

EXHIBIT A

SETTLEMENT AGREEMENT (VIG/GAINES)

THIS SETTLEMENT AGREEMENT (this "Agreement") is made and entered into as of the 1st day of July, 2008, by and among **VESTA INSURANCE GROUP, INC.**, a Delaware corporation ("VIG"), **LLOYD T. WHITAKER**, solely in his capacity as Plan Trustee for VIG (the "VIG Trustee"), **J. GORDON GAINES, INC.**, a Delaware corporation ("Gaines"), and **KEVIN O'HALLORAN**, solely in his capacity as Plan Trustee for Gaines (the "Gaines Trustee" and, together with VIG, the VIG Trustee and Gaines, the "Parties").

RECITALS

On July 18, 2006 (the "VIG Petition Date"), an involuntary bankruptcy petition under chapter 7 of title 11 of the United States Code (the "Bankruptcy Code") was filed against VIG in the United States Bankruptcy Court for the Northern District of Alabama (the "Bankruptcy Court") in the case styled In re Vesta Insurance Group, Inc., Case No. 06-02517 (the "VIG Case").

On August 7, 2006, VIG filed a motion in the Bankruptcy Court to convert the VIG Case to a case under chapter 11 of the Bankruptcy Code and for entry of an order for relief under chapter 11. On August 8, 2006, the Bankruptcy Court granted the motion, the VIG Case was converted to chapter 11, and an order for relief was entered.

On August 7, 2006 (the "Gaines Petition Date"), Gaines filed in the Bankruptcy Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the case styled In re J. Gordon Gaines, Inc., Case No. 06-02808 (Bankr. N.D. Ala. 2006) (the "Gaines Case").

As of the VIG Petition Date and the Gaines Petition Date, Gaines was a wholly-owned subsidiary of VIG. VIG was a publicly held corporation with its principal assets being investments in the capital stock of Vesta Fire Insurance Corporation ("Vesta Fire") and Gaines. Vesta Fire, in turn, owned, *inter alia*, capital stock interests in a variety of other insurance companies and the majority of the membership interests in Vesta Timber Co., LLC.

In the summer of 2006, various state insurance commissioners placed Vesta Fire and its insurance subsidiaries into rehabilitation proceedings in Texas, Florida and Hawaii.

The VIG Case and the Gaines Case are jointly administered in the Bankruptcy Court, and each case is the subject of its own, separate confirmed plan of liquidation.

VIG has filed in the Gaines Case a Proof of Claim (Claims Register number 149) in the unliquidated amount of \$3,341,539, and, absent this settlement, asserts that it has an additional claim against Gaines in the amount of not less than \$812,999 pursuant to that certain Consolidated Tax Allocation Agreement dated June 28, 1995, entered into by and among VIG and certain of its subsidiaries, including Gaines (collectively, the "VIG Claims").

Gaines has filed in the VIG Case a Proof of Claim (Claims Register number 73) in the unliquidated amount of \$94,926,029.40 and, absent this settlement, Gaines asserts that it may have additional claims against VIG (collectively the "Gaines Claims").

By Order entered December 22, 2006, the Bankruptcy Court confirmed the Third Amended Chapter 11 Plan of Liquidation of Vesta Insurance Group, Inc. (the "VIG Plan") in the VIG Case. The effective date of the VIG Plan was December 26, 2006 (the "Effective Date of the VIG Plan"). In accordance with Sections 7.3 and 7.4 of the Plan, Lloyd T. Whitaker was retained as "Plan Trustee" as defined under the VIG Plan.

By Order entered December 22, 2006, the Bankruptcy Court confirmed the Third Amended Chapter 11 Plan of Liquidation of J. Gordon Gaines, Inc. (the "Gaines Plan") in the Gaines Case. The effective date of the Gaines Plan was December 26, 2006 (the "Effective Date of the Gaines Plan"). In accordance with Section 7.5 of the Plan, Kevin O'Halloran was retained as "Plan Trustee" as defined under the Gaines Plan.

Pursuant to Section 8.4 of the VIG Plan, the VIG Trustee has standing to file objections to claims filed in the VIG Case.

Pursuant to Section 8.4 of the Gaines Plan, the Gaines Trustee has standing to file objections to claims filed in the Gaines Case.

