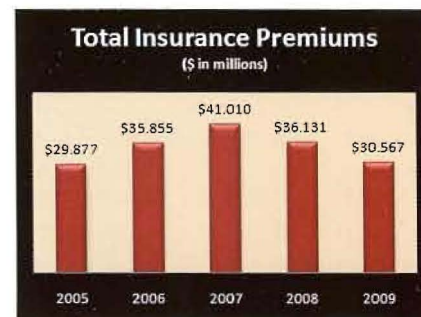
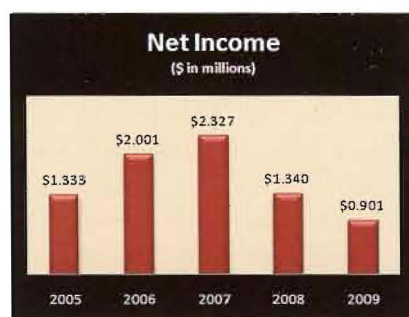


Table of Contents

Letter to Shareholders	2
Performance Measures	7
Consolidated Balance Sheet	14
Consolidated Earnings	15
Executive Committee	16
Board of Directors	16
Plateau Associates	inside back cover



Letter to Shareholders



*Dick Williams
President*

The U. S. economy over the past year and a half has not been like any other we have experienced. Certainly it has not been what any of us could have predicted. The vast majority of The Plateau Group, Inc.'s (Plateau) products and services are dependent on consumer purchases and the lending generated by these activities, both of which have declined during these tough times. As a result, Plateau has experienced a decline in sales, revenues and earnings. Expense reductions have helped to cushion the impact on our net income. The fact that Plateau has very little corporate debt (\$175,000 at year end 2009) is both comforting and a blessing as we experience economic and financial adjustments in this new business world.

Financial highlights for 2009 include:

- Net income was \$901,434 compared to \$1,339,832 for 2008, a decline of 32.7%.
- Total revenue was \$29,060,073 versus \$31,724,288 for 2008, a decline of 8.4%
- Collected insurance premiums were \$30,567,002 compared to \$36,131,037 for 2008, a decline of 15.4%.
- Cash and invested assets at year end 2009 were \$36,130,917 compared to \$36,911,787 at year end 2008, or 2% less.

- Investment income was \$1,345,246 versus \$1,253,026 for 2008, a 7% increase, as yield on investments increased from 3.4% in 2008 to 3.7% in 2009.
- Operating revenue for 2009 was \$27,747,801 versus \$30,423,124 for 2008, a decline of 8.8%; operating expenses for 2009 were \$6,588,614 compared to \$6,765,874 for 2008, a decline of 2.6%; and the ratio of operating expenses to operating revenue for 2009 was 23.7% compared to 22.3% for 2008.
- Notes payable at December 31, 2009 were \$702,426 compared to \$209,397 at the end of 2008. Operating debt at year end 2009 was \$175,000 with the balance of \$527,426 due on shareholder repurchase notes for shares acquired during 2009.
- Shareholder equity at December 31, 2009 was \$19,246,986 compared to \$19,149,763 for 2008.

Watching the collapse of several financial giants; the infusion of TARP money into the larger banks; observing the federal takeover of Freddie Mac, Fannie Mae, General Motors, Chrysler and other corporate entities was alarming enough as we entered 2009. Adding incredible pressure for financial institutions and all other lenders were the bills introduced in this 111th Congress which could be devastating to lenders if passed and signed by the President. H.R. 4173, which passed in the House of Representatives late in 2009, would create a Consumer Financial Protection Agency, a new government bureaucracy with the power to determine what it regulates and what those rules are to be. We certainly support reasonable consumer protection but are totally opposed to the reach of something like this legislation in its current form. There are at least a dozen other such pieces of legislation introduced which would severely inhibit consumer borrowing. We hope calmer, cooler heads prevail in this effort to establish reasonable protections good for consumers, while not allowing bureaucrats with their own agendas to set parameters to determine the rules of credit which would negatively impact the exact consumers they purport to help.

The politics in Washington are brought up early in this letter to emphasize the devastating impact such legislation can have on financed consumer purchases and the obtaining of credit in general. The fact that Congress and the current Administration are actively considering such legislation is extremely alarming to providers of credit. We simply have not been able to grow our business by attracting new



accounts given the uncertainty of this political environment combined with the uncertainty of the economy. There are numerous prospects for our products and services that we have pursued over the past eighteen months, but virtually none have been willing to switch to our brand from their current provider, or to spend new dollars for services. Simply put, they have not been willing to make changes or to make a decision that adds any expense while faced with potentially devastating changes to their business model. During the first quarter of 2010 it does appear that some of the prospects we have been pursuing feel more comfortable in making the decision to change carriers, and others are more comfortable in making the decision to spend money to purchase services we offer which can improve revenue, reduce expenses or improve compliance.

