

**PCA and PIPE
Conversion to Stock Form**

**Annex V
To
Conversion Application Filed with the
Pennsylvania Insurance Department:**

Standby Stock Purchase Agreement

See Attached

STANDBY PURCHASE AGREEMENT

This STANDBY PURCHASE AGREEMENT (this “**Agreement**”) dated as of September 25, 2015, is entered into by and between Professional Casualty Holdings, Inc., a Pennsylvania corporation (the “**Company**”), and Diversus, Inc., a Delaware corporation (the “**Standby Purchaser**”).

W I T N E S S E T H:

WHEREAS, the Company proposes, as soon as practicable after the Registration Statement, as defined herein, becomes effective, to distribute to Eligible Subscribers of Professional Casualty Association and Physicians’ Insurance Program Exchange, non-transferable rights (the “**Rights**”) to subscribe for and purchase up to 2,300,000 shares of Common Stock of the Company (the “**Shares**”) at a subscription price (the “**Subscription Price**”) of \$10.00 per share (such offering, the “**Subscription Offering**”) in accordance with the Plans of Conversion, as defined herein, adopted by such companies; and

WHEREAS, contemporaneously with the Subscription Offering, the Company will offer the Shares to the public at the Subscription Price (the “**Community Offering**”); and

WHEREAS, the Company may engage Griffin Financial Group, LLC and other FINRA member broker-dealers to offer any of the Shares not sold in the Subscription Offering and the Community Offering to the public in a syndicated offering (the “**Syndicated Offering**” and together with the Subscription Offering and the Community Offering, the “**Offerings**”); and

WHEREAS, the Company has requested the Standby Purchaser to agree to purchase from the Company upon expiration of the Offerings, and the Standby Purchaser is willing to so purchase at the Subscription Price, any Shares not purchased pursuant to the Offerings;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and intending to be legally bound, the parties hereto hereby agree as follows:

Section 1. Certain Other Definitions. The following terms used herein shall have the meanings set forth below:

“**Agreement**” shall have the meaning set forth in the preamble hereof.

“**Business Day**” shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the Commonwealth of Pennsylvania.

“**Closing**” shall mean the closing of the purchase described in Section 2 hereof, which shall be held at 10:00 a.m. Eastern Time on the Closing Date at the offices of Stevens & Lee, 620 Freedom Business Center, King of Prussia, Pennsylvania 19406, or such other time and place as may be agreed to by the parties hereto.

“**Closing Date**” shall mean the date that is three (3) Business Days after the Offering Expiration Date, or such other date as may be agreed to by the parties hereto.

“**Commission**” shall mean the United States Securities and Exchange Commission, or any successor agency thereto.

“**Common Stock**” shall mean the common stock of the Company, \$0.01 par value per share.

“**Company**” shall have the meaning set forth in the preamble hereof.

“**Conversion Plan Approvals**” shall mean the approval of the Plans of Conversion of PIPE and PCA by the requisite vote of their respective Voting Subscribers.

“**Eligible Subscribers**” shall mean the subscribers of PCA and PIPE eligible to purchase Shares in the Subscription Offering.

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Commission thereunder.

“**Market Adverse Effect**” shall have the meaning set forth in Section 8 (a)(iii) hereof.

“Material Adverse Effect” shall mean a material adverse effect on the financial condition, or on the earnings, operations, assets, business or prospects of the Company and its subsidiaries taken as a whole.

“Offering Expiration Date” shall mean the date on which the Offerings expire.

“PCA” shall mean Professional Casualty Association, a Pennsylvania reciprocal insurance exchange.

“Person” shall mean an individual, corporation, partnership, association, joint stock company, limited liability company, joint venture, trust, governmental entity, unincorporated organization or other legal entity.

“PIPE” shall mean Physicians’ Insurance Program Exchange, a Pennsylvania reciprocal insurance exchange.

“Plans of Conversion” shall mean the respective plans of conversion adopted by the respective attorneys-in-fact of PCA and PIPE in connection with the conversion of each of them from a reciprocal insurance exchange to a stock insurance company pursuant to the Pennsylvania Medical Professional Liability Reciprocal Exchange-to-Stock Conversion Act, Act 2 of 2015.

