

ALTERNATIVE PLAN OF CONVERSION OF SAUCON MUTUAL INSURANCE COMPANY

On August 27, 2014, the Board of Directors of Saucon Mutual Insurance Company ("Saucon Mutual") will consider this Alternative Plan of Conversion of Saucon Mutual Insurance Company (the "Plan").

I. THE APPLICATION

If the Plan is adopted by the Board of Directors of Saucon Mutual, Saucon Mutual will file an application containing this Plan with the Pennsylvania Department of Insurance (the "Department") on or about September 2, 2014, which is within ninety (90) days after adoption of the Plan by the Board of Directors of Saucon Mutual and before the vote on the approval of the Plan by the mutual company's Eligible Policyholders (defined in Section III.A below). The application will contain the following:

- (1) the Plan;
- (2) a form of policyholder information statement satisfying the requirements of 40 P.S. § 913-A(f) (the "Policyholder Information Statement");
- (3) the form of proxy to be solicited from Eligible Policyholders;
- (4) the proposed amended articles of incorporation and bylaws of the converted stock company;
- (5) an acquisition of control statement as required by Section 1402 of the Insurance Company Act of 1921, as amended (the "Form A");
- (6) a Fairness Opinion prepared by Boenning & Scattergood;
- (7) the articles of incorporation and proposed bylaws of the holding company;
- (8) the form of shareholder agreement for the holding company; and
- (9) a list of the current directors of Saucon Mutual.

Upon the filing of the Application, Saucon Mutual shall send a notice to each Eligible Policyholder (at that policyholder's address appearing on the records of Saucon Mutual), which will: (i) advise each Eligible Policyholder of the adoption of this Plan, (ii) advise each Eligible Policyholder of the filing of this Plan with the Department, (iii) notify each Eligible Policyholder of his or her right to provide comments on this Plan to the Department and to Saucon Mutual, (iv) advise each Eligible Policyholder of the procedure to be followed in providing comments on this Plan, and (v) disclose to such Eligible Policyholder that the initial Plan is not the final approved Plan and that the Department's approval, if any, of the final Plan does not constitute or imply endorsement of this Plan or the Conversion by the Department.

II. BACKGROUND & BUSINESS PURPOSE

A. Factual Background

Saucon Mutual was incorporated in Pennsylvania on May 3, 1832 as the Farmers Fire Insurance Company of Upper and Lower Saucon Townships. It began business in 1832 and has operated as a property insurance company for over 180 years. It is approved to write homeowners and dwelling property coverages, and maintains perpetual and non-perpetual policies for these programs. Saucon Mutual does not have any assessment provisions or any participating policies that provide for a right to receive dividends. Saucon Mutual has approximately three hundred and ninety-four (394) policyholders.

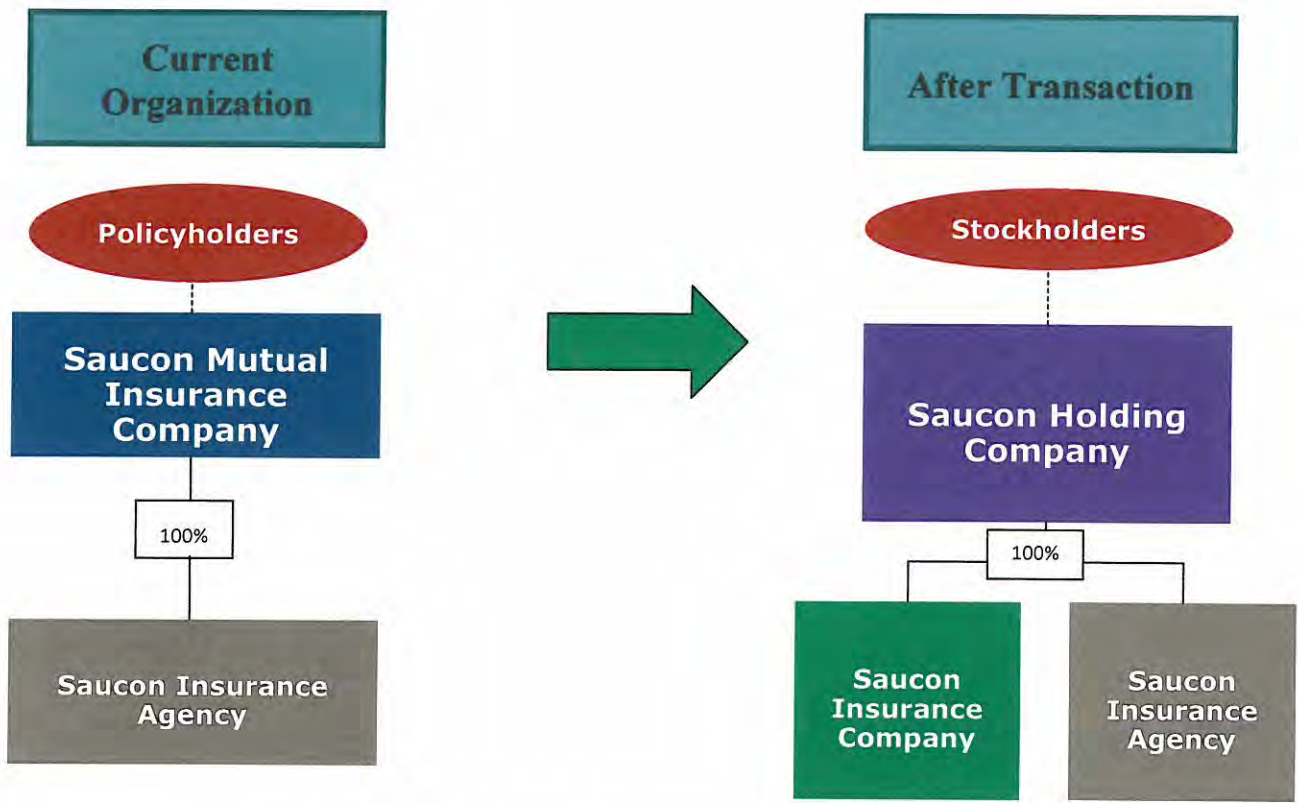
In 1991, Saucon Mutual organized Saucon Insurance Agency, Inc. (the “Agency”) as a wholly-owned subsidiary. The Agency is an independent insurance agency that sells automobile insurance, homeowners insurance, business insurance and other insurance. The Agency also offers employee benefits consulting. Saucon Mutual reports the 100% of the capital stock of the Agency that it owns on its balance sheet as an asset with a value of \$1.00.

Saucon Mutual has written very few new insurance policies since 2005. Although Saucon Mutual maintains a level of surplus that satisfies relevant legal requirements, it has only four employees and believes that it does not presently have the infrastructure that would enable it to successfully resume the underwriting of new insurance policies.

Since its organization, Saucon Mutual has been organized according to the mutual principle. For the reasons described in Section II.C, the Board of Directors of Saucon Mutual has determined that it is in the best interest of the company and its policyholders to convert into a stock insurance corporation.

B. Conversion of Saucon Mutual

The Board of Directors of Saucon Mutual by approving this plan, will approve a series of transactions that will convert Saucon Mutual into a stock corporation, all of the capital stock of which would be held by a newly-organized stock holding corporation, and all of the capital stock of that stock holding corporation in turn would be held by investors in a stock offering that will be conducted concurrently with the conversion of Saucon Mutual (the “Conversion”). The term “Converted Insurance Company”, as used in this Plan, means the stock insurance company into which Saucon Mutual will be converted upon the Conversion, which will be called “Saucon Insurance Company.”



To accomplish the Conversion, the following steps will occur:

1. Creation of Holding Company Saucon Holding Company (“Saucon Holding”) has been organized as a Pennsylvania stock corporation for the purpose of becoming the holding company of the Converted Insurance Company. The articles of incorporation of Saucon Holding have been filed with the Pennsylvania Department of State, but Saucon Holding has not yet and prior to the closing of the Conversion will not have issued stock, elected any directors or officers, or engaged in any business activities. The Articles of Incorporation of Saucon Holding are attached hereto as Exhibit A, and the Bylaws of Saucon Holding are attached hereto as Exhibit B. Upon the Conversion, all individuals who are then directors of Saucon Mutual will also become directors of Saucon Holding in addition to continuing to serve as directors of the Converted Insurance Company.
2. Subscription Agreements For Saucon Holding Stock. On the Effective Date (defined in Section II.D below), Saucon Holding will enter into subscription agreements with certain investors under which those investors will subscribe for Saucon Holding’s capital stock as described in Section V. Upon the Conversion, Saucon Holding will become the sole stockholder of the Converted Insurance Company, and the investors who enter into these subscription agreements with Saucon Holding will acquire and become the holders of all of Saucon Holding’s capital stock. Those investors will also enter into the shareholder agreement of Saucon Holding in the form attached to the application.