As noted in the Financial Highlights, collected premiums for 2009 were \$30,567,002 or 15.4% less than collected premiums of \$36,131,037 for 2008. A contributing factor to the reduced premiums was our shift from offering GAP insurance to GAP Waivers in the automobile dealer market. This was precipitated by a statute passed by the Tennessee Legislature in 2008 clearly authorizing waivers. This change allowed us to take the same risk, retaining a very similar risk charge, but not including the creditor's compensation in the charge for the premium. As a result the reduction in premiums reported on the same number of annual sales declined by approximately \$2,000,000. A more accurate comparison of premiums collected for 2009 versus 2008 produces a decline of slightly less than 10%. This remaining decline in production primarily reflects what retail establishments call a reduction in "same store sales" since we maintained at least ninety-eight percent of the accounts we had producing at year-end 2008.

Throughout 2009 we compared collected premiums each month to the same month for 2008. Analyzing the entire year, we think we saw a bottom in April 2009 when collected premiums were in excess of \$1 million less than April 2008. The gap narrowed after that date and we finally found a month in 2009 which exceeded the same month of 2008 – it was December. Indications in the first quarter of 2010 are that we continue to see improving production and are cautiously optimistic this trend will continue.

In August 2009, Taylor Bean & Whitaker, our mortgage placement partner, and one of the top five mortgage



Thomas Williams
Executive Vice President

underwriters in the country, ceased operations after being terminated by the U.S. Department of Housing and Urban Development. Needless to say, we were very surprised and disappointed to learn of Taylor Bean & Whitaker's sudden demise. The volume of monthly mortgage placements had built to be in excess of \$35 million and had become an important source of revenue to our clients and to Plateau as well. For the next couple of months following the demise, our efforts were directed at placing loans left in limbo after closure of the operation. We have since sought a partnership with a replacement mortgage company but have not found what we consider to be a partner suitable to our needs. We will continue to look for such a partner but unless we find one that offers value for our banks, and meets our expectations, we will not offer a replacement program.

In November 2009, Plateau's Chairman of the Board, Steve Miller, appointed an Audit Committee consisting of the Executive Committee, minus myself, and appointed Wib Evans to be Chairman. This committee will choose the auditors, meet with them to discuss the financial affairs of the corporation and make recommendations to the Executive Committee and the Board of Directors concerning financial accounting issues. One action has already been taken to adjust deferred acquisition costs, primarily related to premiums written four to five years ago, which called for a prior period adjustment of equity reducing GAAP equity by approximately 3.65% at year end 2009. This adjustment had no impact on statutory equity that is reported to regulators and to A.M. Best Company.





*Euretha Roberts
Senior Vice President*



*Mike Graham
Senior Vice President*



*Skip Davis
Senior Vice President*

In last year's Annual Report we introduced BNControl®, a software program marketed to banks. The program collects data nightly from all the various systems a bank uses into a SQL server creating a complete data warehouse of a bank's customer transactions. From this warehouse, management reports are created that provide instantaneous information for all areas of the bank. With our program, a banker can view the total customer relationship; the profitability by account; activity for the entire bank, branch or account officer; improve interest rate margins; improve collections, and much, much more on the customer relationship. It also includes an outstanding BSA component, an automated Red Flag component and a bank checks component. While viewing demonstrations our prospective customers have said: "WOW!", "Unbelievable!", "the future of banking is here!", "Awesome!", "I can't get that information now", and "banks need this information in these tough times".

Even with these words of praise contracts for BNControl® were tough to obtain during 2009 with all the uncertainty in the marketplace. However, in 2010, bankers are hearing about BNControl® from our twenty plus contracted banks and are asking for a demonstration. We have budgeted for two new contracts per month in 2010 and will exceed that pace during the first quarter. The more installations we have completed, the more we hear bankers say things such as "we love it" and "we did not know it would do all of this". Hearing these comments from our customers provides our whole team with a feeling of great satisfaction.

Plateau's investment portfolio continues to be very conservative, mostly invested in United States agency bonds and certificates of deposit within the FDIC insured limits. We have been fortunate to maintain a yield of 3.7% for 2010 on these investments. Unless rates change significantly during 2010, approximately one third of our entire portfolio of \$36 million will mature or be called within the next twelve months. We expect it will be very difficult to reinvest these funds at rates equal to or greater than the expiring rates. We expect to reinvest available funds with maturities of less than five years and maintain the high quality we have purchased since inception.

