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**Bybee, Cressinda**

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**From:** Spencer, Scott H. <SHS@stevenslee.com>  
**Sent:** Monday, June 19, 2017 3:19 PM  
**To:** Bybee, Cressinda  
**Subject:** Clearfield-Lehigh - Second Amended Merger Agreement  
**Attachments:** Second A&R Agreement and Plan of Merger \_Clearfield and Lehigh Mutual (2).pdf

Cris,

As requested, here is a copy of the executed Second Amended and Restatement Agreement and Plan of Merger. It contains a new exhibit A, identifying the board of directors of the surviving corporation.

Please let me know if you have any questions or require anything further in regards to this topic.

Regards,

**Scott H. Spencer**  
STEVENS & LEE  
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17 North Second Street, 16th Floor | Harrisburg, PA 17101  
Phone: 717-399-6634 | Internal: 3361 | Fax: 610-236-4182  
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**SECOND AMENDED AND RESTATED  
AGREEMENT AND PLAN OF MERGER**

This Second Amended and Restated Agreement and Plan of Merger (the “**Agreement**”) is dated as of June 1, 2017, by and among The Mutual Insurance Company of Lehigh County, a Pennsylvania mutual insurance company (“**Lehigh**”), Clearfield County Grange Mutual Fire Insurance Company, a Pennsylvania mutual insurance company (“**Clearfield**”), Community Holdings Management, Inc., a Pennsylvania nonstock corporation (“**Community Holdings**”), and Charter Lane Holdings, Inc. (the “**Company**” and, collectively with Lehigh, Clearfield and Community Holdings, the “**Parties**”).

**RECITALS**

WHEREAS, Lehigh has adopted a Plan of Conversion from Mutual to Stock Organization and Formation of Mutual Holding Company pursuant to which Lehigh will convert from a mutual insurance company to a stock insurance company and issue all of its authorized shares of common stock to Community Holdings (the “Lehigh Conversion”);

WHEREAS, Clearfield has adopted a Plan of Conversion from Mutual to Stock Organization and Formation of Mutual Holding Company pursuant to which Clearfield will convert from a mutual insurance company to a stock insurance company and issue all of its authorized shares of common stock to Community Holdings (the “Clearfield Conversion,” and collectively with the Lehigh Conversion, the “Conversions”);

WHEREAS, the Company is a wholly owned subsidiary of Community Holdings and Community Holdings intends to contribute to the Company all of the shares of common stock of Lehigh and Clearfield that are issued to Community Holdings in connection with the Conversions;

WHEREAS, the Parties entered into an Agreement and Plan of Merger dated as of May 2, 2016, as amended by a First Amended and Restated Agreement and Plan of Merger dated May 24, 2017 (collectively, the “Original Agreement”) and the Parties have agreed to further amend and restate the Original Agreement solely in order to identify the persons who will serve as the initial board of directors of the Surviving Corporation;

WHEREAS, the respective Boards of Directors of Lehigh, Clearfield, Community Holdings and the Company have adopted this Agreement and the transaction contemplated herein, in each case after making a determination that this Agreement and such transaction are advisable and fair to, and in the best interests of, their respective corporation and its shareholders or members;

WHEREAS, pursuant to the transactions contemplated by this Agreement and on the terms and subject to the conditions set forth herein, Clearfield, in accordance with Section 1921(a) of the Pennsylvania Business Corporation Law of 1988, as amended (the “**BCL**”), will merge with and into Lehigh, with Lehigh as the surviving corporation (the “**Merger**”);

WHEREAS, for United States federal income tax purposes, the Parties intend to the fullest extent applicable that the Merger qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Parties desire to enter into the transactions contemplated by this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

## **ARTICLE I: DEFINITIONS**

1.1. Defined Terms. As used in this Agreement, the following terms have the following meanings:

“**Agreement**” has the meaning set forth in the **Preamble**.

“**BCL**” has the meaning set forth in the **Recitals**.

“**Charter Lane**” has the meaning set forth in **Section 5.5**.

“**Clearfield**” has the meaning set forth in the **Preamble**.

“**Clearfield Common Stock**” has the meaning set forth in **Section 4.1(a)**.

“**Company**” has the meaning set forth in the **Preamble**.

“**Community Holdings**” has the meaning set forth in the **Preamble**.

“**Conversions**” has the meaning set forth in the **Preamble**.