“Prospectus” shall mean the final Prospectus included in the Registration Statement for use in connection with the Offerings.

“Purchased Shares” shall have the meaning given to such term in Section 2(a) hereof.

“Registration Statement” shall mean the Company’s Registration Statement on Form S-1 under the Securities Act or such other appropriate form under the Securities Act, pursuant to which the shares of Common Stock to be issued in the Offerings will be registered pursuant to the Securities Act.

“Rights” shall have the meaning set forth in the recitals hereof.

“Securities Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder.

“**Shares**” shall have the meaning set forth in the recitals hereof.

“**Standby Purchaser**” shall have the meaning set forth in the preamble hereof.

“**Subscription Agent**” shall have the meaning set forth in Section 6(f) hereof.

“**Subscription Offering**” shall have the meaning set forth in the recitals hereof.

“**Subscription Price**” shall have the meaning set forth in the recitals hereof.

“**Transfer**” shall have the meaning set forth in Section 9(a) hereof.

“**Unsubscribed Shares**” shall have the meaning set forth in Section 2(a) hereof.

“**Voting Subscribers**” shall mean the subscribers of PIPE and PCA eligible to vote to adopt and approve their respective Plans of Conversion.

Section 2. Standby Purchase Commitment.

(a) The Standby Purchaser hereby agrees to purchase from the Company, and the Company hereby agrees to sell to the Standby Purchaser, at the Subscription Price, One Million (1,000,000) of the Shares sold in the Offerings (the “**Minimum Commitment**”). Further, the Standby Purchaser shall have the option to purchase, at the Subscription Price, up to an additional One Million Three Hundred Thousand (1,300,000) of the Shares sold in the Offerings, and the Company hereby agrees to sell to the Standby Purchaser such number of such Shares as are elected to be purchased by the Standby Purchaser, *subject, however,* to (i) the rights of Eligible Subscribers and other classes covered by the Subscription Offering to purchase shares sold in the Offerings prior to the purchase of Shares by all other purchasers and (ii) the right of the Company to sell additional shares in the Community Offering rather than pursuant to this option in order to create a broader market for and liquidity in the Shares. The Minimum Commitment and the number of shares purchased pursuant to the option are, together, the “**Purchased Shares.**”

(b) Payment of the Subscription Price for the Purchased Shares shall be made, on the Closing Date, against delivery of certificates or a book entry statement evidencing the

Purchased Shares, in United States dollars by means of a wire transfer of immediately available funds.

Section 3. Representations and Warranties of the Company. The Company represents and warrants to the Standby Purchaser as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has all requisite corporate power and authority to carry on its business as now conducted and as proposed to be conducted.

(b) This Agreement has been duly and validly authorized, executed and delivered by the Company and, subject to approval of the Plans of Conversion by the Voting Subscribers of PIPE and PCA, constitutes a binding obligation of the Company enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(c) The authorized capital of the Company consists of (i) 20,000,000 shares of Common Stock, of which zero (-0-) shares were issued and outstanding as of the date of this Agreement, and (ii) 5,000,000 shares of preferred stock, no par value, none of which preferred stock has been issued, as of the date hereof. All of the outstanding shares of Common Stock have been duly authorized, are validly issued, fully paid and nonassessable and were offered, sold and issued in compliance with all applicable federal and state securities laws and without violating any contractual obligation or any other preemptive or similar rights.

(d) At the time the Registration Statement becomes effective, the Registration Statement will comply in all material respects with the requirements of the Securities Act and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus, at the time the Registration Statement becomes effective and at the Closing Date, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make

the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the Prospectus made in reliance upon and in conformity with the information furnished to the Company in writing by the Standby Purchaser for use in the Registration Statement or in the Prospectus.

(e) All of the Shares will have been duly authorized for issuance prior to the Closing (assuming the Conversion Approvals have been obtained), and, when issued and distributed as set forth in the Prospectus, will be validly issued, fully paid and non-assessable; and none of the Shares will have been issued in violation of the preemptive rights of any security holders of the Company arising as a matter of law or under or pursuant to the Company's Articles of Incorporation, as amended, the Company's bylaws, as amended, or any agreement or instrument to which the Company is a party or by which it is bound.