On June 20, 2008, the VIG Trustee filed his objection to the Gaines Claims and the Gaines Trustee filed his objection to the VIG Claims. In addition, the Gaines Trustee filed a motion to estimate the VIG Claims (the "Estimation Motion") and filed a Complaint against the VIG Trustee commencing Adversary Proceeding No. 08-00161 seeking equitable subordination of the VIG Claims, among other relief (the "Equitable Subordination Proceeding").

Gaines, Vesta Timber, LLC ("Vesta Timber") and the receivership estates of Vesta Fire and certain other insurance company subsidiaries of Vesta Fire (collectively, the "Texas Receivership Entities"), acting through Prime Tempus, Inc., in its capacity as special deputy receiver (the "SDR"), entered into that certain Settlement Agreement (Gaines/SDR) resolving various claims among them (the "Gaines/SDR Settlement Agreement").

Under the Gaines/SDR Settlement Agreement, Gaines is required, among other things, to transfer to SDR Gaines' rights and interest in the Gaines Claims excluding the Gaines Excluded Claim (as hereinafter defined).

VIG, the VIG Trustee, Vesta Timber, the Texas Receivership Entities and the SDR entered into that certain Settlement Agreement (VIG/SDR) resolving various claims among them (the "VIG/SDR Settlement Agreement").

The Bankruptcy Court and the Texas receivership court having jurisdiction over the receivership cases of the Texas Receivership Entities each have entered orders approving the Gaines/SDR Settlement Agreement and the VIG/SDR Settlement Agreement, and those agreements have become effective.

The VIG Trustee, acting on behalf of VIG, and the Gaines Trustee, acting on behalf of Gaines, wish to avoid the risks and expenses attendant to litigation and disputes between them and, without any Party admitting fault, liability or wrongdoing, to settle once and forever all claims

which any of the Parties or any other released persons identified herein related thereto has against or may have against any of the other Parties, except as expressly provided herein.

NOW, THEREFORE, for and in consideration of TEN AND NO/100 DOLLARS (\$10.00) in hand paid each to the other, the mutual covenants contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. **Definitions.** In addition to the terms that are defined elsewhere in this Agreement, any capitalized terms shall have the meaning ascribed to them below:

Approval Order shall mean an order entered by the Bankruptcy Court in the jointly administered VIG Case and the Gaines Case approving this Agreement after such notice to creditors and other parties in interest and a hearing as deemed appropriate by the Bankruptcy Court.

Assigned Claim shall mean the Gaines Claims (excluding the Gaines Excluded Claim) which claim is the subject of Gaines' assignment obligation under the Gaines/SDR Settlement Agreement.

Claims shall have the meaning set forth in Section 101(5) of the Bankruptcy Code. For the avoidance of doubt, Claims shall include, without limitation, post-petition claims.

Derivative Rights shall mean any rights of Vesta Fire or the SDR under the VIG/SDR Settlement Agreement to any portion of the property or recoveries that Vesta Fire or the SDR is to receive under the Gaines/SDR Settlement Agreement after the Settlement Date as defined in the Gaines/SDR Settlement Agreement.

Effective Date of this Agreement shall mean the last date on which each of the following has occurred subject to the condition precedent that the Approval Order is entered on or prior to July 21, 2008 (or such later date as the VIG Trustee and the Gaines Trustee agree to in writing): (a) the Approval Order has become a Final Order; and (b) the Order approving the motion filed by the Gaines Trustee seeking authorization for the assignment by the Gaines Trustee of the Gaines D&O Claims and the Gaines Professional Claims to the SDR has become a Final Order and, pursuant thereto, the Gaines D&O Claims and the Gaines Professional Claims have been assigned to the SDR.

Final Order shall mean an order of a court approving this Agreement, as to which the time to file an appeal has expired and no timely appeal is pending, or, if a timely appeal is filed, the Approval Order has not been stayed.

Former D&Os shall mean a Person who served as an officer or director of an entity prior to July 18, 2006.

Former Professionals shall mean professionals (including without limitation accounting, financial advisory, investment banking, consulting, and legal professionals) that rendered

services prior to July 18, 2006 for Gaines, VIG or any of VIG's affiliates or on behalf of or for the benefit of Gaines, VIG or any of VIG's affiliates.

Gaines D&O Claims shall mean all claims and causes of action which Gaines, its bankruptcy estate, or the Gaines Trustee has against any of Gaines's Former D&Os.

Gaines Excluded Claim shall mean any claim against VIG that arises out of or relates to any of the following four transfers of property by Gaines to VIG:

<u>Date</u>	<u>Amount</u>
10/13/2005	\$10,500,000
11/30/2005	\$ 5,173,410
12/28/2005	\$12,000,000
01/04/2006	\$ 1,600,000

Gaines Estate shall mean the bankruptcy estate of Gaines.