We enter 2010 with greater optimism than we had one year ago. The extensive prospect list that was developed during our 2008 Strategic Planning remains intact. If Congress moves forward with financial regulation that is not as onerous as the bill passed by the House of Representative in 2009, we are confident the prospects will not be as hesitant to make decisions in our favor. We are also anxious to see sustainable growth in production from existing accounts. Indications are that we have seen the low point in production. We are hopeful that 2010 will produce steady growth as consumers increase their purchases of automobiles and borrowing money for this and other purposes.



A highlight for me every Annual Meeting of Shareholders is pointing out the experience of the employees and managers of the Company. Most of our managers and senior officers have at least twenty years experience in this business. Plateau begins its twenty-ninth year of existence in 2010; therefore most of the leadership has been employed here for at least two-thirds of the Company's existence. These loyal employees have experienced the inevitable changes through the years with a "can do" approach and have always embraced an extremely positive customer service attitude. My personal thanks go to these employees for what they do to make Plateau an exceptional company.

To the Shareholders and Directors of Plateau, I want to thank you for your tremendous support since inception. Plateau was highly leveraged in the early years (which also were tough economic times) but now has substantial equity. We have expanded our geographic footprint from one state to seven states and can now be considered a "player" across the Southeastern market. Your leadership has allowed the company to grow and diversify. I thank you for all that you do.



Dick Williams
President



Pat Lewis
Senior Vice President



Michael Ramsey
Vice President
Treasurer



Steven Douglas
Vice President
General Counsel



Y o u r f i r s t c h o i c e .

Marketing



*Thom Hagan
Middle Tennessee
Financial Institutions*



*David Greene
West Tennessee
Financial Institutions*



*Charlie Smith
East Tennessee
Financial Institutions*



*John Manning
Alabama*



*Doyle Kelly
Georgia*



*Woody Moody
Georgia*



*Fred Antley
South Carolina*



*Umpy Brown
Louisiana*



*Jim Smartt
Auto Marketing*



*Hank Loveday
Auto Marketing*



*Klay Kelso
Sales Trainer*



Performance Measures

The Board of Directors of The Plateau Group, Inc. (Plateau) adopted an aggressive Strategic Plan in 2008 which, if executed to its fullest extent, would produce net income of \$3,000,000 by 2012. Given the financial setbacks and economic surprises of the latter half of 2008 and all of 2009, realistically we probably cannot accomplish that level of earnings within the next two years. Our current economic conditions negatively impact production and sales with our existing accounts, and they will probably not return to 2007 production levels for two to three years.

On the other hand, a large portion of the anticipated growth projected in the 2008 Plan was expected to come from new accounts contracted throughout the Southeast. The prospects identified in that Plan continue to lend money and sell financial products, but not for Plateau. Pending legislation in Washington, including proposals to implement usury caps, changing the definition of Annual Percentage Rate (APR) to include financial insurance products, and to create a Consumer Financial Protection Agency (CFPA), forced a complete freeze on decisions such as changing insurance carriers as owners and managers were more concerned with continuation of their business

models or their continued existence. These prospects continue to be included on our target list. We expect some to come our way during 2010, but not as many as we had anticipated when our plan was developed in 2008.

A more realistic view - given the economic and political waters in which we are navigating - is to move the 2012 Target to 2014 or 2015. By that time existing accounts may have a chance to build their lending and financial product sales back to the levels experienced in 2007. Additionally we hope regulatory changes in Washington will have been determined with respect to financial reform, and forward looking business decisions can be made.

In this review of performance measures we can review the performance of 2009, compare it to the performance of 2008, and look at 2012 with a view of whether the projected numbers for that year make sense if pushed out until 2014 or 2015. Plateau's Board of Directors has not officially reviewed the 2008 Plan for specific updates. We expect to do so during 2010. The seven key measures of our 2008 Strategic Plan are included in the following chart.