Section 4. Representations and Warranties of the Standby Purchaser. The Standby Purchaser represents and warrants to the Company as follows:

(a) The Standby Purchaser is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) This Agreement has been duly and validly authorized, executed and delivered by the Standby Purchaser and constitutes a binding obligation of the Standby Purchaser, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(c) The Standby Purchaser is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act and is acquiring the Unsubscribed Shares for investment for its own account, with no present intention of dividing its participation with others or reselling or otherwise distributing the same in violation of the Securities Act or any applicable state securities laws.

Section 5. Deliveries at Closing.

(a) At the Closing, the Company shall deliver to the Standby Purchaser the following:

(i) A certificate or certificates or a book entry statement representing the number of shares of Common Stock issued to the Standby Purchaser pursuant to Section 2 hereof; and

(ii) A certificate of an officer of the Company on its behalf to the effect that the representations and warranties of the Company contained in this Agreement are true and correct in all material respects on and as of the Closing Date, with the same effect as if made on the Closing Date.

(b) At the Closing, the Standby Purchaser shall deliver to the Company the following:

(i) Payment of the Subscription Price of the Shares purchased by the Standby Purchaser, as set forth in Section 2(a) hereof; and

(ii) A certificate of the Standby Purchaser to the effect that the representations and warranties of the Standby Purchaser contained in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date.

Section 6. Covenants. The Company agrees as follows between the date hereof and the Closing Date:

(a) To as soon as reasonably practical file with the Commission the Registration Statement;

(b) To use reasonable best efforts to cause the Registration Statement and any amendments thereto to become effective as promptly as practical;

(c) To use reasonable best efforts to effectuate the Offerings;

(d) As soon as reasonably practical after the Company is advised or obtains knowledge thereof, to advise the Standby Purchaser with a confirmation in writing, of (A) the time when the Registration Statement or any amendment thereto has been filed or declared effective or the Prospectus or any amendment or supplement thereto has been filed, (B) the issuance by the Commission of any stop order, or of the initiation or threatening of any proceeding suspending the effectiveness of the Registration Statement or any amendment thereto or any order preventing or suspending the use of any preliminary prospectus or the Prospectus or any amendment or supplement thereto, (C) the issuance by any state securities commission of any notice of any proceedings for the suspension of the qualification of the Shares for offering or sale in any jurisdiction or of the initiation, or the threatening, of any proceeding for that purpose, (D) the receipt of any comments from the Commission, and (E) any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information. The Company will use its reasonable best efforts to prevent the issuance of any such order or the imposition of any such suspension and, if any such order is issued or suspension is imposed, to obtain the withdrawal thereof as promptly as practical;

(e) To operate the Company's business in the ordinary course of business consistent with past practice;

(f) To notify, or to cause the subscription agent for the Rights Offering (the "**Subscription Agent**") to notify, the Standby Purchaser on each Friday during the exercise period of the Rights, or more frequently if reasonably requested by the Standby Purchaser, of the aggregate number of Shares known by the Company or the Subscription Agent to have been subscribed for or ordered in the Offerings as of the close of business on the preceding Business Day or the most recent practical time before such request, as the case may be;

(g) Not to issue any shares of capital stock of the Company, or options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, securities convertible into or exchangeable for capital stock of the Company, or other agreements or rights to purchase or otherwise acquire capital stock of the Company, except for shares of Common Stock issuable in the Offerings;

(h) Not to authorize any stock split, stock dividend, stock combination or similar transaction affecting the number of issued and outstanding shares of Common Stock;

(i) Not to declare or pay any dividends or repurchase any shares of Common Stock; and

(j) Not to incur any indebtedness or guarantees thereof, other than borrowings in the ordinary course of business and consistent with past practice.

Section 7. Public Statements. Neither the Company nor the Standby Purchaser shall issue any public announcement, statement or other disclosure with respect to this Agreement or the transactions contemplated hereby without the prior consent of the other party hereto, which consent shall not be unreasonably withheld or delayed, except if such public announcement, statement or other disclosure is required by applicable law or applicable stock market regulations, in which case the disclosing party shall consult in advance with respect to such disclosure with the other parties to the extent reasonably practicable.

