

IEC GROUP, INC.

SEP 19 4 43 PM '97

**Articles of Merger of
Idaho Employers Council, Inc. with and into
IEC Group, Inc.**

The following Articles of Merger are delivered pursuant to Section 30-1-1105 of the Idaho Business Corporation Act and Section 30-3-102 of the Idaho Nonprofit Corporation Act.

1. The Agreement and Plan of Merger ("Plan of Merger") by which Idaho Employer's Council, Inc., an Idaho nonprofit corporation (the "Disappearing Corporation") shall be merged with and into IEC Group, Inc., an Idaho corporation (the "Surviving Corporation") is attached hereto as Exhibit A.

2. Approval of the Plan of Merger was not required by the shareholders of the Surviving Corporation pursuant to Idaho Code Section 30-1-1103(7).

3. Approval of the Plan of Merger was required by the members of the Disappearing Corporation pursuant to Idaho Code Section 30-3-101. There are 578 members of the Disappearing Corporation. The membership votes as a single class, with each member entitled to cast one vote. The number of members indisputably voting on the Plan of Merger was 371. The number of members voting for the Plan of Merger was 360, and the number of members voting against the Plan of Merger was 11. The number of votes cast for the Plan of Merger was sufficient for approval of the Plan of Merger.

4. A full copy of the Agreement and Plan of Merger will be furnished by the Surviving Corporation, on request and without cost, to any member of the Disappearing Corporation.

IEC GROUP, INC.
an Idaho corporation



Roger G. Doughty, President

IDAH0 SECRETARY OF STATE

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AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger ("Merger Agreement") is entered into as of August 25, 1997, by and among Idaho Employers Council, Inc., an Idaho nonprofit corporation ("Old IEC") and IEC Group, Inc., an Idaho business corporation ("New IEC").

R E C I T A L S

A. Old IEC, an Idaho nonprofit corporation, provides consulting services on human resource related issues to its members.

B. New IEC, an Idaho business corporation, is operated and owned 100% by a management group consisting of Roger Doughty, Andy Fujimoto and Mike Youngberg (the "Management Group").

C. The Boards of Directors of Old IEC and of New IEC each have determined that it is in the best interests of their members and stockholders, respectively, for Old IEC to merge with and into New IEC pursuant to the applicable provisions of the Idaho Nonprofit Corporations Act and the Idaho Business Corporations Act and upon the terms and subject to the conditions set forth in this Merger Agreement (the "Merger").

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants, agreements and conditions contained herein, the parties agree as follows:

ARTICLE I THE MERGER

Pursuant to the Idaho Nonprofit Corporations Act and the Idaho Business Corporations Act, and subject to and in accordance with the terms and conditions of this Merger Agreement, Old IEC shall be merged with and into New IEC. New IEC shall execute articles of merger in the form attached hereto as Exhibit A (the "Articles of Merger"), to be filed with the Secretary of State of the State of Idaho on the Closing Date (as hereinafter defined). The Merger shall take effect on the date (the "Effective Date") and at the time when, subject to and in accordance with the terms and conditions of this Merger Agreement, the Articles of Merger are accepted for filing by the Secretary of State of the State of Idaho (or such later date and time as may be specified, with the approval of Old IEC and New IEC in the Articles of Merger). Such filing shall be made as soon as practicable following the satisfaction or waiver of the conditions set forth in Article IV of this Merger Agreement.

1.1 Effect of Merger. At the Effective Date, Old IEC shall be merged with and into New IEC in the manner and with the effect provided by the Idaho Nonprofit Corporations Act and the Idaho Business Corporations Act, and Old IEC shall cease to exist and New IEC shall survive as a for profit corporate entity (the "Surviving Corporation") and shall continue to be governed by the laws of the State of Idaho.

1.2 Merger Consideration. The consideration to be paid by New IEC for the Merger shall be as follows:

1.2.1 Consideration. Each member of Old IEC as of the Record Date (each a "Member"; collectively, the "Members") shall automatically become a "member" of New IEC on the Effective Date. New IEC shall provide to the Members the core products and services described in Section 3.2.1 consistent with the historic operations of Old IEC in exchange for dues and fees at rates consistent with the historic rates charged by Old IEC, subject to the limitations of Section 3.2.2. New IEC shall provide to each Member its share of \$858,000 (the "Merger Consideration") plus interest at the rate of 8.5% per annum (the "Interest") for a total amount of \$1,003,368.73. Each Member's share of the Merger Consideration and Interest shall be determined according to the formula in Section 1.2.3 below. The Merger Consideration and Interest shall be made available in the form of credits or discounts which may be used for the payment of dues and the purchase of services from New IEC as provided in Sections 1.2.4 and 1.2.5 below.