PERFORMANCE MEASURES			
	<u>2008 Actual</u>	<u>2009 Actual</u>	<u>2012 Target</u>
Direct Earned Premium	\$37,505,456	\$35,654,371	\$55,000,000
Underwriting Margin	11.22%	9.15%	10.75%
Average Invested Assets	36,573,559	36,063,394	55,000,000
Yield on Investments	3.40%	3.70%	5.00%
Commission & Fee Income	3,094,055	3,132,539	4,100,000
Ratio of Op Exp to Op Rev	22.24%	23.74%	19.00%
Income Tax Rate	25.19%	21.80%	28.00%
Net Income	\$1,339,832	\$901,435	\$3,033,000



EARNED PREMIUM

As displayed in the chart above, direct earned premium for 2009 was \$35,654,371 compared to \$37,505,456 for 2008, a decline of \$1,851,085 or 4.9%. Direct written premium in 2009 was \$30,567,002 compared to \$36,131,037 for 2008, a decline of \$5,564,035 or 15.4%. Earned premium lags behind the previous year's written premium since our average policy terms are greater than one year. Unless we increase written premium by more than 15% for 2010 compared to 2009, we will experience a decline in earned premiums for 2010. Such an increase is not likely as we anticipate a slowly improving economy and accounts we may sign throughout 2010 will not contribute an entire year's worth of production. We do anticipate an increase in direct written premium, since the early months of 2010 are actually slightly above the same period in 2009 and we have received commitments and/or contracts

from accounts which produce in excess of \$2 million in annual premiums.

The \$55 million target originally set for 2012 is fifty-seven percent greater than the actual direct Earned Premium for 2009. To achieve earned premium of \$55 million, Plateau would have to write closer to \$60 million of direct premium to achieve \$55 million in earned premium in that same year. Given the facts we now have, we know that goal must be adjusted down or the target date moved out. However, as stated earlier, the prospects identified in arriving at this premium volume in 2008 are still there and are still being pursued by our marketing team. There are also some very attractive producers added to that list which makes it easier to anticipate that good things will come in time.

TOTAL WRITTEN PREMIUMS			
	<u>2008</u>	<u>2009</u>	<u>%</u>
PIC premiums	\$ 21,293,010	\$ 17,693,070	-16.9%
PCIC premiums	14,838,028	12,873,932	-13.2%
Total Premiums	\$ 36,131,037	\$ 30,567,002	-15.4%

Plateau Insurance Company's (PIC) written premiums for 2009 were 16.9% less than in 2008. Plateau Casualty Insurance Company's (PCIC) premiums were 13.29% less in 2009 than in 2008. PIC's products are credit life, credit disability and accidental death insurance. Credit life and credit disability are sold by all three of our major market segments: consumer finance companies, community banks, and automobile dealers. Banks produce virtually no direct premiums for PCIC, leaving consumer finance companies and automobile dealers as the primary property and casualty contributors. Guaranteed Auto Protection (GAP) was sold as an insurance product by automobile dealers through the end of 2008. In 2008 the Tennessee General Assembly passed a bill specifically providing authority for this product

to be offered as a waiver. Our automobile dealers changed to the waiver product in late 2008 and all dealers were converted by January 2009. As GAP insurance, the premium was more than three times the cost of the premium required to insure a waiver. Therefore, if we sold the same number of policies in a calendar year, our collected premium would be about one-third of the amount collected for an insurance product. Our exposure did not change with the switch to GAP waivers. This change alone impacted PCIC's reported written premium by approximately \$2 million. In a fair comparison for 2009, PCIC's premiums were unchanged and our total premiums declined 9.9% if recalculated as GAP insurance instead of GAP waivers.



PREMIUMS BY MARKET SEGMENT

<u>Source</u>	<u>2008 Premium</u>	<u>2009 Premium</u>	<u>2008-2009 Change</u>	<u>2009 % of total</u>
Consumer Finance Co.	\$16,645,831	\$15,684,346	-5.8%	51.3%
Community Banks	11,245,433	9,146,829	-18.7%	30.0%
Automobile Dealers	6,544,945	3,836,473	-41.4%	12.5%
Other	1,694,829	1,899,353	12.1%	6.2%
Totals	\$36,131,037	\$30,567,002	-15.4%	100.0%

In a quick glance at the premium comparisons by market segment, the 41.4% decline in the automobile dealer market is a drastic reduction. However, the change from GAP insurance to GAP waivers discussed above, was entirely absorbed in this market segment. Recalculating for 2009, using an equivalent number of \$5,836,473 produces a reduction of 10.8%. Everyone is aware of the tremendous changes and pressures in the dealer market. Given the environment automobile dealers have endured for almost two years, we feel the effective premium decline of 10.8% is not disturbing. All but two of the dealers offering Plateau products two years ago are still in business and continue to market these products. Plateau's financial insurance and insured products sold by automobile dealers include: credit life, extended service contracts and GAP waivers.