3. Amendment to Articles of Incorporation. On the Effective Date, the Articles of Incorporation of Saucon Mutual will be amended and restated in the form attached hereto as Exhibit C to reflect the conversion of the Saucon Mutual into a stock corporation, which will include a company name change to “Saucon Insurance Company.”

4. Issuance of Converted Insurance Company’s Capital Stock. On the Effective Date, one thousand shares of capital stock of the Converted Insurance Company, constituting all of the issued and outstanding shares of capital stock of the Converted Insurance Company, will be issued to Saucon Holding with the result that the Converted Insurance Company will become a wholly-owned subsidiary of Saucon Holding. Those authorized and outstanding shares will have a par value of \$950.00 per share, with the result that the Converted Insurance Company’s issued and outstanding capital stock will have an aggregate par value of \$950,000.00, which is an amount sufficient to satisfy the Converted Insurance Company’s statutory minimum capital requirement.

5. Consideration. The Converted Insurance Company will pay and make available to each Saucon Mutual policyholder the consideration described in Section IV.A. below (which payments will be in the aggregate amount of \$1,052,973), and will also make a \$1,000,000 contribution to the Lehigh Valley Community Foundation as described in Section IV.C. below.

6. Transfer of the Agency. Saucon Holding will also become the direct sole stockholder of the Agency immediately after the amendment of Saucon Mutual’s Articles of Incorporation. The Converted Insurance Company will distribute to Saucon Holding (as its sole stockholder) all of the issued and outstanding capital stock of the Agency. As a result of that distribution, Saucon Insurance Agency will become a wholly-owned direct subsidiary of Saucon Holding and a sister corporation (not a subsidiary) of the Converted Insurance Company.

The Conversion is subject to provisions of the Insurance Company Mutual-to-Stock Conversion Act, 40 P.S. §§ 911-A *et seq.* (the “Conversion Act”), the Pennsylvania Business Corporation Law, other applicable Pennsylvania laws, and the policies of the Pennsylvania Insurance Department (“Department”). This Plan is an “alternative plan of conversion” within the meaning of 40 P.S. § 917-A. This Plan and the transactions contemplated hereby are further subject to the approval of the Department. Additionally, the Plan must be approved by the affirmative vote of at least two-thirds of the votes cast at a meeting of Eligible Policyholders of Saucon Mutual called for the purpose of considering and voting upon the Plan as described in Section VII below.

C. Reason for Conversion

Saucon Mutual’s Board of Directors has determined that the Conversion provides a unique opportunity to achieve several objectives: (i) rewarding policyholders for their loyalty to the company; (ii) making a charitable contribution in furtherance of the company’s ongoing commitment to the community; (iii) modernizing the company’s governance structure; (iv) enabling the issuance of stock and other financial instruments in order to raise capital, to facilitate potential acquisitions of other businesses, and to incentivize employees; (v) preparing the company to re-enter the insurance underwriting business; and (vi) maintaining the independence of the company.

D. Effective Date

The effective date of the Conversion (the “Effective Date”) will be the date that the Amended Articles of Incorporation are filed in the office of the Department of State of the Commonwealth of Pennsylvania or such later date as may be specified in the Amended Articles. On the Effective Date, the corporate existence of Saucon Mutual will continue as the Converted Insurance Company. Saucon Mutual seeks to file the Articles of Incorporation, and therefore close the Conversion, no later than December 31, 2014.

III. ELIGIBLE POLICYHOLDERS

A. Definition of Eligible Policyholder

All policyholders of Saucon Mutual as of August 27, 2014 (the “Record Date”) will be considered “Eligible Policyholders” and/or “Eligible Members” of Saucon Mutual. Saucon Mutual will not issue any new policies between the date that the Plan was approved by the Board of Directors and the closing date of the Conversion or the abandonment of the Plan. All Saucon Mutual policyholders as of the Record Date will be eligible to receive the compensation described in Section IV and will be entitled to vote on the Plan pursuant to Section VII.

B. Policyholder Verification Process

Saucon Mutual conducted due diligence to verify its policyholder list. As part of this project, former policyholders whose policies were no longer active as of the Record Date, such as policyholders who no longer qualified for coverage, were removed from the policyholder list.

Saucon’s process included preparing a list of all issued policies that have not been affirmatively terminated. From that list Saucon removed those policies where the policyholders’ right to coverage has been established through affirmative contact with the policyholder within the past year. All policyholders remaining on the list received a “Continuing Coverage Survey” by certified mail, return receipt requested to the policyholders’ last known addresses in Saucon Mutual’s records. Policyholders’ responses to those surveys enabled Saucon Mutual to identify policies that should either remain in place or be cancelled. For policies that are to be cancelled, appropriate notices under Act 205 have been or will be sent where the insured has not independently confirmed the right to termination. Any policyholder receiving a cancellation notice will remain eligible for a cash distribution if the thirty (30) day notice period has not expired prior to the Record Date, or the policyholder files an appeal of the cancellation under Act 205. For those policyholders whose right to ongoing coverage could not be verified by affirmative contact or through the Continuing Coverage Survey process, Saucon Mutual has attempted or will attempt to identify those policyholders through: (a) searches of public records and property inspections / surveys to confirm the name and address of the individuals; (b) running advertisements in two (2) newspapers of major circulation within Saucon Mutual’s underwriting territory for a period of one week, notifying all policyholders of the surveys and encouraging them to contact Saucon directly; and (c) placing a notice on Saucon Mutual’s website that is consistent with the newspaper advertisement and including copies of the Continuing Coverage Survey, and a method for policyholders to return the surveys electronically, by mail, or facsimile.

For policies that Saucon Mutual could not verify its obligation to provide continuing coverage through the methods described above, Saucon Mutual will allow the policies to remain in place with any cash payment that would be due in connection with the Conversion escheating to the Commonwealth of Pennsylvania.

IV. COMPENSATION TO POLICYHOLDERS

A. Description of Cash and Other Consideration to Policyholders

All Eligible Policyholders are entitled to the compensation described in this Plan if the Conversion is effectuated. The compensation package that an Eligible Policyholder will receive will depend on whether it maintains a perpetual or non-perpetual insurance policy. Perpetual policies are written to have no term, or date, when the policy expires. From the policy's effective start date, the coverage will exist in perpetuity so long as the conditions of the policy continue to be satisfied. The insured deposits money, called a deposit premium, with the insurer for insurance for the life of the risk. Saucon Mutual also issues policies that do have a set date when the policy expires, these are referred to in this Plan as non-perpetual policies.

1. Compensation for Eligible Policyholders Who Hold Perpetual Policies

A. *Cash Payment.* A cash payment equal to the number of years that the policy had been in effect from its issuance until the closing of the Conversion, multiplied by \$60 (for example, a perpetual policyholder whose policy had been in effect for 10 years would receive a cash payment of \$600). The aggregate amount of cash payments to all perpetual policyholders under this paragraph 1.A. will be \$693,195.

B. *Return of Deposits.* A return of 15% of the Eligible Policyholder's deposits held by Saucon Mutual, if any. The aggregate amount of deposits to be returned to perpetual policyholders under this paragraph 1.B. will be \$340,037.

C. *Amendment to Policy.* Many of the perpetual insurance policies issued by Saucon Mutual have an "Annual Adjustment of Limits" endorsement or "Automatic Increase in Insurance" endorsement (collectively, the "Inflation Adjustment Endorsement(s)"). Saucon Mutual's Inflation Adjustment Endorsements are designed to provide policyholders with protection from inflation by increasing the limits of liability for certain coverages provided under policy. If a perpetual insurance policy has an Inflation Adjustment Endorsement, the maximum amount that the policyholder could receive under the policy by reason of an insured loss would increase over time.

Currently, with respect to perpetual insurance policies that have Inflation Adjustment Endorsements:

- The perpetual policyholder is charged an additional deposit annually for the increase in policy limits (with limited exceptions); and
- The increase in policy limits is based on a fixed percentage.

After the Conversion, and effective with respect to each perpetual policy on the next annual anniversary of the date of issuance of the perpetual policy in question that follows the closing of the transactions contemplated by the Plan, the Converted Insurance Company will implement the following changes with respect to perpetual insurance policies that have an Inflation Adjustment Endorsement:

- The perpetual policyholder will no longer be charged an additional deposit for the increases in policy limits; and
- The increases in policy limits will be based on a rate determined by an index prepared by a third party that estimates replacement cost inflation. Saucon Mutual anticipates that this flexible rate will more accurately track inflation as it relates to the repair/reconstruction of an insured property subject to a loss. Also, if it is determined by a third party survey/inspection service that the limits of liability are too high for certain coverages, the limits will be reduced.