1.2.2 Entitlement to Payment. A Member, for purposes of entitlement to the Merger Consideration and Interest, will be an organization that is a member of Old IEC as of the date the Merger is publicly announced (the "Record Date"). Any organization whose Old IEC membership dues are delinquent 90 days or less as of the Record Date and that has not notified Old IEC on or prior to the Record Date that it intends to terminate its membership will also be considered a Member for purposes of this Merger Agreement.

1.2.3 Allocation of Merger Consideration. Each Member's allocated share of the Merger Consideration and Interest shall be calculated based upon the Member's present dues level and the number of consecutive years of Old IEC membership immediately preceding the Record Date. Years of Old IEC membership preceding a lapse of one year or more will not be counted for purposes of the calculation under this Section 1.2.3. To "equalize" the allocation for all Members, each Member's present annual dues level is assumed to be at the "associate" level in the present Old IEC rate structure based upon the Member's most recent reported employee head count. For purposes of the allocation, the number of consecutive years of membership is given an 80% weighting and the present annual dues level is given a 20% weighting. Expressed as a formula, the calculation of each Member's allocated share of the Merger Consideration and Interest is as follows:

$$S = \frac{P \times 80\% \times Y_m}{Y_t} + \frac{P \times 20\% \times D_m}{D_t}$$

S	=	Member's allocated portion of Merger Consideration and Interest
P	=	Total Merger Consideration and Interest
Y _m	=	Consecutive years of membership of individual Member
Y _t	=	Aggregate years of membership of all Members
D _m	=	Individual Member's present annual dues at assumed associate level based on current head count
D _t	=	Annual dues of all Members at assumed associate level based on current head count

1.2.4 Installment Payments. Each Member's allocated share of the Merger Consideration and Interest shall be made available as credits or discounts which may be applied to each Member's dues and payments for services invoiced by New IEC. Such credits will be available in five equal installments, with the first installment available immediately upon the Effective Date and applicable during the first year following the Effective Date and subsequent installments available on the same basis during each of the four following years. The total Merger Consideration and Interest owing to each Member and the amount of each annual installment of credits for each Member are set forth on Schedule I attached hereto.

1.2.5 Rollover of Credits; Forfeiture. Unused credits during each year will be automatically rolled forward to the following year. Termination of membership in New IEC shall cause forfeiture of all remaining credits for the terminating Member; however, such forfeited credits will be reallocated, first, to adjust credits of Members, if any, whose credits may have been inaccurately calculated and, second, to all remaining Members. Credits then owing and payable by New IEC will be reflected on and automatically applied to invoiced amounts. Unused credits shall expire on the fifth anniversary of the Effective Date.

1.2.6 Annual Reports. Within the first 90 days of each of the first five fiscal years following the Effective Date, New IEC will provide a report to each Member of its then outstanding credits, after giving effect to Section 1.2.5, summarizing for each Member its then outstanding credits representing Merger Consideration and Interest, the amounts of such credits used in the previous year, and the amount of such credits then available for application to New IEC invoiced amounts.

1.2.7 Security for Payment. As collateral security for its obligations to deliver the installments of the Merger Consideration and Interest, New IEC shall deliver or cause to be delivered each of the following:

(a) On or before the Effective Date, each of the shareholders of New IEC shall deliver to the Collateral Agent (as defined in Section 1.4 below) for the benefit of the Members the personal guarantee of each such shareholder limited to the value of such shareholder's shares in New IEC plus \$100,000 in the form attached as Exhibit B; and

(b) On or before the Effective Date, each shareholder of New IEC shall have delivered to the Collateral Agent all such shareholder's shares in New IEC, pursuant to a pledge agreement in the form attached hereto as Exhibit C.

1.3 Restated Certificate of Incorporation and Bylaws. The Restated Certificate of Incorporation and Bylaws of New IEC as in effect on the Effective Date shall be the Restated Certificate of Incorporation and Bylaws of the Surviving Corporation.