Consumer finance companies now produce more than half of Plateau's collected premiums. With a decline of only 5.8% for 2009 compared to 2008, this market segment has been our most stable. Our consumer finance clients tell us that their loan activity in the first quarter of 2010 is holding steady and we hope this continues. It is this market segment that holds the greatest opportunity for Plateau to increase its premium production by signing new accounts. There are several large accounts throughout the Southeast that our marketing staff continues to pursue. However, as stated earlier, these are also the business men and women who could stand to lose the most if Washington reform over-reaches and makes it difficult for consumers to obtain credit with reasonable terms. Consumer finance companies sell our credit life, credit disability, credit property, involuntary unemployment, non file, and automobile single interest products.

The community bank market segment experienced a decline of 18.7% for 2009 compared to 2008. This decline is a reflection of decreased consumer lending by banks as a result of current economic conditions. We feel this market segment has the greatest upside potential. Community banks experienced very profitable years prior to 2008. Since that time they have encountered reductions in fees on products such as overdraft protection and credit cards and have seen loan losses increase. Banks are looking for ways to replace lost revenue. Many of these banks have an opportunity to improve the sales performance of their loan officers. Several banks have an opportunity to double or triple sales of credit insurance by simply having each loan officer offer the product on every eligible loan, thus allowing the borrower to make the decision. Credit insurance is a "low hanging fruit" and a product that is well accepted by loan customers. Our plan is to capitalize on this opportunity to increase credit insurance sales in the community bank market.

The bulk of premiums collected under Other is insured GAP waivers marketed by Evans Simpson & Associates (ESA) to various creditors in the Southeast, including banks and credit unions. We expect premiums to increase as ESA's marketing efforts have gained momentum with creditors previously unfamiliar with the product.



PREMIUMS BY STATE			
<u>State</u>	<u>2008 Premium</u>	<u>2009 Premium</u>	<u>Change</u>
Tennessee	\$17,846,689	\$12,500,572	\$ (5,346,118)
Mississippi	6,275,539	6,312,273	36,734
Georgia	4,545,895	4,443,605	(102,289)
Alabama	3,572,868	3,580,327	7,458
Louisiana	2,274,474	2,287,131	12,657
South Carolina	1,615,572	1,442,198	(173,375)
North Carolina	-	897	897
Totals	\$36,131,037	\$30,567,002	(\$5,564,035)

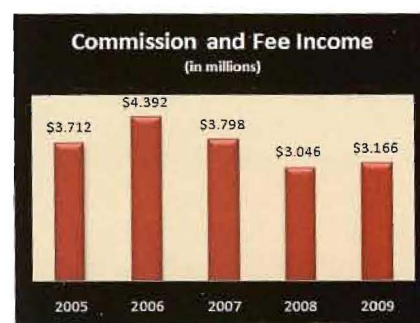
Collected premiums in 2009 from states other than Tennessee was not significantly different compared to 2008. For all the other Southeastern states combined, collected premiums were \$217,917 less than 2008 which is a 1.7% decline. One reason for this is that a very large portion of the consumer finance business is produced in states other than Tennessee and that total market segment only declined 5.8%. Almost forty percent of the decline in Tennessee was a result of changing from GAP insurance in 2008 to GAP waivers in 2009, creating the \$2 million downward adjustment in premiums, yet essentially covering the same risk. Tennessee is the only state where automobile dealers offer our products. Adjusting for the impact of the GAP product leaves approximately a \$3.3 million decrease for the balance of the Tennessee business. Community bank production declined by \$4 million overall and most of that decline can be accounted for in Tennessee. Interestingly, collected premiums insuring extended service contracts increased by 1.9% for 2009 to a total of \$2,535,077.

The single variable having the greatest impact on this margin is claims or benefits paid on insured policies. These benefits vary from one period to the next as spikes in claims do occur, and may not be entirely manageable in the short term, but each product is closely monitored and reviewed by management to achieve the best possible result. In addition to monitoring the overall margin, management reviews the margin performance by product. Despite a decline in volume, each underwritten product experienced a positive result for 2009.

Our review of the performance of our products leads us to anticipate no significant commission changes or underwriting restrictions in 2010. The vast majority of our contracts include producer owned reinsurance or experience refund agreements which allow our clients to participate in profits. These arrangements constitute a business partnership with clients which helps when pricing, commission or underwriting adjustments are needed.

UNDERWRITING MARGIN

Underwriting Margin represents the gross profitability of our underwritten insurance premiums. To Plateau, it is very similar to commissions earned by a traditional insurance agency. It also can be viewed as the contribution to overhead and profits of Plateau by the underwritten premiums. Plateau's underwriting margin for 2009 was 9.15% compared to 11.22% for 2008. The 18.4% decline in the margin negatively impacted earnings but is not an unexpected swing from one year to the next.