2. Compensation for Eligible Policyholders Who Hold Non-Perpetual Policies

A. *Cash payment.* A cash payment equal to the sum of:

- The number of years that the non-perpetual policy had been in effect (including all renewals) from its issuance until the closing of the Demutualization Transactions, multiplied by \$60; (for example, a non-perpetual policy that had been issued and then renewed from time to time for a total period of 10 years as of the closing date would receive a cash payment of \$600). The aggregate amount of cash payments to all non-perpetual policyholders under this paragraph would be \$17,990; plus
- An additional one-time cash payment equal to 15% of the current premium of the policy. The aggregate amount of cash payments to be made to non-perpetual policyholders under this paragraph would be \$1,751.

B. *Amendment to Policy.* Many of the non-perpetual insurance policies have Inflation Adjustment Endorsements which provide policyholders with protection from inflation by annually increasing the limits of liability for the policy. This means that if a non-perpetual insurance policy has such an endorsement, the maximum amount that the policyholder could receive under the policy by reason of an insured loss would increase over time.

Currently, with respect to non-perpetual insurance policies that have an Inflation Adjustment Endorsement, the increase in policy limits is based on a fixed percentage.

After the Conversion, and effective with respect to each non-perpetual policy on the next renewal date of the non-perpetual policy in question that follows the closing of the transactions contemplated by the Plan, with respect to non-perpetual insurance policies with Inflation Adjustment Endorsements, the increases in policy limits will be based on a rate determined by an index prepared by a third party that estimates replacement cost inflation. Saucon Mutual anticipates that this flexible rate will more accurately track replacement cost inflation. Also, if it is determined by a third party survey/inspection service that the limits of liability are too high for certain coverages, the limits will be reduced.

3. Aggregate Payments to Policyholders

The aggregate amount of the payments to policyholders described in paragraphs IV.A.1.A, IV.A.1.B and IV.A.2.A above will be \$1,052,973.

4. Payment Procedure

Eligible Policyholders of Saucon Mutual will receive a check issued by the Converted Insurance Company in the amounts described in clauses 1.A and 1.B, or 2.A, as applicable, as promptly as practicable after the Effective Date.

B. No Subscription Rights

No Saucon Mutual policyholder, in its capacity as such, will be entitled, as part of or as a result of the Conversion, to receive any subscription right to purchase any of the capital stock of the Converted Insurance Company or to purchase any of the capital stock of any other corporation. No director or officer of Saucon Mutual will receive any subscription rights to purchase the capital stock of the Converted Insurance Company. However, the directors and officers of Saucon Mutual are being offered the right to purchase capital stock of Saucon Holding as described in Section V below.

C. Charitable Contribution

On the Effective Date, the Converted Insurance Company will make a \$1,000,000 contribution to the Lehigh Valley Community Foundation, which is to be used to establish the “Saucon Insurance Company Foundation Fund.” The Lehigh Valley Community Foundation is a philanthropic foundation established in 1967 that promotes and encourages philanthropy in the Lehigh Valley region. Bernard J. Story, the President and CEO of the Lehigh Valley Community Foundation, is a member of the board of directors of Saucon Mutual, but will receive no compensation directly tied to the Converted Insurance Company’s contribution. The Lehigh Valley Community Foundation will be entitled to receive a fee for maintaining the Saucon Insurance Company Foundation Fund. Saucon Mutual determined that the contribution to the Lehigh Valley Community Foundation was more cost-effective and straightforward than establishing a de novo foundation.

The Lehigh Valley Community Foundation will make disbursements from that fund from time to time for charitable purposes in accordance with recommendations made by the contribution committee of the Converted Insurance Company’s board of directors. The members of that contribution committee

will not receive compensation for serving on that committee or attending its gift recommendation meetings.

V. STOCK OFFERING OF SAUCON HOLDING

A. Saucon Holding

Concurrently with the other transactions contemplated by the Conversion, Saucon Holding will issue and sell shares of its common stock to investors in accordance with the following stock offering plan which has been approved by the Board of Directors of Saucon Mutual (the “Stock Offering”):

1. The investors will be the eight members of the board of directors and a ninth individual who is a member of management of Saucon Mutual. Those individuals have given to Saucon Mutual non-binding expressions of their interest in purchasing all of the Saucon Holding shares that are being offered. The limitation of the scope of the offerees who may participate in the Stock Offering helps to minimize the costs and expenses of the Stock Offering and to enable Saucon Holding to avoid incurring the costs and expenses of registering under federal and state securities laws and operating as a public company.
2. Among those nine investors, three have indicated an interest in acquiring more than 10% of the Saucon Holding shares. Accordingly, those investors are filing a Form A with the Department concurrently with the filing of this Plan. Saucon Mutual expects that those three investors will acquire, in the aggregate, approximately 91% of the Saucon Holding shares that will be offered, and the other six investors will acquire, in the aggregate, the remaining Saucon Holding shares that will be offered. If for any reason any of the six smaller investors fails to purchase at closing the number of Saucon Holding shares that they had indicated an interest in purchasing, it is expected that those shares will be re-allocated among the other investors—each of the largest three investors has indicated a readiness to purchase additional Saucon Holding shares if they became available at closing. For this reason, Saucon Mutual has a high degree of confidence that all of the Saucon Holding shares that will be offered in the Stock Offering will be purchased by the investors, in the aggregate, at the closing.
3. The Stock Offering will consist of the issuance and sale of 3,250,000 shares of Saucon Holding’s common stock, par value \$0.01 per share, at a purchase price of \$1.00 per share. The Saucon Holding shares will be issued and sold to the investors described above on the Effective Date. As a result, Saucon Holding will receive \$3,250,000 in gross proceeds from the Stock Offering.
4. The closing of the Stock Offering will be effected by (i) each investor entering into a binding subscription agreement with Saucon Holding dated as of the Effective Date with respect to the shares that the investor is subscribing for and purchasing, and (ii) that investor delivering to Saucon Holding the purchase price for those shares. In addition, simultaneously with the closing of the Stock Offering, each of the investors will enter into Saucon Holding’s shareholder agreement, the form of which is attached hereto as

Exhibit D. The closing of the Stock Offering and the receipt by Saucon Holdings of the \$3,250,000 aggregate subscription amounts from the investors are conditions precedent to the effectiveness of the Conversion.

5. The closing of the Stock Offering and the issuance and sale of the Saucon Holding stock to the investors will occur simultaneously with the amendment to Saucon Mutual's Articles of Incorporation that effects the conversion of Saucon Mutual into a stock insurance corporation.

6. Because Saucon Holding will not have issued any shares before the Conversion, the shares being issued to the investors in the Stock Offering will be all of the outstanding shares of Saucon Holding capital stock on the Effective Date. As a result, immediately after the closing of the Conversion, the investors in the Stock Offering will in the aggregate own all of the outstanding capital stock of Saucon Holding.

Upon the Closing, as a result of the Stock Offering, and the other transactions contemplated under this Plan, the primary assets of Saucon Holding will be (i) the capital stock of the Converted Insurance Company, (ii) the capital stock of the Agency, and (iii) the remaining net proceeds of the Stock Offering.

The Converted Insurance Company's surplus will continue to be adequate even after the payments to policyholders in the aggregate amount of \$1,052,973 as contemplated under the Conversion and discussed in Section IV.A. of this Plan, the contribution of \$1,000,000 to Lehigh Valley Community Foundation as discussed in Section IV.C of this Plan, and the costs and expenses of the transactions contemplated under this Plan. As a result, it is intended that the net proceeds of the Stock Offering be retained by Saucon Holding and not contributed to the Converted Insurance Company.

B. No Stock Offering of Converted Insurance Company

Other than the shares of capital stock of the Converted Insurance Company that are to be issued to Saucon Holding on the Effective Date in accordance with Section II.B above, it is not anticipated that the Converted Insurance Company will issue shares of capital stock. Any such issuance of shares of capital stock of the Converted Insurance Company will be done under such circumstances and at such times and for such consideration as the Board of Directors of the Converted Insurance Company may determine after the Effective Date.

VI. EFFECT OF CONVERSION ON THE POLICIES, POLICYHOLDERS' RIGHTS, AND COMPANY'S RIGHTS/OBLIGATIONS

The insurance obligations of Saucon Mutual under any insurance policy issued or contract entered into by Saucon Mutual will not be changed, reduced or impaired and will continue to remain the insurance obligations of the Converted Insurance Company. However, the policies will be amended in accordance with Section IV.A. Furthermore, the following rights of policyholders will be extinguished at the effective time of the Conversion: (1) all voting rights provided under the Saucon Mutual policies, the Articles of Incorporation and Bylaws of Saucon Mutual; and applicable law; and (2) any right to share in the surplus of Saucon Mutual or of the Converted Insurance Company provided for under any

of the Saucon Mutual policies. Because of the amendments to the policies described in Section IV.A and the changes in the policyholders' rights, Saucon Insurance Company will prepare new declarations for its insurance policies and will deliver them to the policyholders as promptly as practicable following the closing of the Conversion.