1.4 Advisory Council. An advisory council to New IEC ("Advisory Council") is appointed to act on behalf of the Members as follows:

1.4.1 Appointment of Advisory Council and Collateral Agent. The Members, by their approval of the Merger (a) appoint the members of the existing board of directors of Old IEC (except for Roger Doughty, Robert Lehot and Lee Dillion) to act as their agents in connection with the administration and enforcement of this Merger Agreement and (b) specifically appoint the chairman of the Advisory Council (initially Robert Schoelkoph) to act as collateral agent (together with his successors and assigns the "Collateral Agent") for holding and enforcing the Members' rights to the collateral security provided for in Section 1.2.7.

1.4.2 Scope of Agency. The Advisory Council's agency shall be limited to monitoring compliance with the Merger Agreement, enforcing the rights of the Members under the Merger Agreement and enforcing the rights of the Members to the collateral security provided for in Section 1.2.7. The agency of the Collateral Agent shall be limited to holding and enforcing the Members' rights against such collateral security. The Advisory Council has authority to act on behalf of the Members to agree to amendments of the Merger Agreement, provided that any amendment that would lower the Merger Consideration or alter the relative distribution of the Merger Consideration among the Members will require the approval of not less than two-thirds of the Members.

1.4.3 Release. The Members, by their approval of the Merger (x) acknowledge that the agency of the members of the Advisory Council and the Collateral Agent is confined to the matters expressly provided for in this Merger Agreement and (y) accordingly release and waive any claim against the members of the Advisory Council arising from their service on the Advisory Council after the Effective Date, other than gross negligence or willful misconduct.

1.4.4 Compensation, Indemnification, Insurance, etc. New IEC hereby agrees that it shall (a) for the first five calendar years following Effective Date pay a reasonable annual or per diem fee to members of the Advisory Council, and maintain for the members of the Advisory Council insurance coverages equivalent to the coverages maintained for the board of directors of Old IEC prior to the Merger and be responsible for any deductible amount with respect thereof, and (b) indemnify and hold harmless the members of the Advisory Council from and against any claims, damages, expenses (including reasonable attorneys fees) or other liabilities arising from service on the Advisory Council

1.4.5 Advice to New IEC. The Advisory Council will meet at its discretion and will be available to New IEC to advise from time to time concerning issues affecting the Members. Whether or not New IEC takes action in response to such advice, the members of the Advisory Council will have no liability with respect thereto.

1.4.6 Organization and Successors. The Advisory Council shall consist of a minimum of five (5) members. Any vacancies on the Advisory Council shall be filled by a majority vote of the remaining Advisory Council Members. The Advisory Council shall adopt, on or before the Effective Date, written procedures governing the conduct of Advisory Council meeting, performance of duties under this Merger Agreement, and such other matters as may be appropriate.

1.5 Officers. The officers of New IEC at the Effective Date shall continue to be the officers of the Surviving Corporation and will hold office from the Effective Date in accordance with the Bylaws of the Surviving Corporation.

ARTICLE II REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of Old IEC. Old IEC hereby represents and warrants to New IEC as follows:

2.1.1 Organization and Good Standing. Each of Old IEC and its subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the state of its formation and is duly qualified in good standing as a foreign corporation in each jurisdiction where the properties owned, leased or operated, or the business conducted, by it require such qualification, except where the failure to be so qualified would not have a material adverse effect on Old IEC and its subsidiaries taken as a whole.

2.1.2 Corporate Authority: Authorization. Old IEC has the corporate power and authority to execute and deliver this Merger Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly and validly

authorized and approved by the Board of Directors of Old IEC and no other corporate proceedings on the part of Old IEC or any subsidiary of Old IEC are necessary to authorize this Merger Agreement and, except for the approval of this Merger Agreement by its members, no other corporate proceedings on the part of Old IEC are necessary to consummate the transactions contemplated by this Merger Agreement. This Merger Agreement has been duly and validly executed and delivered by a duly authorized officer of Old IEC and constitutes a valid and binding obligation of Old IEC enforceable against Old IEC in accordance with its terms, except as enforcement may be affected by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedies of specific performance and injunctive relief are subject to the discretion of the court before which any proceeding may be brought.

2.1.3 Nature and Condition of Assets. Old IEC makes no representation or warranty concerning the title, nature, or condition of its assets or liabilities. New IEC agrees to accept Old IEC's assets and liabilities on an "as is" basis.