Section 8. Conditions to Closing.

(a) The obligations of the Standby Purchaser to consummate the transactions contemplated hereunder are subject to the fulfillment, prior to or on the Closing Date, of the following conditions:

(i) The representations and warranties of the Company in Section 3 shall be true and correct in all material respects as of the date hereof and at and as of the Closing Date as if made on such date (except for representations and warranties made as of a specified date, which shall be true and correct in all material respects as of such specified date);

(ii) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have been any Material Adverse Effect and no event shall have occurred or circumstance shall exist which would reasonably likely result in a Material Adverse Effect; and

(iii) As of the Closing Date, none of the following events shall have occurred and be continuing: (A) trading in the Common Stock shall have been suspended by the Commission or trading in securities generally on the New York Stock Exchange or the Nasdaq Global Market shall have been suspended or limited or minimum prices shall have been established on either such exchange, (B) a banking moratorium shall have been declared either by U.S. federal or New York State authorities, or (C) there shall have occurred any material outbreak or material escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis which has a material adverse effect on the U.S. financial markets (collectively, a “**Market Adverse Effect**”).

(b) The obligations of the Company to consummate the transactions contemplated hereunder are subject to the fulfillment, prior to or on the Closing Date, of the following conditions:

(i) The representations and warranties of the Standby Purchaser in Section 4 shall be true and correct in all material respects as of the date hereof and at and as of the Closing Date as if made as of such date (except for representations and warranties made as of a specified date, which shall be true and correct in all material respects as of such specified date).

(c) The obligations of each of the Company and the Standby Purchaser to consummate the transactions contemplated hereunder in connection with the Offerings are subject to the fulfillment, prior to or on the Closing Date, of the following conditions:

(i) No judgment, injunction, decree or other legal restraint shall prohibit, or have the effect of rendering unachievable, the consummation of the Offerings or the transactions contemplated by this Agreement;

(ii) The Registration Statement shall have been filed with the Commission and declared effective; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or otherwise shall have been complied with;

(iii) A majority of the Voting Subscribers voting at the meetings of the Voting Subscribers of each of PIPE and PCA called for such purpose shall have voted to adopt and approve the respective Plan of Conversion of such company and the transactions contemplated thereunder; and

(iv) The Shares shall have been authorized for listing on the Nasdaq Capital Market.

Section 9. Restrictions on Transfer.

(a) The Standby Purchaser shall not, and shall ensure that their respective Affiliates do not, purchase, sell, transfer, assign, convey, gift, mortgage, pledge, encumber, hypothecate or otherwise dispose of, directly or indirectly (“**Transfer**”), any Shares; *provided, however,* that the foregoing shall not restrict in any manner a Transfer (i) by the Standby Purchaser to one or more of its Affiliates, provided that the transferee in each case agrees in writing to be subject to the terms of this Section 9, or (ii) to any other person in a private transaction if the Company first shall have been furnished with an opinion of legal counsel, reasonably satisfactory to the Company, to the effect that such Transfer is exempt from the registration requirements of the Securities Act, or (iii) made in accordance with Rule 144 under the Securities Act, provided that the Company shall have the right to receive an opinion of legal counsel for the holder, reasonably satisfactory to the Company, to the effect that such Transfer is exempt from the registration requirements of the Securities Act, prior to the removal of the legend subject to Rule 144 or (iv) made pursuant to a registration statement declared effective by the Commission. Any purported Transfers of Shares in violation of this Section 9 shall be null and void and no right, title or interest in or to such Shares shall be Transferred to the purported transferee, buyer, donee, assignee or encumbrance holder. The Company will not give, and will not permit the Company’s transfer agent to give, any effect to such purported Transfer in its stock records.