Gaines Personnel shall mean and include the following Persons: (a) Kevin O'Halloran, as Gaines Trustee; and (b) Newbridge Management, LLC and any of its agents, representatives or employees in connection with any services rendered to Gaines, Gaines' estate or the Gaines Trustee.

Gaines Professional Claims shall mean all claims and causes of action which Gaines, its bankruptcy estate, or the Gaines Trustee has against Gaines's Former Professionals.

Gaines Trustee Attorneys shall mean Parker, Hudson, Rainer & Dobbs LLP, and Johnson Barton Proctor & Rose LLP, their respective partners, counsel and associates, in their capacities as attorneys for the Gaines Trustee at any time during the period commencing on the Effective Date of the Gaines Plan and continuing thereafter.

Person shall mean any individual, partnership, corporation, limited liability company, limited liability partnership, joint venture, trust, or unincorporated organization, or association, any "doing business as" entity, any other form of business or commercial entity, or a government or any governmental agency or political subdivision.

Services Agreement shall mean the Post-Confirmation Records Access and Services Agreement made as of December 22, 2006 among VIG, Gaines and SDR and any other operational or services agreements to which VIG and Gaines has agreed.

VIG Estate shall mean the bankruptcy estate of VIG.

VIG Personnel shall mean and include the following persons: (a) Lloyd T. Whitaker, as VIG Trustee; and (b) Newleaf Corporation and any of its agents, representatives or employees in connection with any services rendered to VIG, VIG's estate or the VIG Trustee.

VIG Trustee Attorneys shall mean Kilpatrick Stockton LLP, its partners, counsel and associates, in their capacities as attorneys for the VIG Trustee at any time during the period commencing on the Effective Date of the VIG Plan and continuing thereafter.

2. **Court Approval.** This Agreement shall not become effective until the Effective Date of this Agreement. In furtherance thereof, the Parties shall cooperate in seeking prompt Bankruptcy Court approval of this Agreement.

3. **Release by VIG.** As a material inducement to Gaines and the Gaines Trustee entering into this Agreement, but excepting any obligations imposed upon them by this Agreement, and effective upon the Effective Date of this Agreement, VIG, on behalf of itself and its agents, representatives, successors and assigns and all other Persons claiming by, through or under VIG, including without limitation the VIG Trustee, hereby **REMISES, RELEASES, ACQUITS AND FOREVER DISCHARGES** each of Gaines, the Gaines Trustee, the Gaines Estate, Gaines Personnel, Gaines Trustee Attorneys, and any of their respective successors and assigns (collectively, the "Gaines Released Persons"), of and from all manner of Claims which VIG ever had, now has, or claims to have, either directly or indirectly, in whole or in part, including, but not limited to, the VIG Claims and any Claims related to or arising out of the VIG Case or the Gaines Case; and VIG hereby covenants that it will not sue any of the Gaines Released Persons for, or raise in any way against any of the Gaines Released Persons, any such Claims; provided, however, that nothing in this section is intended, or shall be deemed, to release: (a) any Claim arising from a breach of this Agreement by any Gaines Released Person, which breach such Gaines Released Person fails to cure within ten (10) days after receiving written notice from VIG of the breach; (b) any Claim VIG may have against any Person other than the Gaines Released Persons; (c) any Derivative Rights; (d) any Claims of VIG against its Former D&Os for acts or omissions in their capacities as officers or directors before the Effective Date of the VIG Plan; and (e) any Claims against Former Professionals.

4. **Release by Gaines.** As a material inducement to VIG and the VIG Trustee entering into this Agreement, but excepting any obligations imposed upon them by this Agreement, and effective upon the Effective Date of this Agreement, Gaines, on behalf of itself and its agents, representatives, successors and assigns and all other Persons claiming by, through or under Gaines, including without limitation the Gaines Trustee, hereby **REMISES, RELEASES, ACQUITS AND FOREVER DISCHARGES** each of VIG, the VIG Trustee, the VIG Estate, VIG Personnel, VIG Trustee Attorneys, and any of their successors and assigns (collectively, the "VIG Released Persons"), of and from all manner of Claims (other than the Assigned Claims) which Gaines ever had, now has, or claims to have, either directly or indirectly, in whole or in part, including, but not limited to, the Gaines Excluded Claims, and any additional Claims related to or arising out of the Gaines Case or the VIG Case; and Gaines hereby covenants that it will not sue any of the VIG Released Persons for, or raise in any way against any of the VIG Released Persons, any such Claims; provided, however, that nothing in this section is intended, or shall be deemed, to release: (a) any Claim arising from a breach of this Agreement by any VIG Released Person, which breach such VIG Released Person fails to cure within ten (10) days after receiving written notice from Gaines of the breach; (b) any Claim Gaines may have against any Person other than the VIG Released Persons; (c) any Assigned Claim; (d) any Claims of Gaines against its Former D&Os for