2.2 Representations and Warranties of New IEC. New IEC hereby represents and warrants to Old IEC as follows:

2.2.1 Organization and Good Standing. New IEC is a business corporation duly organized, validly existing and in good standing under the Idaho Business Corporations Act.

2.2.2 Corporate Authority. New IEC has all requisite corporate power and authority to enter into this Merger Agreement, consummate the Merger, perform the obligations to be performed by it under this Merger Agreement, and own and operate its properties and to carry on its business as it is to be conducted on and after the Effective Date now conducted. The execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized and approved by the Board of Directors of New IEC and no other corporate proceedings on the part of New IEC are necessary to authorize this Merger Agreement or the consummation of the transactions contemplated hereby, except for the filing of the Articles of Merger pursuant to the Idaho Business Corporations Act. This Merger Agreement has been duly and validly executed and delivered by a duly authorized officer of New IEC and constitutes a valid and binding agreement of New IEC, enforceable against it in accordance with its terms, except as enforcement may be affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedies of specific performance and injunctive relief are subject to the discretion of the court before which any proceeding may be brought.

2.2.3 No Prior Activities. New IEC has not incurred, and will not incur, directly or through any subsidiary, any liabilities or obligations for borrowed money or

otherwise, except incidental liabilities or obligations not for borrowed money incurred in connection with its organization. Except as contemplated by this Merger Agreement, New IEC (i) has not engaged, directly or through any subsidiary, in any business activities of any type or kind whatsoever, (ii) has not entered into any agreements or arrangements with any person or entity and (iii) is not subject to or bound by any obligation or undertaking.

ARTICLE III COVENANTS

3.1 Pre-Merger Covenants. From the date hereof until the Effective Date, Old IEC and New IEC covenant and agree as follows:

3.1.1 Conduct of Business Prior to Effective Date. Prior to the Effective Date, Old IEC shall conduct its business in the ordinary course, consistent with historic practices until the Effective Date.

3.1.2 Membership Approval. Old IEC shall use its best efforts to obtain approval of the Merger by the Members.

3.1.3 Consents. Old IEC and New IEC shall each use its best efforts to obtain any necessary consents, permits, authorizations, approvals and waivers to permit the consummation of the transactions contemplated by this Merger Agreement.

3.1.4 Filings. Old IEC and New IEC shall cooperate with one another (i) in promptly determining whether any filings are required to be made or consents, approvals, permits or authorizations are required to be obtained under any federal, state or foreign law or regulation or any consents, approvals or waivers are required to be obtained from other parties to loan agreements or other agreements or instruments material to New IEC's business in connection with the consummation of the Merger and (ii) in promptly making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such consents, permits, authorizations, approvals or waivers.

3.1.5 Additional Agreements. Subject to the terms and conditions hereof, each party shall use its best efforts promptly to take, or cause to be taken, all actions and promptly to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Merger Agreement and not take any action (including, without limitation, effecting or agreeing to effect or announcing an intention or proposal to effect, any acquisition, business combination or other transaction) which might reasonably be expected to impair the ability of the parties to consummate the Merger at the earliest possible time (regardless of whether such action would otherwise be permitted or not prohibited hereunder).

3.2 Post-Merger Covenants. Following the Effective Date and during the five years immediately following the Effective Date, New IEC covenants and agrees to the following:

3.2.1 Services to Members. New IEC shall provide not less than the following core services to the Members at a level consistent with the services provided to the Members by Old IEC prior to the Effective Date:

(a) *Compliance Hot Line*. A toll free number available Monday through Friday between 8:00 am and 5:00 pm (Mountain Time), excluding holidays, to respond to Member compliance inquiries. No separate charge.

(b) *Monthly Bulletin*. A publication updating human resource issues with primary focus on Employment Law, made available at least monthly. No separate charge.

(c) *Member Forums*. Held not less than two times per year in Boise, Salt Lake City, Portland, or other appropriate locations, to address current human resource issues. Registration fees will be maintained consistent with historic levels, taking into account the costs of sponsorship. Registration fees will vary based on membership package, consistent with historic practice.

(d) *Annual Conference*. Two to three day annual executive event featuring keynote speakers, workshops, and networking and recreational opportunities. Registration fees will be maintained consistent with historic levels, taking into account the costs of sponsorship. Registration fees will vary based on membership package, consistent with historic practice.