“**Effective Time**” means the date and time upon which the Merger contemplated by this Agreement will be effective, subject to the approval of the shareholders of the Parties as set forth in **Section 3.4**, which shall be at the time and on the date that a statement of merger is filed with the Secretary of State of the Commonwealth of Pennsylvania or at such later time and date as specified in the articles of merger.

“**Lehigh**” has the meaning set forth in the **Preamble**.

“**Merger**” has the meaning set forth in the **Recitals**.

“**Parties**” has the meaning set forth in the **Preamble**.

“**Surviving Corporation**” has the meaning set forth in **Section 3.1**.

1.2. Other Terms. Any other terms defined herein have the meaning given to them herein.

## ARTICLE II: CONTRIBUTION OF SHARES

2.1. Contribution of Shares to the Company. Community Holdings agrees that (a) upon consummation of the Lehigh Conversion, Community Holdings will promptly contribute to the Company all of the shares of common stock of Lehigh issued to Community Holdings, and (b) upon consummation of the Clearfield Conversion, Community Holdings will promptly contribute to the Company all of the shares of common stock of Clearfield issued to Community Holdings.

2.2. Voting of Shares. The Company agrees to vote all of the shares of Lehigh and Clearfield contributed to the Company pursuant to Section 2.1 in favor of the Merger.

## ARTICLE III: MERGER

3.1. Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the BCL, Clearfield shall be merged with and into Lehigh as of the Effective Time. Following the Effective Time, the separate corporate existence of Clearfield shall cease and Lehigh shall be the surviving corporation (the “**Surviving Corporation**”). The effects and consequences of the Merger shall be as set forth in this Agreement and the BCL.

3.2. Organizational Documents. The bylaws of Lehigh in effect at the Effective Time shall be the bylaws of the Surviving Corporation until thereafter amended as provided therein or by the BCL, and the articles of incorporation of Lehigh in effect at the Effective Time shall be the articles of incorporation of the Surviving Corporation until thereafter amended as provided therein or by the BCL. In connection with the Merger, Lehigh will amend its articles of incorporation to change its name to “Community Insurance Company.”

### 3.3. Board of Directors and Officers.

(a) The persons identified on Exhibit A hereto shall be the directors of the Surviving Corporation from and after the Effective Time and shall hold office until the earlier of their respective death, resignation or removal or until their respective successors are duly elected or appointed and qualified in the manner provided for in the articles of incorporation and bylaws of the Surviving Corporation or as otherwise provided by the BCL.

(b) The directors of Clearfield immediately prior to the Effective Time shall be directors of the Company and Community Holdings Management Inc. from and after the Effective Time and shall hold office until the earlier of their respective death, resignation or removal or until their respective successors are duly elected or appointed and qualified in the manner provided for in the articles of incorporation and bylaws of the Company or as otherwise provided by the BCL. Mark Keyser shall be elected as the Chairman of the board of directors of the Company and Community Holdings Management Inc.

(c) The board of directors of the Surviving Corporation shall cause the following persons to be elected as officers of the Surviving Corporation immediately after the Effective Time. Such persons shall hold such offices until the earlier of their respective death, resignation or removal or until their respective successors are duly elected or appointed by the board of directors of the Surviving Corporation:

Michael A. Yeager

President

James J. Gardner

Executive Vice President and Secretary

Mark J. Keyser

Treasurer

3.4. Shareholder Approval. The consummation of the Merger is subject to (i) approval of this Agreement and the Merger contemplated hereby by the shareholders of each of Clearfield and Lehigh, and (ii) receipt of any required approval of the Merger by the Pennsylvania Insurance Department.

#### ARTICLE IV: CANCELLATION OF SHARES

4.1. Cancellation of Shares. At the Effective Time, by virtue of the Merger and without any action on the part of Lehigh, Clearfield, or the holders of shares of capital stock of Clearfield:

(a) Each share of common stock of Clearfield, par value \$5.00 per share ("**Clearfield Common Stock**"), issued and outstanding immediately prior to the Effective Time shall automatically be canceled and retired and will cease to exist, and no consideration will be delivered in exchange for such shares; and

(b) Each share of capital stock of Lehigh issued and outstanding immediately prior to the Effective Time shall remain outstanding following the consummation of the Merger.