acts or omissions in their capacities as officers or directors before the Effective Date of the Gaines Plan; and (e) any Claims against Former Professionals.

5. **Effectiveness of Releases.** The releases of Claims in Sections 3 and 4 of this Agreement are intended to be mutual, and, notwithstanding anything to the contrary set forth in this Agreement, no release by one Party (the "Releasing Party") of any Claims shall be effective and enforceable as to another Party until the release by such other Party of Claims against the Releasing Party is effective and enforceable.

6. **Dismissal of Equitable Subordination Proceeding and Withdrawal of Estimation Motion.** Promptly following the Effective Date of this Agreement, the Gaines Trustee shall withdraw the Estimation Motion and shall execute and file with the VIG Trustee a stipulation of dismissal of the Complaint initiating the Equitable Subordination Proceeding.

7. **Assignment of Claims.** Except as expressly noted in this Agreement, the Parties hereby represent and warrant that there has been no assignment, sale, pledge, hypothecation or other transfer or disposition of any interest in any of the claims hereinbefore released and forever discharged.

8. **Failure to Obtain Approval of this Agreement.** In the event that the Bankruptcy Court refuses to approve this Settlement Agreement by July 21, 2008 (or such later date as the VIG Trustee and the Gaines Trustee agree to in writing), this Agreement, including the releases set forth in Sections 3 and 4, shall be null and void and of no force or effect.

9. **No Admission of Liability.** This Agreement shall not in any way be construed as an admission by any Party of any acts of misconduct whatsoever against another Party or any other Person, and all Parties specifically disclaim any liability to another Party or any other Person, except as otherwise stated herein.

10. **Authority.** Gaines and the Gaines Trustee each represent and warrant to VIG and the VIG Trustee that each has full power and authority to enter into this Agreement, and that this Agreement, once fully executed and delivered and approved by the Bankruptcy Court, will be a valid and binding obligation of each of them, enforceable against each of them in accordance with this Agreement's terms. VIG and the VIG Trustee each represent and warrant to Gaines and the Gaines Trustee that each has full power and authority to enter into this Agreement and that the Agreement, once fully executed and delivered and approved by the Bankruptcy Court, will be a valid and binding obligation of each of them, enforceable against it in accordance with the Agreement.

11. **Mutual Representations and Warranties.** Each of the Parties represents and warrants to the others, as an inducement for the others to enter into this Agreement, that:

a. Such Party has read and understands all of the terms and conditions set forth in this Agreement;

b. Such Party has had the benefit of legal counsel of its own choosing in deciding to execute this Agreement;

c. Such Party, without promise of benefit other than as set forth herein, is voluntarily entering into this settlement;

d. There is good and valid consideration to support such Party's entering into this Agreement and to bind such Party to the terms and conditions of this Agreement; and

e. Such Party was not coerced, threatened or otherwise forced to sign this Agreement, and its signature appearing hereinafter is voluntary and genuine and was duly and validly authorized and given.

12. Notices. All notices, requests and demands to or upon a Party shall either be in writing and sent by certified mail, return receipt requested, by personal delivery against receipt or by telecopier or other facsimile transmission (but not by e-mail) and, unless otherwise expressly provided herein, shall be deemed to have been validly served, given or delivered when delivered against receipt or three business days after deposit in the United States mail, postage pre-paid, or, in the case of facsimile transmission, when received at the office of the noticed Party, addressed as follows:

If to VIG or VIG Trustee: Vesta Insurance Group, Inc.
Lloyd T. Whitaker, as Plan Trustee
c/o Newleaf Corporation
2810 Spring Road, Suite 106
Atlanta, GA 30339
Telecopy: (770) 433-8550

With a copy to: Todd C. Meyers, Esq.
Kilpatrick Stockton LLP
1100 Peachtree Street NE
Suite 2800
Atlanta, Georgia 30309-4528
Telecopy: (404) 541-3307