(e) *General Employment Application and Handbook*. Electronic/hardcopy of employee handbook and employment applications provided as a template Members may use to modify their existing documents, maintained consistent with historical practice. Fee levels for this service will vary based on membership package, consistent with historical practice.

(f) *IEC Group Web Site*. Maintained consistent with historic practice.

(g) *Staff expertise*. Maintained in core service areas, consistent with historic practice, in the following areas:

- Compliance with federal and state employment laws and statutes
- Labor Relations
- Employment

- Training and development
- Compensation
- Performance appraisal
- Discipline and termination

New IEC reserves the right to continue to vary the frequency and type of regional forums, multi-employer training sessions and other locale-specific programs. The scheduling of these programs will continue to be based on demand.

3.2.2 Dues. New IEC will limit annual increases in dues for membership in New IEC to not more than 5% or the increase in the Consumer Price Index for such year, whichever is greater, subject to an absolute cap of 10% per year.

3.2.3 Additional Shares. New IEC shall not issue any additional shares without providing for their pledge to the Collateral Agent immediately upon issuance.

3.2.4 Management Group Contracts. New IEC shall maintain employment contracts with each member of the Management Group which will provide that such member of the Management Group will not compete with New IEC in the event of termination of employment (subject to normal time and geographic limitations).

3.2.5 Periodic Reports. New IEC shall provide periodic reports and other information to the members of the Advisory Council concerning the business and operations of New IEC. Among other things, New IEC shall deliver to each member of the Advisory Council within the first 90 days of each fiscal year (a) annual unaudited financial statements of New IEC for the immediately preceding fiscal year, consisting of a balance sheet and a statement of income, each of which will be prepared in accordance with generally accepted accounting principles and certified by the chief financial officer of New IEC as fairly presenting the condition of New IEC for that fiscal year and (b) a report of the remaining balances of Merger Consideration and Interest existing in favor of each of the Members at the end of the immediately preceding fiscal year. New IEC will also provide the annual reports to Members as described in Section 1.2.7 and make copies thereof available to the Advisory Council.

3.2.6 Fixed Assets. New IEC shall at all times maintain unencumbered fixed assets with a book value that is equal to or in excess of 50% of the then amount of unpaid Merger Consideration plus Interest.

3.2.7 Insurance. New IEC shall maintain life insurance policies insuring the lives of each member of the Management Group in an amount of not less than \$500,000 each. Proceeds from the insurance policies would be used by New IEC to recruit a replacement executive and cover any additional costs or offset decreased revenue resulting from the death of the Management Group member.

3.2.8 Inspection. New IEC shall permit members of the Advisory Council to enter the New IEC premises on reasonable notice and at reasonable times to inspect the books and records of New IEC and New IEC's fixed assets.

3.2.9 Corporate Matters. New IEC shall not amend its articles of incorporation or bylaws or adopt a plan of liquidation or dissolution.

3.2.10 Merger and Sale of Assets; Subsidiaries. New IEC shall not merge with or into or consolidate with any other corporation or sell, lease, transfer, or otherwise dispose of in a single transaction or a series of transactions of all or substantially all of its assets. New IEC shall not dispose of any of its present subsidiaries without the prior written approval of the Advisory Council.

3.3 Default and Remedies. The occurrence of any of the following events shall constitute an event of default ("Event of Default") hereunder:

3.3.1 Breach of Post-Merger Covenants. Failure of New IEC to comply with the covenants set forth in Section 3.2, the consequence of which has or reasonably will have a material adverse effect on rights of the Members under this Merger Agreement.

3.3.2 Change of Ownership. Failure of the Management Group during the first five years after the Effective Date to retain majority ownership in New IEC.

If the Collateral Agent reasonably believes that an Event of Default has occurred and is continuing, the Collateral Agent may seek the vote of not less than two-thirds of the then Members (each of whom will be entitled to one vote) to declare a default under the Merger Agreement. A vote in favor of declaration of a default under the Merger Agreement will empower the Collateral Agent to (a) give notice to New IEC that an Event of Default has occurred under this Merger Agreement; (b) give notice to New IEC that all unpaid amounts of the Merger Consideration and then accrued but unpaid Interest are immediately due and payable in cash; and (c) give notice to the New IEC shareholders that call is made on the personal guarantees of the New IEC shareholders.