COMMISSION AND FEE INCOME

Commissions and fee income represent a substantial portion of Plateau's revenues which contribute to overhead and profits. None of these revenues are included in the income statement of the two insurance underwriters owned by The Plateau Group, Inc. They are the equivalent of the revenues generated by a property and casualty insurance agency. Some of the products generating the revenue are marketed to customers of the creditors, and others are marketed to the actual creditors themselves. These products are typically offered by third party vendors or other insurance underwriters where Plateau collects commissions only. Existing contractual relationships with creditors provide opportunities to cross sell these other valuable products which increase income or reduce exposures for the creditors.

Currently The Plateau Group, Inc. offers fourteen insurance products underwritten by PIC and PCIC. PCIC also insures various debt waiver and debt cancellation products. Complementing these underwritten products are seventeen products offered in the community bank market and six products offered in the automobile dealer market. Consumer finance companies are regulated with very specific laws and rules dictating what products they can offer their customers and most of these are insurance products. The only product Plateau offers in this market that is not underwritten by PIC or PCIC is Mortgage Exposed Property for uninsured dwellings.

Revenues recorded as commissions and fee income for 2009 were \$3,165,514 compared to \$3,045,916 for 2008, an increase of 3.9%. These important revenues closely approximate our 2009 underwriting income of \$3,263,499 from our insurance products.

It is not surprising that our Mortgage Exposed Property commissions experienced the largest growth of any of our products during 2009. Past dues, many times correlating with insurance lapse, and repossessions increased during the year for most creditors. This insurance is force-placed when there is a lapse in coverage on a dwelling or commercial structure. 2009 commission income attributed to this insurance product was \$517,621 versus \$383,881 for 2008, an increase of 34.8%. We did add new accounts for this product during 2009, but the majority of this increase came from existing accounts. Plateau offers options to the creditors including: (1) tracking of loans to identify those without insurance and placing the coverage on those; (2) allowing the creditor to track the insurance and purchase coverage when necessary or "on demand"; and (3) providing a blanket coverage for the entire portfolio for an annual fee.

Eight products produced more than \$100,000 each in commission or fees during 2009. Mortgage originations produced \$370,007 in income for 2008 and produced \$244,899 until the demise of Taylor Bean & Whitaker during August of 2009. To replace the lost income from mortgage originations,



*Sharon Tabor
Vice President
Property & Casualty*



*Shelia Newberry
Vice President
Title Insurance*



*Sandy Whitson
Vice President
Premium Processing*





*Doris Davis
Vice President
Credit Claims*



*Eric Shaver
Vice President
Information Technology*

we will continue to look for a suitable partner and will work diligently to increase revenue from existing products through cross selling. Each of the remaining six primary products declined in production for 2009 but each of the declines was less than ten percent. Periodically a new product is created to fill identified needs in the market and we will be vigilant in our efforts to find new opportunities.

The product with the greatest potential to replace lost income and increase revenue is BNControl®. In addition to being a partner in Triad Partners, LLC as an investor, Plateau receives commission income on sales of the program. We fully expect 2010 revenue from BNControl® to exceed \$100,000 to join our top producing products. To date Plateau's bank marketing team has been the exclusive group marketing this product and the geographic territory has been confined to the Southeastern United States. The market potential however is the entire United States. We expect to contract with other marketing organizations that have existing relationships with community bank management in other parts of the country.

BNControl® is a very exciting product. It is full of information that can help a banker increase revenue, reduce or manage expenses, and improve compliance with its BSA and Red Flags functions. There is no other software in the market today which brings all customer data into one place, creating the ability to produce reports similar to BNControl®. Even though 2009 was an extremely tough year to market software, we were successful in contracting with more than a dozen banks. There are more than twenty contracted

as we close out the first quarter of 2010. Now that we have some banks actually operating, bankers are beginning to tell each other about the value of the product. We now have banks contracted and or using BNControl® in Tennessee, Georgia, Alabama, and Louisiana.

INVESTED ASSETS AND YIELDS

As of December 31, 2009 Plateau held cash and invested assets of \$36,130,917 compared to 36,911,787 at year end 2008. \$22.6 million of these investments are held in bonds with \$19.4 million of that total being held in United States government obligations or agency obligations of the United States. The balance of \$3.4 million of the bonds is invested in municipals (\$1.2 million) and corporate bonds. The second largest investment group is certificates of deposit in various banks totaling \$7.4 million, none of which exceed the FDIC insurance limits. Cash on hand and on deposit of \$3.5 million is held in various banks and the Federal Home Loan Bank of Cincinnati. Remaining investments are in common and preferred stocks of corporations tracked on the public markets. The Company maintains a conservative investment policy regarding the types of investments and maturities. We anticipate that approximately one third of our portfolio of investments will mature or be called during the next twelve months. We plan to reinvest these funds in terms no longer than three years.