With respect to the other rights and obligations of the Converted Insurance Company, on the Effective Date, all the property, real, personal and mixed, and franchises of Saucon Mutual, and all debts due on whatever account to it, including choses in action belonging to it, shall be deemed without further action to be vested in and shall belong to the Converted Insurance Company, and the title to any real estate, or any interest therein, vested in Saucon Mutual shall not revert or be in any way impaired by reason of the Conversion. The Converted Insurance Company shall thenceforth be responsible for all of the liabilities of Saucon Mutual. Liens upon the property of Saucon Mutual shall not be impaired by the Conversion, and any claim existing or action or proceeding pending by or against Saucon Mutual may be prosecuted to judgment as if the Conversion had not taken place, but the Converted Insurance Company may be proceeded against or substituted in its place. Any taxes, interest, penalties and public accounts of the Commonwealth of Pennsylvania claimed against Saucon Mutual that are settled, assessed or determined prior to, concurrently with or after the Conversion shall be the liability of the Converted Insurance Company and, together with interest thereon, shall be a lien against the franchises and property, both real and personal, of the Converted Insurance Company.

VII. SPECIAL MEETING OF ELIGIBLE POLICYHOLDERS

Following the filing of the application with the Department as described in Section I, a special meeting to vote on this Plan shall be held by Saucon Mutual in accordance with its bylaws and applicable law (the "Special Meeting"). Notice of the Special Meeting will be given by Saucon Mutual to Eligible Policyholders by mailing: (i) a notice of the Special Meeting; (ii) a Policyholder Information Statement in the form attached to this application; (iii) a form of proxy in the form attached to this application authorized for use by the Department under which an Eligible Policyholder may vote in favor of the Conversion; and (iv) a copy of the Plan filed with the Department (those materials collectively "Policyholder Information Package".) These documents will be sent to each Eligible Policyholder at least thirty (30) days prior to the date of the Special Meeting. Copies of the documents described in (i)-(iii) will be filed with and approved by the Department before they are sent to Eligible Policyholders.

Eligible Policyholders may vote on the Plan in person at the Special Meeting or by proxy. In accordance with the bylaws of Saucon Mutual, each Eligible Policyholder may cast one vote. The Plan must be approved by the affirmative vote of at least two-thirds of the votes cast at a meeting of Eligible Policyholders of Saucon Mutual called for the purpose of considering and voting upon the Plan. In addition, the amended articles of incorporation of Saucon Mutual will be considered for adoption during the special meeting, and shall require the affirmative vote of two-thirds of the votes cast by Eligible Policyholders.

VIII. INSURANCE DEPARTMENT APPROVAL

A. Public Hearing

This Plan will be submitted to the Department, which may order a hearing on whether the terms of this Plan comply with Pennsylvania law, including the Conversion Act. If a hearing is ordered by the Department, it is required by law to give written notice to Saucon Mutual and other interested persons, all of whom have the right to appear at the hearing.

B. Department Approval of Plan

The Department will approve the Plan if the Department finds that the Plan does not prejudice the interests of the policyholders, is fair and equitable, and complies with the Conversion Act. Since subscription rights will not be issued, no determination by the Department will be required in connection therewith. Saucon Mutual requests the Department's approval of the Plan prior to the Special Meeting of the Policyholder described in Section VII. Saucon Mutual anticipates that this Special Meeting will be scheduled to occur on or about November 25, 2014.

C. Department Approval of Policyholder Information Package Materials

Saucon Mutual has targeted December 31, 2014 for the closing of the conversion. Given that timeline and Saucon Mutual's desire to give its Eligible Policyholders adequate time to consider the Plan, Saucon Mutual requests the Department's approval to send to the Eligible Policyholders the documentation described in Section VII above in advance of the Department's approval of the Plan. Saucon Mutual will notify its Eligible Policyholders in these documents that the Department has not yet approved the Plan of Conversion. The Special Meeting is anticipated to be scheduled on or about November 25, 2014. Saucon Mutual is required to give written notice of the Special Meeting to Eligible Policyholders at least 30 days in advance of the meeting date. Accordingly, Saucon Mutual requests that the Department approve Saucon Mutual's distribution to the Policyholders of the Policyholder Information Package by October 10, 2014. Saucon Mutual understands that if the Plan is materially amended, the Policyholder Information Package will have to be revised accordingly, and re-circulated to the Eligible Policyholders which may result in the need to reschedule or postpone the date of the Special Meeting.

D. Department Approval of Form A

As part of the proposed conversion, Saucon Holding Company, Brian T. Regan, Michael G. Crofton, and Martin C. Gilchrist (the "Applicants") will acquire "control" of the Converted Insurance Company. A Form A for this change in control will be submitted to the Department as part of the application described in Section I. Saucon Mutual requests that the Department approve the Form A.

E. Notice of Dividend or Other Distribution

Immediately after the filing of the amendment to the Articles of Incorporation that converts Saucon Mutual into the Converted Insurance Company, the Converted Insurance Company will distribute to Saucon Holding (as its sole stockholder) all of the capital stock of the Agency as described in Section II.B.6. This will result in Saucon Holding, rather than the Converted Insurance Company, becoming the direct sole stockholder of the Agency. The capital stock of the Agency is booked on Saucon Holding's balance sheet at \$1.00. The distribution of the Agency stock by the Converted Insurance Company to Saucon Holding will not be an extraordinary dividend as the value of the stock to be distributed (\$1) is less than ten percent (10%) of Converted Insurance Company's surplus as shown on its last annual statement (\$16,434,269) or its net income as shown on such statement (\$295,226). Neither the Converted Insurance Company nor Saucon Mutual will have made any other dividends within the 12-month period preceding this distribution. In accordance with 40 P.S. § 991.1404(e), Saucon Mutual hereby provides notice to the Department of this dividend from the Converted Insurance Company to Saucon Holding.

IX. POLICIES ISSUED AFTER ADOPTION OF PLAN

Saucon Mutual will not issue any insurance policies between the date that its Board of Directors adopts this Plan and the earlier of (i) the Effective Date or (ii) the abandonment of this Plan in accordance with the Conversion Act. Accordingly, no notices contemplated under Section 40 P.S. § 913-A(b)(4) of the Conversion Act will be given.

X. ARTICLES OF INCORPORATION & BYLAWS OF THE CONVERTED INSURANCE COMPANY

Concurrently with the closing of the Conversion, the Articles of Incorporation of Saucon Mutual will be amended and restated in the form attached hereto as Exhibit C in order to change the name of the Converted Insurance Company to "Saucon Insurance Company" and for other purposes, and will thereafter be the Articles of Incorporation of the Converted Insurance Company unless and until amended, restated or superseded in accordance with applicable law. The amendment to the articles of incorporation will be submitted to Saucon Mutual's policyholders for approval in accordance with 40 P.S. § 913-A(h), as described in Section VII above.

The Articles of Incorporation of the Converted Insurance Company will provide for 1,000 authorized shares of capital stock, par value \$950.00 per share. The 1,000 authorized shares will be issued to and held by Saucon Holding. Accordingly, the Converted Insurance Company's issued and outstanding capital stock will have an aggregate par value of \$950,000.00, which is an amount sufficient to satisfy the Converted Insurance Company's statutory minimum capital requirement.

Concurrently with the closing of the Conversion, the Bylaws of Saucon Mutual will be amended and restated in the form attached hereto as Exhibit E and will thereafter be the Bylaws of the Converted Insurance Company unless and until amended, restated or superseded in accordance with applicable law. The Bylaws of Converted Insurance Company will provide for term limits and other qualification requirements that are substantially the same as those that are presently applicable to the board of

directors of Saucon Mutual. However, the closing of the Conversion will result in the “reset” of term limits so that all directors of the Converted Insurance Company will be considered to be serving their first term. Furthermore, the Bylaws of Converted Insurance Company establish a contribution committee of the board of directors that will make recommendations regarding distributions from the Saucon Insurance Company Foundation Fund. Members of the contribution committee will not be compensated for their services on that committee. Finally, the minimum number of directors on the Audit Committee and the Nominating and Compensation Committee will be reduced from 3 to 2 directors.

XI. DIRECTORS & OFFICERS

The directors and officers of Saucon Mutual immediately prior to the Effective Date will continue to serve as the directors and officers of the Converted Insurance Company. As of the date that this Plan was adopted, the directors and officers of Saucon Mutual were the individuals identified in the form attached hereto as Exhibit F. For purposes of staggering their three-year terms of office, the bylaws of the Converted Insurance Company divide the Board of Directors into three classes. Exhibit F identifies each director’s class and the year that the director’s term will expire. Each director will remain in the same class, as a director of the Converted Insurance Company, as he or she was in as a director of Saucon Mutual. As a result, the expiration date of the term of office of each director of the Converted Insurance Company will be the same date that the director’s current term of office would have expired had the conversion not taken place. Effective as of the Effective Date, the membership of committees of the Converted Insurance Company’s board of directors will be adjusted so as to ensure that each committee’s membership includes the requisite proportion of independent directors.