ARTICLE IV CONDITIONS

4.1 Closing. The closing ("Closing") of the Merger shall be held at the offices of Stoel Rives LLP, 999 Main Street, Suite 1015, Boise, Idaho at 10:00 a.m. on September 18, 1997, or at 10:00 a.m. on a later date mutually agreed between New IEC and the Executive Committee (the "Executive Committee") of the Board of Directors of Old IEC (the "Closing Date").

4.2 Conditions to the Obligations of The Parties. The respective obligations of Old IEC and New IEC to consummate the transactions contemplated by this Merger Agreement are subject to the satisfaction or waiver at or before the Closing of the following conditions:

4.2.1 No Injunction. The consummation of the Merger shall not be precluded by any order or injunction of a court of competent jurisdiction (each party agreeing to use its best efforts to have any such order reversed or injunction lifted), and there shall not have been any action taken or any statute, rule or regulation enacted, promulgated or deemed applicable to the Merger by any government or governmental or other regulatory agency, domestic or foreign, that makes consummation of the Merger illegal.

4.2.2 Member Approval. The Merger and the Merger Agreement shall have been approved by a vote of not less than a majority of members of Old IEC or two-thirds (2/3) of the votes cast in person or by proxy, whichever is less, at a duly noticed special meeting of the members of Old IEC.

4.3 Conditions to Obligations of Old IEC. The obligation of Old IEC to consummate the transactions contemplated by this Merger Agreement is subject to the satisfaction or waiver at or before the Closing of the following additional conditions:

4.3.1 Representations, Warranties, and Covenants. The representations and warranties of New IEC contained in this Merger Agreement shall be correct in all material respects (a) at the date of this Merger Agreement, and (b) on and as of the Closing Date with the same effect as though made on and as of such date, except for changes resulting from the consummation of the transactions contemplated by this Merger Agreement. New IEC shall have performed in all material respects all of its covenants and obligations hereunder theretofore to be performed, and the Executive Committee shall have received at the Closing certificates to that effect, dated the Closing Date, and executed on behalf of New IEC by an executive officer of New IEC.

4.3.2 Consents and Approvals. All licenses, permits, consents, approvals, authorizations, qualifications and order of governmental authorities and parties to contracts with Old IEC and its subsidiaries as are necessary for consummation of the Merger, except where the failure to obtain such consents, approvals, permits and authorizations would not have a material adverse effect on the business, operations, financial condition or prospects of Old IEC.

4.3.3 Documentary Conditions. At the Closing, New IEC shall deliver or cause to be delivered to the Collateral Agent the personal guarantees and the pledge agreement required by Section 1.2.7, duly executed by each of the New IEC shareholders, and shall provide such other agreements, certificates and documents as are deemed necessary or appropriate for the consummation of the transactions contemplated herein, as set forth in a

closing memorandum to be agreed upon between the Management Group and the Executive Committee of the Board of Directors of Old IEC.

4.4 Conditions to Obligations of New IEC. The obligation of New IEC to consummate the transactions contemplated by this Merger Agreement is subject to the satisfaction or waiver at or before the Closing of the following additional conditions:

4.4.1 Representations, Warranties, and Covenants. The representations and warranties of Old IEC contained in this Merger Agreement shall be correct in all material respects (a) at the date of this Merger Agreement, and (b) on and as of the Closing Date with the same effect as though made on and as of such date, except for changes resulting from the consummation of the transactions contemplated by this Merger Agreement, Old IEC shall have performed in all material respects all of its covenants and obligations hereunder theretofore to be performed, and New IEC shall have received at the Closing certificates to that effect, dated the Closing Date.

4.4.2 Consents and Approvals. All licenses, permits, consents, approvals, authorizations, qualifications and order of governmental authorities and parties to contracts with New IEC and its subsidiaries as are necessary for consummation of the Merger, except where the failure to obtain such consents, approvals, permits and authorizations would not have a material adverse effect on the business, operations, financial condition or prospects of New IEC.

4.4.3 Documentary Conditions. At the Closing, Old IEC shall provide such further agreements, certificates and documents as are deemed necessary or appropriate for the consummation of the transactions contemplated herein, as set forth in a closing memorandum to be agreed upon between the Management Group and the Executive Committee of the Board of Directors of Old IEC.