(b) Restrictive Legends. The Standby Purchaser understands and agrees that the Shares will bear a legend substantially similar to the legend set forth below in addition to any other legend that may be required by applicable law or by any agreement between the Company

and any of the Standby Purchaser. The legend may be removed pursuant to Section 9(a)(iii) and Section 9(a)(iv) as provided above.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED AND/OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND REGISTRATION AND/OR QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAWS, (B) IN A TRANSACTION WHICH IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND REGISTRATION AND/OR QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAWS PROVIDED THAT AT THE ISSUER'S REQUEST, THE TRANSFEROR THEREOF SHALL HAVE DELIVERED TO THE ISSUER AN OPINION OF COUNSEL (WHICH OPINION SHALL BE IN FORM, SUBSTANCE AND SCOPE REASONABLY SATISFACTORY TO THE ISSUER) TO THE EFFECT THAT SUCH SECURITIES MAY BE SOLD OR TRANSFERRED PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION, OR (C) SUCH SECURITIES MAY BE SOLD PURSUANT TO RULE 144 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

Section 10. Termination. This Agreement may be terminated at any time prior to the Closing Date, by the Company on one hand or the Standby Purchaser on the hand by written notice to the other party hereto, if there is a material breach of this Agreement by the other party that is not cured within fifteen (15) days after receipt of written notice by such breaching party.

Section 11. Survival. The representations and warranties of the Company and the Standby Purchaser contained in this Agreement or in any certificate delivered hereunder shall survive the Closing hereunder.

Section 12. Notices. All notices, communications and deliveries required or permitted by this Agreement shall be made in writing signed by the party making the same, shall specify the Section of this Agreement pursuant to which it is given or being made and shall be deemed given or made (i) on the date delivered if delivered by in person, (ii) on the third (3rd) Business Day after it is mailed if mailed by United States registered or certified mail (return receipt requested) (with postage and other fees prepaid), or (iii) on the day after it is delivered, prepaid,

to an overnight express delivery service promising next business day delivery that confirms to the sender delivery on such day, as follows:

- (a) If to the Company, at: Professional Casualty Holdings, Inc.
1012 West 9th Street, Suite 250
King of Prussia, PA 19406
Attention: Alan Waring

- (b) If to the Standby Purchaser, at: Diversus, Inc.
13010 Morris Rd

Building I, 6th floor

Alpharetta, GA 30004

Attention: David Koleos

or to such other representative or at such other address of a party as such party hereto may furnish to the other parties in writing in accordance with this Section 12. If notice is given pursuant to this Section 12 of any assignment to a permitted successor or assign of a party hereto, the notice shall be given as set forth above to such successor or permitted assign of such party.

Section 13. Assignment. This Agreement will be binding upon, and will inure to the benefit of and be enforceable by, the parties hereto and their respective successors and assigns. No party to this Agreement may assign this Agreement or any of its rights or obligations under this Agreement without the prior written consent of the other party hereto.

Section 14. Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties, or undertakings, other than those set forth or referred to herein, with respect to the transactions contemplated by this Agreement. This Agreement supersedes all prior agreements and understandings between the parties with respect to the subject matter of this Agreement.

Section 15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania (other than its rules of conflict of laws to the extent the application of the laws of another jurisdiction would be required thereby).

Section 16. Severability. If any provision of this Agreement or the application thereof to any person or circumstances is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

Section 17. Extension or Modification of Rights Offering. Without the prior written consent of the Standby Purchaser, the Company may (i) waive irregularities in the manner of exercise of the Rights, and (ii) waive conditions relating to the method (but not the timing) of the exercise of the Rights.

Section 18. Miscellaneous.

(a) The Company shall not after the date of this Agreement enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the Standby Purchaser in this Agreement.

(b) The headings in this Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning of this Agreement.

(c) This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which, when taken together, shall constitute one and the same instrument. In the event that any signature is delivered by facsimile transmission, or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile signature page were an original thereof.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

PROFESSIONAL CASUALTY HOLDINGS, INC.

By 
David Koleos, Chief Financial Officer

DIVERSUS, INC.

By _____
Alan A. Waring, President and Chief Executive
Officer

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

PROFESSIONAL CASUALTY HOLDINGS, INC.

By _____
David Koleos, Chief Financial Officer

DIVERSUS, INC.

By  _____
Alan A. Waring, President and Chief Executive Officer