XII. CONTINUED OPERATIONS OF THE CONVERTED INSURANCE COMPANY

The Converted Insurance Company will remain an insurance company insuring homeowners and dwelling property coverage, domiciled in the Commonwealth of Pennsylvania.

XIII. INTERPRETATION, AMENDMENT, AND TERMINATION OF THE PLAN

A. Interpretation of the Plan

Subject to the Conversion Act, other applicable law and orders of the Department, the Chief Executive Officer of Saucon Mutual or his designee shall have the power to interpret and construe this Plan and to determine all questions of eligibility, status and rights of policies, policyholders, members and others. It is recognized that unforeseen circumstances may occur and questions may arise which are not specifically covered by any provision of this Plan or applicable law, and the Chief Executive Officer of Saucon Mutual or his designee shall have the power and authority to resolve such questions. The determination of the Chief Executive Officer of Saucon Mutual or his designee in all matters within his province shall be binding and conclusive upon Saucon Mutual, the Converted Insurance Company and its policyholders. The Chief Executive Officer may also make such additions, changes or modifications to this Plan as he deems necessary, appropriate or convenient, consistent with the Conversion Act, other applicable law and orders of the Department.

B. Amendment

This Plan may be amended, as follows:

1. Before Approval by the Department This Plan may be amended at any time before it is approved by the Department by the affirmative vote of two-thirds of the directors of Saucon Mutual then in office.

2. After Approval by the Department. This Plan may be amended at any time after its approval by the Department by the affirmative vote of two-thirds of the directors of Saucon Mutual then in office; provided, however, that any such amendment also shall be subject to approval by the Department.

3. After Approval by the Eligible Policyholders. This Plan may be amended at any time after its approval by the Eligible Policyholders and prior to the Effective Date by the affirmative vote of two-thirds of the directors of Saucon Mutual then in office; provided, however, that any such amendment also shall be subject to approval by the Department; and provided further that, if such amendment is determined by the Department to be material, such amendment shall be subject to approval by the affirmative vote of at least two-thirds of the votes cast at a meeting of the Eligible Policyholders called for that purpose.

C. Termination

This Plan may be terminated at any time before the Effective Date by the affirmative vote of two-thirds of the directors of Saucon Mutual then in office.

D. Binding Upon Eligible Policyholders

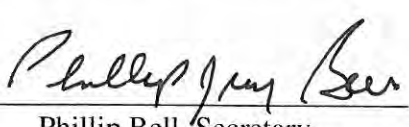
By approving this Plan, the Eligible Policyholders of Saucon Mutual authorize the amendment and termination of this Plan in accordance with Section XIII.

IN WITNESS WHEREOF, Saucon Mutual Insurance Company has caused this Plan to be executed as of 27th day of August, 2014.

By:


Stephen Bajan, Chief Executive Officer

By:


Phillip Bell, Secretary

CERTIFICATION OF CORPORATE SECRETARY

I, Phillip Bell, Secretary for Saucon Mutual Insurance Company, certify that on the 27th day of August, 2014, the Board of Directors for Saucon Mutual, by unanimous consent of its members, found the Plan of Conversion above to be fair and equitable, consistent with the requirements of the Conversion Act, and in the best interests of Saucon Mutual, and adopted the Plan.

By: Phillip Jay Bell
Phillip Bell, Secretary

A

ARTICLES OF INCORPORATION
OF
SAUCON HOLDING COMPANY

In accordance with the laws of the Commonwealth of Pennsylvania, the Articles of Incorporation of Saucon Holding Company are as set forth below. These Articles of Incorporation were adopted in connection with a Plan of Conversion pursuant to provisions of the Insurance Company Mutual-to-Stock Conversion Act, 40 P.S. §§ 911-A et seq. (the "Conversion Act"), which Plan of Conversion has been approved by the Insurance Commissioner of the Commonwealth of Pennsylvania and the policyholders of Saucon Mutual Insurance Company.

FIRST: The name by which the corporation shall be known is "Saucon Holding Company."

SECOND: The address of the corporation's registered office in this Commonwealth is 74 West Broad Street, Suite 300, Bethlehem, PA 18018.

THIRD: The corporation is incorporated under the provisions of the Business Corporation Law of 1988.

FOURTH: The basis on which the corporation is organized is the stock share basis.

FIFTH: The aggregate number of shares which this corporation shall have the authority to issue consist of Ten Million (10,000,000) Shares of voting Common Stock, par value \$0.01 per share having one (1) vote per share.

SIXTH: The corporation shall indemnify every director and officer, and may indemnify any employee or agent, to the fullest extent permitted by the Pennsylvania Business Corporation Law of 1988, as amended, and any other present or future provision of Pennsylvania law. The corporation shall pay and advance expenses to directors and officers for matters covered by indemnification to the fullest extent permitted by such law. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Laws, Agreement, vote of Shareholders or otherwise.

SEVENTH: The power to alter, amend or repeal the corporation's By-Laws shall be vested in the Board of Directors. The number of directors of the corporation shall be determined in a manner as specified in the By-Laws of the corporation.

EIGHTH: The Effective Date of these Articles of Incorporation shall be the date of filing with the Department of State of the Commonwealth of Pennsylvania.

NINTH: Shareholders of the corporation shall not have cumulative voting rights.

B

SAUCON
HOLDING COMPANY

BY-LAWS

I. SHAREHOLDER MEETINGS

Section 1. **Annual Meeting.** The annual meeting of the shareholders of the Company shall be held at its principal office or other place specified in the notice of meeting at such time during the fiscal year of the Company that is selected by the Board of Directors each year for the purpose of electing Directors of the Company as hereinafter provided and for the transaction of such other business as may be submitted for the consideration of the shareholders.

Section 2. **Notice of Annual Meeting.** The Secretary shall give the shareholders notice of the time and place of the annual meeting by any means permitted by Pennsylvania law at least 30 days in advance.

Section 3. **Special Meetings.** The Board of Directors (hereinafter "**Board**") may, and at the written request of one or more shareholders who hold at least one tenth part in interest of the capital stock entitled to vote at such meeting it shall, call special meetings of the shareholders to be held at the principal office of the Company (or at such other place as the Board may specify) and fix the time (including the hour) and the purposes of such meeting.

Section 4. **Notice of Special Meeting.** The Secretary shall give shareholders notice of the time, place and purpose of any special meeting by any means permitted by Pennsylvania law at least 30 days in advance.

Section 5. **Quorum.** The holders of a majority in interest of all stock issued, outstanding and entitled to vote at a meeting shall constitute a quorum at any annual or special meeting of the shareholders.

Section 6. **Voting and Proxies.** Shareholders shall have one vote for each share of stock entitled to vote held by them of record according to the records of the company and a proportionate vote for any fractional share so held by them. Shareholders may vote either in person or by written proxy dated not more than six months before the meeting named therein. Proxies shall be filed with the clerk of the meeting, or of any adjournment thereof, before being voted. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by one of them unless at or prior to exercise of the proxy the Company receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a shareholder shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger.

Section 7. **Action at Meeting.** When a quorum is present, any matter before the meeting shall be decided by vote of the holders of a majority of the shares of stock present or

represented and voting on such matter, except where a larger vote is required by law, by the Articles of Incorporation of the Company (the “*Articles*”) or by these by-laws. No ballot shall be required for any election unless requested by a shareholder present or represented at the meeting and entitled to vote in the election. The Company shall not directly or indirectly vote any share of its own stock.

Section 8. **Action Without Meeting.** Any action to be taken by shareholders may be taken without a meeting if the holders of record of a majority of the shares entitled to vote at the meeting, represented in person or by proxy, consent to the action by a writing filed with the records of the meeting of shareholders. Such consent shall be treated for all purposes as a vote at a meeting.

II. BOARD OF DIRECTORS

Section 1. **Number.** The Company shall be managed by a Board consisting of not less than seven members nor more than eleven members as may be fixed by the Board without shareholder approval.

Section 2. **Terms.**

A. The term of office of a Director shall be three years.

B. The Board shall be divided into three Classes. There shall be an equal number of Directors in each Class as much as possible. The terms of office of at least one Class shall expire each year, and the terms of office of the respective Classes shall expire in successive years.

C. A Director may be elected to a maximum of five terms of three years; provided, however, that individuals who were Directors of Saucon Mutual Insurance Company in office in April of 2001 and who are serving as Directors of the Company as of the adoption of these By-laws (namely, Phillip J. Bell and Susan Cooper Drabic) shall not be subject to a term limitation.

Section 3. **Qualifications.**

A. Not less than two thirds (2/3) of the Directors shall be citizens of the United States.

B. Not less than one third (1/3) of the Directors comprising the Board at any time shall be persons who are not officers or employees of the Company or of any entity controlling, controlled by or under common control with the Company and who are not beneficial owners of a controlling interest in the voting interests of the Company or of any entity controlling, controlled by or under common control of the Company, as those terms are defined in the Pennsylvania Insurance Holding Companies Act (each an “*Independent Director*”).