4.2. Effect. Upon the Effective Time, (a) Lehigh, without further act, deed or other transfer, shall retain or succeed to, as the case may be, and possess and be vested with all the rights, privileges, immunities, powers, franchises and authority, of a public as well as of a private nature, of Clearfield; (b) all property of every description and every interest therein, and all debts and other obligations of or belonging to or due to Clearfield shall thereafter be deemed to be held by or transferred to, as the case may be, or invested in Lehigh without further act or deed; (c) title to any real estate, or any interest therein vested in Clearfield, shall not revert or in any way be impaired by reason of the Merger; and (d) all of the rights of creditors of Clearfield shall be preserved unimpaired, and all liens upon the property of Clearfield shall be preserved unimpaired, and all debts, liabilities, obligations and duties of Clearfield shall thenceforth be debts, liabilities, obligations and duties of Lehigh and may be enforced against it to the same extent as if it had incurred or contracted all such debts, liabilities, obligations and duties.

#### ARTICLE V: COVENANTS OF THE PARTIES

The Parties covenant and agree as follows and covenant and agree to take all such actions as may be legal and necessary to cause the following to occur:

5.1. Location of Principal Office. The location of the principal executive office of the Surviving Corporation shall be in the Allentown, Pennsylvania geographic area.

5.2. Lehigh Employees. Each of the employees of Lehigh on the day immediately preceding the Effective Date shall be employees of the Surviving Corporation on the Effective Date and immediately thereafter. The Surviving Corporation shall provide such employees with the same level of compensation and the same employee benefits as were provided to such employees by Lehigh immediately prior to the Effective Date.

5.3. Duties of Officers and Employees of the Surviving Corporation. The duties and responsibilities of the officers and employees of the Surviving Corporation after the Effective Date shall be as follows:

| <u>Position</u> | <u>Duties and Responsibilities</u>   |
|-----------------|--|
| Chairman        | Strategic Planning and Capital Management  |
| President       | Day to day operations and Strategic Planning                                     |
| Secretary       | Development of new products; special projects; operational management succession |
| Employees       | Same as responsibilities prior to the Effective Date                             |

5.4. Employment Agreements. The existing employment agreement between Clearfield and James J. Gardner shall be assumed by the Surviving Corporation. The Surviving Corporation and Michael A. Yeager shall enter into an employment agreement in the form of Exhibit B attached hereto and incorporated into this Agreement by reference thereto.

5.5. Charter Lane Consulting. Any existing agreements between Lehigh and Charter Lane Consulting LLC ("**Charter Lane**") and between Clearfield and Charter Lane shall be assumed by and become obligations of the Surviving Corporation.

5.6. Agreements with Outside Service Providers. Existing agreements between Clearfield and outside service providers and Lehigh and outside service providers will be treated by the Surviving Corporation in the following manner.

(a) IT Services. The agreement under which Lehigh provides IT services to Clearfield shall be terminated on the Effective Date.

(b) Reinsurance. The Surviving Corporation shall adopt the reinsurance agreements to which Lehigh is a party and shall take all actions necessary to maintain or amend such reinsurance agreements as the board of directors of the Surviving Corporation shall deem necessary.

(c) Investments. The Surviving Corporation shall retain the investment manager and custodian used by Lehigh as of the Effective Date with respect to the investment portfolio of Lehigh. Such investment manager shall be responsible for the management of the investment



portfolio of the Surviving Corporation after the Effective Date. The Surviving Corporation shall cause the custody of the investments of Clearfield to be transferred to the custodian used by Lehigh as soon as practical after the Effective Date.

(d) Audit. The Surviving Corporation shall request proposals from independent certified public accounting firms that are experienced in auditing property and casualty insurance companies regarding auditing the financial statements of the Surviving Corporation for the year ending December 31, 2017.

(e) Actuarial Services. The Surviving Corporation shall appoint the independent actuary for Clearfield as the independent actuary of the Surviving Corporation for the year ending December 31, 2017.

(f) Banking Services. The Surviving Corporation shall maintain all of the banking relationships of both Clearfield and Lehigh that exist on the day immediately preceding the Effective Date.

(g) Employee Benefits. The Surviving Corporation shall maintain the employee benefit plans of Lehigh existing on the Effective Date.

5.7. Future Changes. After consideration by and with the approval of its board of directors, the Surviving Corporation shall have the right to (i) terminate or amend any employee benefits provided by the Surviving Corporation after the Effective Date, (ii) terminate, modify or fail to renew any contractual relationships with outside service providers described in Section 5.6, and (iii) request proposals from any outside service provider for any of the services described in Section 5.6 upon the termination or nonrenewal of any contract or other agreement for such services. No provision of this Agreement shall be deemed to grant any employee of any of the Parties a right to employment by the Surviving Corporation.