ARTICLE V TERMINATION

5.1 Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Date:

5.1.1 Mutual Consent. By the mutual consent of the Boards of Directors of Old IEC and New IEC;

5.1.2 Actions Restraining the Merger. By either Old IEC or New IEC if any court of competent jurisdiction in the United States or other United States governmental body shall have issued an order, decree or ruling or taken any other action restraining,

enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and nonappealable; or

5.1.3 Expiration Date. By action of the Board of Directors of Old IEC if the Merger shall not have been consummated by December 31, 1997. The Merger Agreement shall otherwise terminate on the fifth anniversary of the Effective Date.

5.2 Effect of Termination. Upon the termination of this Merger Agreement pursuant to Section 5.1, this Merger Agreement shall forthwith be void and no party to this Merger Agreement shall have any liability or further obligation to any other party by reason of this Merger Agreement, other than for damages to the extent arising from a prior breach of this Merger Agreement; provided, however, that Section 1.4.3, Subsection 1.4.4(c) and the last sentence of Section 1.4.5 shall survive such termination.

ARTICLE VI MISCELLANEOUS AND GENERAL

6.1 Waiver and Amendment. Subject to the applicable provisions of the Idaho Nonprofit Corporations Act and the Idaho Business Corporations Act, at any time prior to the Effective Date, the Executive Committee and an authorized officer of New IEC may agree to modify, amend, supplement, or waive any portion of this Merger Agreement by written agreement executed and delivered by the Executive Committee and an authorized officer of New IEC; provided, however, that no such amendment, modification or waiver shall be made which reduces the form or amount of consideration payable in the Merger or adversely affects the rights of the Members hereunder without the approval of not less than two-thirds such Members.

6.2 Procedure for Termination, Amendment, Extension or Waiver. A termination of this Merger Agreement pursuant to Section 5.1 or an amendment, extension or waiver of this Merger Agreement pursuant to Section 6.1 by any of the parties shall, in order to be effective, require approval by the Boards of Directors of Old IEC and New IEC or the duly authorized designee of such Boards of Directors.

6.3 Entire Agreement. This Merger Agreement (a) contains the entire agreement among Old IEC and New IEC with respect to the Merger, and supersedes all prior agreements among the parties with respect to such matters and (b) is not intended to confer upon any other persons any rights or remedies hereunder, except as specifically provided for herein.

6.4 Headings. The descriptive headings contained herein are for convenience and reference only and shall not affect in any way the meaning or interpretation of this Merger Agreement.

6.5 Specific Performance. The parties agree that irreparable damage would occur if any of the provisions of this Merger Agreement are not performed in accordance with their specific terms or are otherwise breached. It is agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Merger Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, in addition to any other remedy to which any party is entitled at law or in equity.

6.6 Counterparts. For the convenience of the parties hereto, this Merger Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

6.7 Choice of Law. This Merger Agreement shall be governed by and construed in accordance with the laws of the State of Idaho regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

6.8 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Merger Agreement or in any instrument delivered pursuant to this Merger Agreement shall survive the Effective Date. This Section 6.8 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Date.

6.9 No Assignment. This Merger Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the parties and their respective successors and assigns; provided that, except as otherwise expressly set forth in this Merger Agreement, neither the rights nor the obligations of any party may be assigned or delegated without the prior written consent of the other party.

6.10 Remedies Cumulative. All rights, powers and remedies provided under this Merger Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

6.11 No Waiver. The failure of any party hereto to exercise any right, power or remedy provided under this Merger Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

6.12 No Third Party Beneficiaries. This Merger Agreement is not intended to be for the benefit of and shall not be enforceable by any person or entity who or which is not a party hereto, except for the provisions contained in Section 1.4.4, which provisions may be enforced by the parties benefitted by the policies and By-law provisions referred to therein.

6.13 Public Announcements. The Executive Committee and the Management Group will agree upon the timing and content of the initial press release, if any, to be issued describing the transactions contemplated by this Merger Agreement, and will not make any public announcement thereof prior to reaching such agreement unless required to do so by applicable law or regulation. To the extent reasonably requested by either party, each party will thereafter consult with and provide reasonable cooperation to the other in connection with the issuance of further press releases or other public documents describing the transactions contemplated by this Merger Agreement.

IN WITNESS WHEREOF, this Merger Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first hereinabove written.

EC GROUP, INC.

By:



Roger G. Doughty, President

DAHO EMPLOYERS COUNCIL, INC.

By:



Stanley J. Zatica, Director, Member of Executive Committee

By:



Robert A. Schoelkoph, Director, Member of Executive Committee

By:



David J. Petersen, Director, Member of Executive Committee