C. A Director, other than Martin Gilchrist, shall retire as a Director at the end of such Director's term coinciding with or following the Director's 75th birthday. Martin Gilchrist, if a Director, shall retire as a Director at the end of his term coinciding with or following his 85th birthday.

Section 4. **Election of Directors.** All elections of Directors shall be by ballot. Cumulative voting shall not be applicable. The election shall be conducted by three judges chosen by the existing Board for that purpose, who shall certify, under their hands, the result of such election to be filed with the papers of the Company.

Section 5. **Election of Officers.** The Board shall hold an organizational meeting at the first meeting following the annual meeting of the shareholders. At the organizational meeting, the Board shall elect a Chair and a Vice-Chair of the Board. The Board shall also elect a President, a Secretary, a Chief Executive Officer and a Treasurer of the Company.

Section 6. **Vacancies.** The Board may fill a vacancy in any Classes of Directors, no matter how created, except if created by expiration of a Director's term. The term of a Director appointed to fill a vacancy in a particular Class will end on the day the term of that Class ends.

Section 7. **Powers and Duties.** Subject to the restrictions imposed by law, the Board may exercise all the powers of the Company. The Board may borrow money in the name of, and pledge the credit of, the Company for the purpose of paying losses, or for any other corporate purpose. The Board may, from time to time, fix the compensation to be paid to the officers, Directors, agents and employees of the Company. The Board shall have the power to authorize the Company to accept and insure risks under any form of policy permitted by law.

Section 8. **Quorum.** A majority of the Board, including at least one Independent Director, shall constitute a quorum at any regular or special meeting for the transaction of business at any meeting of the Board.

Section 9. **Meetings.** The Board shall regularly meet not less than six times per year. The Chair of the Board shall be responsible for establishing a meeting schedule at the beginning of each year. Special meetings of the Board may be requested by the Chair or the Chief Executive Officer.

Section 10. **Personal Liability of Directors.** A Director of the Company shall not be personally liable for monetary damages for any action taken, or any failure to take any action, unless:

(1) The Director has breached or failed to perform the duties of their office pursuant to this fiduciary relation to the Company as set forth in 15 Pa.C.S. 1712; and

(2) The breach or failure to perform constitutes self-dealing, willful

misconduct or recklessness.

The provisions of this Section shall not apply to (1) the responsibility or liability of a Director pursuant to any criminal statute or (2) the liability of any Director for the payment of taxes pursuant to local, state or federal law.

The immunity and other rights and privileges set forth herein shall be construed to grant the maximum protection allowed by the laws of the Commonwealth of Pennsylvania and shall in no way be construed to be a restriction or a limitation of any other right, privilege or immunity granted by the laws of the Commonwealth of Pennsylvania.

III. OFFICERS OF THE BOARD AND THEIR DUTIES

Section 1. **Officers.** The officers of the Board shall be as follows:

A. **Chair of the Board.** It shall be the duty of the Chair to preside at all meetings of the Company and the Board and to perform such other duties as may be required by the Board.

B. **Vice Chair of the Board.** The Vice Chair shall perform the duties of the Chair in the latter's absence, and shall have such other duties as may be assigned by the Board.

Section 2. **Election and Terms of Office.** All officers of the Board shall be elected annually by the Board, and each officer shall hold office for a term of one year and thereafter until a successor has been elected and qualified or until the officer's earlier death, resignation or removal.

IV. OFFICERS OF THE COMPANY AND THEIR DUTIES

Section 1. **Officers.** The officers of the Company shall be as follows:

A. **President.** The President shall be a Director of the Company and shall be a non-voting ex-officio member of all committees of the Board with the exception of the Audit Committee and the Nominating and Compensation Committee. The President shall sign all policies and endorsements of insurance of the Company as may be required by applicable law and all papers to which the seal of the Company is affixed. The President's signature to policies and endorsements may be in facsimile.

B. **Chief Executive Officer.** The CEO shall manage the overall operation of the Company, and perform such other duties as may be required by the Board. Subject to the provision and approval of the Board, the CEO shall have general charge of the affairs of the Company.

C. **Secretary.** The Secretary shall keep complete and accurate records of the Company. The Secretary shall attest all to all policies and endorsements of insurance of the

Company as may be required by applicable law. Such attestation may be in facsimile. The Secretary shall make a complete and accurate report of the year's business at each annual meeting of the Company and shall perform such other duties as the Board may assign.

D. **Treasurer.** The Treasurer, under the direction of the Board, shall have charge of all funds of the Company and direct that deposits, in the name of the Company, shall be placed in depositories designated by the Board. The Treasurer shall review documents and make a complete and accurate report of the finances of the Company at each annual meeting, thereof, or at any time upon request of the Board. The Treasurer may also be either the President or the Secretary of the Company.

Section 2. **Election and Terms of Office.** All officers of the Company shall be elected annually by the Board, and each officer shall hold office for a term of one year and thereafter until a successor has been elected and qualified or until the officer's earlier death, resignation or removal. Each officer of the Company shall be a natural person of full age.

Section 3. **Removal of Officers.** Any officer of the Company may be removed at any time by vote of the Board.

V. COMMITTEES OF THE BOARD OF DIRECTORS.

Section 1. **Establishment of Committees.** The Board may establish one or more committees comprised solely of Directors, which, to the extent authorized by the Board, shall have and may exercise all power and authority of the Board, except that a committee shall not have the power or authority as to the following:

- (1) The submission to shareholders of any action requiring approval of shareholders under the Pennsylvania Business Corporation Law.
- (2) The creation or filling of vacancies in the Board.
- (3) The adoption, amendment or repeal of these bylaws.
- (4) The amendment or repeal of any resolution of the Board that by its terms is amendable or subject to appeal only by the Board.
- (5) Action on matters committed by a resolution of the Board to another committee of the Board.

With the exception of the Audit Committee and the Nominating and Compensation Committee, not less than one third ($\frac{1}{3}$) of the members of each committee of the Board shall be Independent Directors, and at least one Independent Director shall be required to constitute a quorum for the transaction of business at any meeting of each committee of the Board.

Section 2. **Audit Committee.** The Board shall establish and appoint members to an Audit Committee, which shall consist of two (2) or more Directors to be appointed at the annual

meeting of the Board, provided that all such Directors shall be Independent Directors. The Audit Committee shall recommend to the Board the selection, retention and/or termination of external financial auditors for the Company; review the Company's financial condition and the scope and results of the annual financial audit, including the external auditor's management letter and management's responses thereto; review the scope and results of internal audits and the response of the Company's management; and report all relevant matters to the Board on a timely basis.

Section 3. **Nominating and Compensation Committee.** The Board shall establish and appoint members to a Nominating and Compensation Committee. Such Committee shall consist of two (2) or more Directors to be appointed at the annual meeting of the Board, provided that all such Directors shall be Independent Directors. The Nominating and Compensation Committee shall nominate persons to serve as Directors for election by the shareholders, evaluate the performance of officers of the Company, and recommend to the Board the selection and compensation of such officers.

VI. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 1. **General Rule.** The Company shall indemnify each Indemnitee against all Liabilities to the fullest extent permitted by Pennsylvania law.

A. **Advance Payment of Expenses.** The right to indemnification provided in this Article VI shall include the right to have expenses (including attorneys' fees and disbursements) incurred by the Indemnitee in defending any Proceeding paid by the Company in advance of the final disposition of the Proceeding to the fullest extent permitted by Pennsylvania law; provided that, if Pennsylvania law continues so to require, the payment of such expenses incurred by the Indemnitee in advance of the final disposition of a Proceeding shall be made only upon receipt by the Company of an undertaking, by or on behalf of the Indemnitee, to repay all amounts so advanced without interest if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Company under this Section or otherwise.

B. **Continuing Right to Indemnification.** Indemnification pursuant to this Article VI shall continue as to an Indemnitee who has ceased to be either a Director or officer or a representative of the Company and shall inure to the benefit of his or her heirs and personal representatives.

C. **Definitions.** For purposes of this Article VI, (A) “*Indemnitee*” shall mean each person who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding, by reason of the fact that he or she is or was a Director or officer of the Company or is or was serving at the request or for the benefit of the Company as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust, or other enterprise; (B) “*Liability*” or “*Liabilities*” shall mean all expenses (including attorneys’ fees and disbursements), judgments, fines, losses, penalties and amounts paid or payable in settlement and incurred by an Indemnitee in connection with a Proceeding; and (C) “*Proceeding*” shall mean any threatened, pending or completed action, appeal or other proceeding of any nature, whether civil, criminal, administrative, investigative or through arbitration in which an Indemnitee is a party, a witness or otherwise involved.