The average yield on invested assets for 2009 was 3.7%, up slightly from 2008's average yield of 3.4%. Investment income of \$1,345,246 for 2009 was greater than the \$1,253,026 realized for 2008. During 2009 investments in certificates of deposits, within



FDIC insurance limits, increased by \$2.9 million. These certificates of deposit were issuers identified through Quick Rate, are not brokered deposits, and were purchased directly from the issuing banks. This investment source was the primary reason our investment yield increased for 2009.

OPERATING EXPENSE RATIO

Plateau's ratio of operating expenses to operating revenue for 2009 was 23.74%, up slightly from 22.24% for 2008. Operating expenses declined 2.6% to \$6,588,614 but operating revenue fell 8.8% to \$27,747,801.

The major component in the decline in operating revenue was our decline in insurance premiums and their associated underwriting income. Commissions and fees increased slightly but could not offset the decline in underwriting. We have adjusted spending on several fronts, including personnel, and continue to moderate expenses in every opportunity we identify that will not impact the service level we feel is required to support our business the way our clients expect.

We are not alarmed with a ratio of 23.74%. Under our previous Strategic Plan the anticipated ratio was 25% and we have performed at lesser levels each of the last two years. We do expect that our current clients will gradually return toward the production levels they enjoyed three years ago. If we are successful in attracting some of the prospects on our target list in the current Strategic Plan, and existing accounts improve production, the revenue component of the operating expense ratio will easily improve the ratio. The target ratio in our 2008 Strategic Plan is 19%. To achieve that target, increasing revenue is the

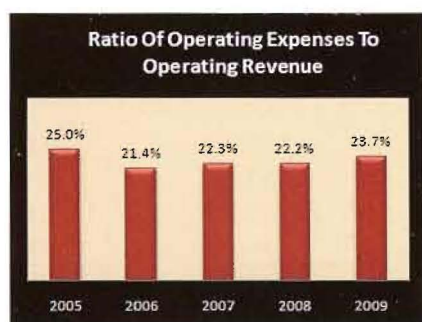
solution. As we increase revenue from our current position, we will not be required to increase expenses proportionately.

Plateau is fortunate to have adequate home office facilities and excellent information technology systems that have long been paid for. The experience of our personnel will be beneficial as we grow premium income without the need to invest in a larger staff. Holding a very modest amount of debt gives us great comfort in these extremely tough economic times.

INCOME TAX EXPENSE

Plateau has income tax considerations that are atypical of most corporations. The most important consideration is that Plateau Insurance Company is eligible for a sixty percent deduction from net income before tax. Eligibility requirements for a life insurance company are that total assets, including any parent and affiliates, must be less than \$500 million; and net income for the year for PIC only, must be less than \$3,000,000. We easily meet those requirements. As a result of our being eligible for this important deduction, and as long as PIC generates positive earnings, we will not experience the maximum federal tax rate of 34%. Our effective tax rate for 2009 was 21.8%, down from 25.19% in 2008.

For Tennessee tax purposes, to the extent premium taxes equal or exceed the amount that would have been taxed as franchise or excise tax, we owe neither of these taxes. We also easily meet this condition.



Consolidated Balance Sheet

(Unaudited)

ASSETS	2009	Restated 2008
Cash and investments :		
Cash and cash equivalents	\$ 3,522,017	\$ 8,305,659
Certificates of deposit	7,360,992	4,664,000
Fixed maturities held to maturity, at amortized cost (fair value \$132,548 in 2008)	0	129,687
Fixed maturities available for sale, at fair value (amortized cost \$22,502,196 in 2009 and \$21,148,739 in 2008)	22,666,319	21,491,483
Equity securities, available for sale, at fair value (amortized cost \$1,687,390 in 2009 and \$205,770 in 2008)	1,825,203	358,396
Trading securities, at fair value	0	1,208,083
Investments in reinsurance companies, at cost	276,600	276,600
Other investments	479,786	477,879
Total cash and investments	<u>36,130,917</u>	<u>36,911,787</u>
Accrued investment income	251,867	281,455
Accounts receivable	414,008	309,028
Amounts recoverable from reinsurers	951,032	1,560,335
Prepaid reinsurance premiums	16,649,312	21,104,585
Deferred policy acquisition costs	10,975,080	11,935,940
Goodwill	279,562	279,562
Office properties and equipment, at cost, less accumulated depreciation of \$2,409,657 in 2009 and \$2,242,261 in 2008	1,382,823	1,534,977
Other assets	<u>1,476,227</u>	<u>1,393,446</u>
Total assets	\$ <u>68,510,828</u>	\$ <u>75,311,115</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unearned premiums	\$ 39,931,179	\$ 45,046,013
Claim reserves	3,461,759	3,763,522
Amounts payable to reinsurers	320,958	2,043,518
Accounts payable and accrued expenses	4,499,517	3,964,291
Deferred income taxes	107,060	1,134,611
Notes payable	702,426	209,397
Total liabilities	<u>49,022,899</u>	<u>56,161,352</u>
Shareholders' equity :		
Common stock, \$1 par value. Authorized 2,000,000 shares; issued 1,137,503 in 2009 and 1,151,131 in 2008	1,137,503	1,151,131
Additional paid-in capital	3,520,296	3,613,343
Retained earnings	14,493,850	14,071,110
Accumulated other comprehensive income, net	336,280	314,179
Total shareholders' equity	<u>19,487,929</u>	<u>19,149,763</u>
Total liabilities and shareholders' equity	\$ <u>68,510,828</u>	\$ <u>75,311,115</u>