## **ARTICLE VI: OTHER PROVISIONS**

6.1. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third business day after the date mailed, by United States certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 6.1):

|                   |   |
|-------------------|---|
| If to Lehigh, to: | The Mutual Insurance Company of Lehigh County                                 |
|                   | 1047 Hamilton Street  |
|                   | Allentown, PA 18101   |
|                   | Email: <a href="mailto:myeager@lehighmutual.com">myeager@lehighmutual.com</a> |
|                   | Attention: Michael Yeager   |



If to Clearfield, to: Clearfield County Grange Mutual Fire Insurance Company  
1214 South 2nd Street  
Clearfield, PA 16830  
Email: jgardner@hanoverfire.com  
Attention: James Gardner

If to the Company, to: Charter Lane Holdings, Inc.  
805 Estelle Drive  
Lancaster, PA 17601  
Email: mkeyser22@comcast.net  
Attention: Mark Keyser

or to such other persons, addresses or facsimile numbers as may be designated in writing by the person entitled to receive such communication as provided above.

6.2. Entire Agreement. This Agreement constitutes the sole and entire agreement of the Parties to this Agreement with respect to the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings, representations and warranties and agreements, both written and oral, with respect to such subject matter.

6.3. Successor and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns.

6.4. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

6.5. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Agreement.

6.6. Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each Party hereto. No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. Except as otherwise set forth in this Agreement, no failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

6.7. Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon a determination that any term or other provision is invalid, illegal or unenforceable, the Parties hereto shall negotiate in good faith to modify this Agreement in order to accomplish the original intent of the Parties as closely as possible in a

mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

6.8. Governing Law and Jurisdiction.

(a) This Agreement, including all exhibits attached hereto, and all matters arising out of or relating to this Agreement, are governed by and shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the Commonwealth of Pennsylvania.

(b) Each Party irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind whatsoever against any other Party in any way arising from or relating to this Agreement and all contemplated transactions, in any forum other than the Court of Common Pleas of Lehigh County, Pennsylvania. Each Party irrevocably and unconditionally submits to the exclusive jurisdiction of such court. Each Party agrees that a final judgment in any such action, litigation or proceeding is conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

6.9. Counterparts. This Agreement may be executed in any number of original counterparts that may be faxed, emailed or otherwise transmitted electronically with the same effect as if all Parties had signed the same instrument.

*[signatures continued on next page]*

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

THE MUTUAL INSURANCE COMPANY OF  
LEHIGH COUNTY

By 

Name: Michael A. Yeager  
Title: President

CLEARFIELD COUNTY GRANGE MUTUAL  
FIRE INSURANCE COMPANY

By \_\_\_\_\_

Name: James J. Gardner  
Title: President

CHARTER LANE HOLDINGS, INC.

By 

Name: Michael A. Yeager  
Title: President

COMMUNITY HOLDINGS MANAGEMENT,  
INC.

By 

Name: Michael A. Yeager  
Title: President

*[Signature Page to Clearfield-Lehigh Second Amended  
and Restated Agreement and Plan of Merger]*

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

THE MUTUAL INSURANCE COMPANY OF  
LEHIGH COUNTY

By \_\_\_\_\_  
Name: Michael A. Yeager  
Title: President

CLEARFIELD COUNTY GRANGE MUTUAL  
FIRE INSURANCE COMPANY

By \_\_\_\_\_  
Name: James J. Gardner  
Title: President

CHARTER LANE HOLDINGS, INC.

By \_\_\_\_\_  
Name: Michael A. Yeager  
Title: President

COMMUNITY HOLDINGS MANAGEMENT,  
INC.

By \_\_\_\_\_  
Name: Michael A. Yeager  
Title: President

*[Signature Page to Clearfield-Lehigh Second Amended  
and Restated Agreement and Plan of Merger]*

**EXHIBIT A  
TO  
SECOND AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER  
COMMUNITY INSURANCE COMPANY DIRECTORS**

| <b><u>DIRECTORS</u></b>       |
|-------------------------------|
| <b>Mark J. Keyser (Chair)</b> |
| <b>Richard E. Bauer</b>       |
| <b>Brian K. Bollinger</b>     |
| <b>John E. Freund III</b>     |
| <b>James J. Gardner</b>       |
| <b>Randall L. Guthrie</b>     |
| <b>Robert E. Myers, Jr.</b>   |
| <b>Matthew A. Schnader</b>    |
| <b>Michael A. Yeager</b>      |