Section 2. **Indemnification of Representatives.** The Company may, by action of the Board, and to the extent provided in such action, indemnify against Liabilities, as though such person is an Indemnitee, any person by reason of the fact that such person is or was a representative of the Company or was serving at the request of the Company as a representative of another entity.

Section 3. **Mandatory Indemnification.** To the extent that a representative of the Company has been successful on the merits or otherwise in defense of any Proceeding or otherwise in defense of any claim, issue or matter therein, the Company shall indemnify such person against any Liability incurred by such person in connection with the Proceeding.

Section 4. **Non-Exclusivity of Rights.** The rights to indemnification and to the advancement of expenses provided in this Article VI shall not be exclusive of any other rights that any person may have or hereafter acquire under any statute, provision of the articles or bylaws, agreement, vote of shareholders or Directors, or otherwise.

Section 5. **Insurance.** The Company shall purchase and maintain insurance, at its expense, for the benefit of any person on behalf of whom insurance is permitted to be purchased by Pennsylvania law against any Liability, whether or not the Company would have the power to indemnify such person under Pennsylvania or other law. The Company may also purchase and maintain insurance to insure its indemnification obligations whether arising hereunder or otherwise.

Section 6. **Fund for Payment of Expenses.** The Company may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise may secure in any manner its indemnification obligations, whether arising hereunder or otherwise.

Section 7. **Amendment.** The provisions of this Article VI relating to indemnification and to the advancement of expenses shall constitute a contract between the Company and each Indemnitee that may be modified as to any Indemnitee only with that person's consent or as specifically provided in this Section. Notwithstanding any other provision of these bylaws relating to their amendment generally, any repeal or amendment of this Article VI that is adverse to any Indemnitee shall apply to such Indemnitee only on a prospective basis, and shall not reduce any limitation on the personal liability of a Director of the Company, or

limit the rights of an Indemnitee to indemnification or to the advancement of expenses with respect to any action or failure to act occurring prior to the time of such repeal or amendment. Notwithstanding any other provision of these bylaws, no repeal or amendment of these bylaws shall affect any or all of this Article VI so as either to reduce the limitation of Directors' liability or limit indemnification or the advancement of expenses in any manner unless adopted by the unanimous vote of the Directors of the Company then serving, provided that no such amendment shall have retroactive effect inconsistent with the preceding sentence.

Section 8. Changes in Pennsylvania Law. References in this Article VI to Pennsylvania law or to any provision thereof shall be to such law as it existed on the date this Article VI was adopted or as such law thereafter may be changed; provided that (a) in the case of any change that expands the liability of Directors or limits the indemnification rights or the rights to advancement of expenses that the Company may provide, the rights to limited liability, to indemnification and to the advancement of expenses provided in this Article VI shall continue as theretofore to the extent permitted by law; and (b) if such change permits the Company without the requirement of any further action by Directors or shareholders to limit further the liability of Directors (or limit the liability of officers) or to provide broader indemnification rights or rights to the advancement of expenses than the Company was permitted to provide prior to such change, then liability thereupon shall be so limited and the rights to indemnification and the advancement of expenses shall be so broadened to the extent permitted by law.

VII. STOCK

Section 1. Certificates of Stock. Every holder of stock in the Company shall be entitled to have a certificate signed in the name of the Company by the president or a vice president and by the treasurer or an assistant treasurer or the secretary or an assistant secretary of the Company, certifying the number of shares owned by such shareholder in the Company; provided however that where such certificate is signed (1) by a transfer agent or an assistant transfer agent or (2) by a transfer clerk acting on behalf of the Company and a registrar, the signature of the president, vice president, treasurer, assistant treasurer secretary or assistant secretary may be facsimile. In case any officer who has signed or whose facsimile signature has been placed on such certificate or certificates shall have ceased to be such officer before such certificate or certificates are issued, they may be issued by the Company with the same effect as if such officer had not ceased to be such at the time of their issue. Certificates of stock shall be in such form as shall, in conformity to law, be prescribed from time to time by the board of directors.

Section 2. Replacement of Certificates. In case of the alleged loss, destruction or mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms as the board of directors may prescribe.

Section 3. Transfer of Shares of Stock. Subject to the restrictions, if any, imposed by the Articles, title to a certificate of stock and to the shares represented thereby shall be transferred only by delivery of the certificate properly endorsed, or by delivery of the certificate accompanied by a written assignment of the same, or a written power of attorney to sell, assign, or transfer the same or the shares represented thereby, properly executed; but the person

registered on the books of the Company as the owner of shares shall have the exclusive right to receive dividends thereon and to vote thereon as such owner, shall be held liable for such calls and assessments, if any, as may lawfully be made thereon, and except only as may be required by law may in all respects be treated by the Company and its transfer agents and registrars, if any, as the exclusive owner thereof. It shall be the duty of each shareholder to notify the Company of the shareholder's post office address.

Section 4. **Transfer Books.** The board of directors shall have the power to close the stock transfer books of the Company for a period not exceeding sixty days preceding the date of any meeting of shareholders or the date for payments of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or the date for obtaining the consent of shareholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the board of directors may fix in advance a date not exceeding fifty days preceding the date of any meeting of the shareholders, or the date of any other of the above-mentioned events, as a record date from the determination of the shareholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or to any such allotment of rights or to exercise the rights in respect of any such change, conversion or exchange of capital stock or to give such consent, and in such case such shareholders and only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Company after such record date fixed as aforesaid.

Section 5. **Issuance of Stock.** Unless otherwise voted by the shareholders, the whole or any part of any unissued balance of the authorized capital stock of the Company, may be issued pursuant to vote of the board of directors to such persons, for such consideration, whether cash, property, goodwill, services or expenses, or as a stock dividend, and on such terms as the board of directors may determine from time to time and without first offering the same for subscription to shareholders of the Company.

VIII. AUDIT.

The books and accounts of the Company are to be audited by a Certified Public Accountant once each year. The Auditor will be selected by the Board, based on the recommendations of the Audit Committee. The annual report of the Company will be filed with the Insurance Department of the Commonwealth of Pennsylvania as required by law.

IX. MISCELLANEOUS PROVISIONS.

Section 1. **Dividends.** Subject to any applicable provisions of law and the Articles, dividends upon the capital stock of the Company may be declared by the board of directors at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock.

Section 2. **Seal.** The corporate seal of the Company shall, subject to alteration by the board of directors, consist of a flat-faced circular die with the word “Pennsylvania”, together with the name of the Company and the year of its organization cut or engraved thereon. The corporate seal of the Company may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 3. **Evidence of Authority.** A certificate of the secretary or assistant secretary or a temporary secretary as to any action taken by the shareholders, directors or any officer or representative of the Company shall, as to all persons who rely thereon in good faith, be conclusive evidence of such action. The exercise of any power which by law, by the Articles or by these by-laws, or under any vote of the shareholders or the board of directors, may be exercised by an officer of the Company only in the event of absence of another officer or any other contingency, shall bind the company in favor of anyone relying thereon in good faith, whether or not such absence or contingency existed.

Section 4. **Fiscal Year.** The fiscal year of the Company shall be the calendar year.

Section 5. **Voting of Securities.** Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Company may be executed in the name of and on behalf of the Company by the chairman of the board, if any, the president, the treasurer or the secretary, and any such officer may, in the name of and on behalf of the Company, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Company may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Company might have exercised and possessed if present. The board of directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 6. **Amendments.** These bylaws may be altered or amended by the affirmative vote of a majority of the votes cast by the shareholders at a regular or special meeting called for that purpose or by an affirmative vote of a majority of the Board from time to time as may be necessary in their judgment for the prudent and efficient government of the affairs of the Company. Any alterations or amendments by the Board shall be subject to ratification by the shareholders of the Company at the next Annual or Special Meeting called for that purpose, provided the notice of such meeting shall set out the amendment or alteration proposed to be adopted.

C

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF

SAUCON MUTUAL INSURANCE COMPANY

In accordance with the laws of the Commonwealth of Pennsylvania, the Articles of Incorporation of Saucon Insurance Company (formerly Saucon Mutual Insurance Company) are hereby amended in their entirety and restated as set forth below. The date of the original Act of Incorporation passed by the General Assembly of the Commonwealth was May 3, 1832. These Restated and Amended Articles of Incorporation were duly adopted in accordance with 15 Pa. C.S.A. §1914 of the Pennsylvania Business Corporation Law and were adopted in connection with a Plan of Conversion pursuant to provisions of the Insurance Company Mutual-to-Stock Conversion Act, 40 P.S. §§ 911-A *et seq.* (the "Conversion Act"), which Plan of Conversion has been approved by the Insurance Commissioner of the Commonwealth of Pennsylvania and the policyholders of Saucon Mutual Insurance Company. These amended and restated Articles were approved by the Insurance Commissioner in accordance with 15 Pa. C.S. §21204 (a).