Consolidated Earnings

(Unaudited)

	<u>2009</u>	<u>2008</u>
Revenue		
Premiums earned	\$ 19,823,592	\$ 21,203,713
Ceding fees on premiums reinsured	1,146,235	1,260,468
Net investment income	941,883	1,480,216
Net investment gain (loss)	166,618	(312,396)
Commission income	2,150,999	2,196,354
Other income	1,218,086	977,056
Total revenue	<u>25,447,413</u>	<u>26,805,411</u>
 Benefits and expenses		
Death benefits	1,869,955	1,990,554
Accident and health benefits	1,327,973	1,265,991
Loss and loss adjustment expenses	3,027,999	2,834,015
General and administrative	18,204,295	18,923,966
Total benefits and expenses	<u>24,430,222</u>	<u>25,014,526</u>
 Net income before income tax expense	1,017,191	1,790,885
 Income tax expense	<u>(125,187)</u>	<u>451,053</u>
 Net income	\$ <u>1,142,378</u>	\$ <u>1,339,832</u>

Executive Committee



*Steve Miller, Chairman
SouthEast Bank & Trust
Athens, TN*



*John Bruno, President
First State Finance
Brentwood, TN*



*Wib Evans, COO
First Bank
Lexington, TN*



*John Haile
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*Jerry Taylor, Director
The Farmers Bank
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*Dick Williams, President
The Plateau Group, Inc.
Crossville, TN*

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Trezevant, TN

John Barker, COO
Citizens Tri-County Bank
Dunlap, TN

David Barnes, President
Bank of Frankewing
Frankewing, TN

Bill Bates, CEO
Bank of Perry County
Lobelville, TN

James England, Chairman
Decatur County Bank
Decaturville, TN

Craig Fitzhugh, Chairman
Bank of Ripley
Ripley, TN

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Bank of Lincoln County
Fayetteville, TN

Randy Graham, CEO
First National Bank of Tennessee
Livingston, TN

Mark Hayes, CEO
First National Bank
Pulaski, TN

Wright Hickerson, III, Director
FCB Corporation
Manchester, TN

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Gary Mathews Motors
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BankTennessee
Lebanon, TN

Thomas Williams, EVP
The Plateau Group, Inc.
Crossville, TN

David Williamson, President
Bank of Putnam County
Cookeville, TN

Chad Wilson, CFP, Regional President
Foundation Bank/McKenzie Banking Co.
Jackson, TN



Plateau Associates

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Thomas Williams
Euretha Roberts
Mike Graham
Skip Davis
Pat Lewis
Steven Douglas

Marketing

Thom Hagan
David Greene
Charlie Smith
Jim Smartt
Hank Loveday
John Manning
Doyle Kelly
Woody Moody
Fred Antley
Carolyn Antley
Umpy Brown
Banks Wood
Amanda Stewart
Rocky Bell
Bobby Jacobs
Michael Boozer

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Sissie Turner
Deedy Adams
Lynette Durant

Information Technology

Eric Shaver
Daniel Carey
Rob Williams
JoAnn Ramsey

General Services

Vicki Carlson
Vicki Mason
Craig Wyatt
Jewell Selby

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Judy Hicks
Nancy Strait
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Johnnie Whittenburg
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Terri Selby
Renee' Rader
Sandra Bradberry
Jo Reagan
Lacey Sheffield
Kristin Erwin

Credit Claims

Doris Davis
April Fagan
Earlene Armes
Marcia Neil

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LeeAnn Roberts
Terry Walter
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