If to Gaines or the Gaines Trustee:

J. Gordon Gaines, Inc.
Kevin O'Halloran, as Plan Trustee
Newbridge Management, LLC
Post Office Box 723657
Atlanta, Georgia 31139
Telecopy: (770) 432-2189

With a copy to:

Rufus T. Dorsey, IV, Esq.
Parker Hudson Rainer & Dobbs LLP
285 Peachtree Center Avenue
1500 Marquis Two Tower
Atlanta, Georgia 30303
Telecopy: (404) 522-8409

Any Party may change the address at which that Party shall receive notice or the name of the person designated to receive a copy of such notice by furnishing the other Party a change of address or change of person receiving copies of notices in the manner set forth herein for the giving of notices. A notice of change of address or change of person receiving copies shall become effective ten (10) days after actual delivery.

13. Parties to Bear Own Costs. Except as stated in this Agreement, each Party shall bear its own costs (including attorneys' fees) incurred in connection with the Bankruptcy Case, and the negotiation, preparation and execution of this Agreement and any other agreements or instruments executed in accordance with the terms of this Agreement.

14. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Agreement, and the signature pages from any counterpart may be appended to any other counterpart to assemble fully-executed counterparts. Counterparts of this Agreement also may be exchanged via electronic facsimile machines, and an electronic facsimile of any party's signature shall be deemed to be an original signature for all purposes.

15. Entire Agreement. This Agreement sets forth all of the promises, covenants, agreements, conditions and understandings between the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied. Each Party specifically warrants that this Agreement is executed without reliance upon any statement or representation by any other Party, except as expressly stated herein.

16. Amendment. The terms of this Agreement shall not be altered, amended, modified or otherwise changed in any respect except by a writing duly executed by all the Parties.

17. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

18. Binding Agreement. On the Effective Date of this Agreement, this Agreement shall be binding upon the Parties, and their respective successors and assigns, and shall similarly inure to the benefit of their respective successors and assigns.

19. **No Third-Party Beneficiaries.** There shall be no third-party beneficiaries to this Agreement, and no Person other than the Parties and their respective successors and assigns, and any other Person identified or referred to in Sections 3 and 4 of this Agreement, and only as Persons identified in those Sections, is intended to be a beneficiary of this Agreement.

20. **Construction.** Should any provision of this Agreement require interpretation, the Parties agree that the judicial body or arbitration forum interpreting or construing such provision shall not apply any canon of interpretation to conclude that the terms of this Agreement shall be more strictly construed against any Party because of the rule of construction that an instrument is to be construed more strictly against the drafting party, each Party hereby acknowledging and agreeing that all Parties and their respective agents have participated in the preparation of this Agreement.

21. **Section Headings, References; Gender and Number.** The titles of the Sections herein have been inserted as a matter of convenience and for reference only and shall not control or affect the meaning or construction of any of the terms of the provisions herein. Whenever reference is made in this Agreement to any Section, such reference shall be deemed to apply to the specified Section of this Agreement. Words of any gender used in this Agreement shall be deemed to include the other gender or the neuter, and words in the singular shall be deemed to include the plural and the plural to include the singular when the sense requires.

22. **Governing Law.** This Agreement shall be construed under and governed by the internal laws of the State of Alabama, except to the extent superseded by the Bankruptcy Code.

23. **No Waiver.** No failure of a Party to notify the other Party of any default shall prejudice any remedy for any subsequent defaults. No failure of a Party to insist on strict compliance by another Party with its obligations under this Agreement and no custom or practice of the Parties in variance with the terms of this Agreement shall constitute a waiver of the Party's right to demand exact compliance with this Agreement's terms. Any waiver by a Party of a default shall be limited to the particular instance and shall not operate or be deemed to waive any further default.

IN WITNESS WHEREOF, the Parties have set their hands and seals, or their appropriate officer or agent has executed this Agreement, as of the date first written above.

VESTA INSURANCE GROUP, INC.

By: _____
Name: Lloyd T. Whitaker
Title: Plan Trustee

**LLOYD T. WHITAKER, solely in his capacity
as Plan Trustee for Vesta Insurance Group, Inc.**

J. GORDON GAINES, INC.

By: _____
Name: Kevin O'Halloran
Title: Plan Trustee

**KEVIN O'HALLORAN, solely in his capacity
as Plan Trustee for J. Gordon Gaines, Inc.**