FIRST: The name by which the corporation shall be known is "SAUCON INSURANCE COMPANY."

SECOND: The classes of insurance for which the corporation is constituted are Paragraphs (1) and (2) of Subdivision (b) and Paragraphs (3), (4), (5), (6), (8), (9) and (13) of Subdivision (c) as provided for in Section 202 of the Insurance Department Act of 1921, as amended, and include the following:

(b)(1) on dwelling houses, stores, and all kinds of buildings, and household furniture and other property,--against loss or damage, including loss of use or occupancy, by fire, smoke, smudge, lightning, and explosion, whether fire ensue or not, and by tornadoes, cyclones, windstorms, earthquakes, hail, frost, sleet, snow, or flood; against loss or damage by water to any goods or premises, arising from the breakage or leakage of sprinklers, pumps, or other apparatus erected for extinguishing fires, and of water pipes; against accidental injury to such sprinklers, pumps, or other apparatus; against loss or damage caused by the caving in of the surface of the earth above coal mines; against perils to property arising from the ownership or maintenance or from the use of aircraft, automobiles, or other motor vehicles; against loss or damage caused by bombardment, invasion, insurrection, riot, civil war, or commotion, and military or usurped power; and against damage to property as specified in

this paragraph by any or all risks not herein specifically designated; and to effect reinsurance of any risk provided for in this clause.

(b)(2) upon vessels, boats, cargoes, goods, personal property, merchandise, freight and other property, against loss or damage by all or any of the risks of lake, river, canal, and inland navigation and transportation, including all personal property floater risks; upon automobiles, airplanes, seaplanes, dirigibles, or other aircraft, whether stationary or in operation or in transit, against loss or damage by fire, explosion, transportation, collision, or by burglary, larceny, or theft; not including, in any case, insurances against loss by reason of bodily injury to the person; and to effect reinsurance of any risk provided for in this clause.

(c)(3) to insure against loss of, and damage to, glass, including lettering and ornamentation thereon, and the frame in which the glass is set, resulting from breakage of the insured glass.

(c)(4) to insure any one against loss or damage resulting from accident to, or injury, fatal or non-fatal, suffered by any person for which the person insured is liable; to insure against medical, hospital, surgical and funeral expenses incurred by or on behalf of the persons accidentally injured, including the person insured; to insure against loss or damage to property caused by horses, or by any vehicle drawn by animal power, for which loss or damage the person insured is liable; and to insure against loss or damage to property, for which loss or damage the person insured is liable, but not including any kind of property damage insurance specified in other paragraphs of this section. Nothing in this paragraph shall apply to any kind of insurance against loss or damage resulting from the ownership, maintenance or use of a motor vehicle. Further, nothing contained in this paragraph shall apply to any kind of workmen's compensation insurance against loss or damage resulting from accident to, or injury, fatal or non-fatal, suffered by an employe for which the person insured is liable or against medical, hospital, surgical and funeral expenses incurred by or on behalf of the employe accidentally injured as provided for in clause (14), subdivision (c) of section 202.

(c)(5) to insure steam boilers, and pipes, flywheels, engines, and machinery connected therewith or operated thereby, against loss caused by explosion or accident; and against loss of or damage to life, person, or property resulting therefrom; and against loss of use and occupancy caused thereby; and to make inspection of, and issue certificates of inspection upon, such boilers, pipes, flywheels, engines, and machinery.

(c)(6) to insure against loss or damage by burglary, larceny, theft, robbery, forgery, fraud, vandalism or malicious mischief (or any one or more of such hazards), and to insure against any and all kinds of loss or destruction of, or damage to, moneys, securities, currencies, scrip, coins,

bullion, bonds, notes, drafts, acceptance drafts, bills of exchange, and other valuable papers or documents, except while in the custody or possession of, and being transported by, a carrier for hire or in the mail, and against loss or damage to automobiles and aircraft by burglary, larceny or theft, vandalism or malicious mischief, confiscation or wrongful conversion, disposal or concealment, whether held under conditional sale contract or subject to chattel mortgages, or otherwise, or any one or more of such hazards.

(c)(8) to insure any goods or premises against loss or damage by water or other fluid, caused by the breakage or leakage of sprinklers, pumps, or other apparatus erected for extinguishing fires, or of other conduits or containers, or of water pipes, or caused by casual water entering through leaks or openings in buildings; and against accidental injury, from causes other than fire or lightning, to such sprinklers, pumps, water pipes, conduits, containers, or other apparatus; and against damage from use or occupancy of premises by reason of such loss or damage.

(c)(9) to insure against loss or damage to elevators or other property, except loss or damage by fire, caused by the maintenance, operation, or use of elevators and machinery; loss or legal liability for damage to property resulting from such operation, maintenance, or use of elevators.

(c)(13) to insure by means of an all-risk type of policy, commonly known as "The Personal Property Floater Policy," against all risks of loss of or damage to personal property owned by any individual other than merchandise, motor vehicles, aircraft, water-craft (excepting canoes, rowboats, sailboats less than twenty-one feet in length and outboard motor boats), or, personal property, pertaining to the business, trade or profession of the insured (excepting professional books, instruments and other professional equipment owned by the insured).

THIRD: The address of the corporation's registered office in this Commonwealth is 74 West Broad Street, Suite 300, Bethlehem, PA 18018.

FOURTH: The corporation is incorporated under the provisions of the Insurance Company Law of 1921, as amended.

FIFTH: The basis on which the corporation is organized is the stock share basis. The purpose of the corporation is to engage in all lawful businesses of insurance, and to have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which corporations may be incorporated under the Insurance Company Law of 1921, as amended, and the Business Corporation Law of 1988, as amended.

- SIXTH:** The aggregate number of shares which this corporation shall have the authority to issue consist of One Thousand (1,000) Shares of voting Common Stock, par value \$950.00 per share having one (1) vote per share.
- SEVENTH:** The corporation shall indemnify every director and officer, and may indemnify any employee or agent, to the fullest extent permitted by the Pennsylvania Business Corporation Law of 1988, as amended, and any other present or future provision of Pennsylvania law. The corporation shall pay and advance expenses to directors and officers for matters covered by indemnification to the fullest extent permitted by such law. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Laws, Agreement, vote of Shareholders or otherwise.
- EIGHTH:** The power to alter, amend or repeal the corporation's By-Laws shall be vested in the Board of Directors. The number of directors of the corporation shall be determined in a manner as specified in the By-Laws of the corporation.
- NINTH:** The Effective Date of these Amended and Restated Articles of Incorporation shall be December 31, 2014 at 11:59 p.m.
- TENTH:** The Shareholders of the corporation shall not have cumulative voting rights.

D

SHAREHOLDERS AGREEMENT

This Shareholders Agreement (as executed and as it may be amended, modified, supplemented or restated from time to time, as provided herein, this “**Agreement**”), dated as of [CLOSING DATE], is entered into among Saucon Holding Company, a Pennsylvania corporation (the “**Company**”), each Person identified on **Schedule A** hereto and executing a signature page hereto (each, an “**Original Shareholder**” and, collectively, the “**Original Shareholders**”) and each other Person who after the date hereof acquires securities of the Company and agrees to become a party to, and bound by, this Agreement as a Shareholder by executing a Joinder Agreement. All parties to this Agreement other than the Company are each referred to herein as a “**Shareholder**” and, collectively, the “**Shareholders.**”

BACKGROUND

- A. The Original Shareholders are all of the shareholders of the Company.
- B. The Company and the Shareholders desire to enter into this Agreement to govern their mutual relationships, including provisions relating to the transfer of shares of capital stock of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions. When used in this Agreement with initial capital letters, the following terms have the meanings specified or referred to in this **Section 1.01**:

“**Additional Allotment Availability Notice**” has the meaning set forth in **Section 4.03(e)(iv)**.

“**Additional Allotment Exercise Notice**” has the meaning set forth in **Section 4.03(e)(iv)**.

“**Additional Allotment Option Period**” has the meaning set forth in **Section 4.03(e)(iv)**.

“**Agreed Company Value**” means an amount, as of any time, equal to (i) \$3,250,000 plus (ii) the cumulative increase in the net book value of the Company’s assets, on a consolidated basis with the Company’s Subsidiaries, since December 31, 2014, as set forth in the Company’s audited consolidated financial statements for all of the completed fiscal years from December 31, 2014 until the time in question (it being acknowledged that the amount referred to in this clause (ii) may be a negative number). *[Note that this definition of “Agreed Company Value” means*

that for purposes of the buy-sell provision in Article III, the price per share will initially be \$1.00 per share but will be subject to change as the consolidated book value changes.]

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

“**Applicable Law**” means all applicable provisions of (a) constitutions, treaties, statutes, laws (including the common law), rules, regulations, decrees, ordinances, codes, proclamations, declarations or orders of any Governmental Authority; (b) any consents or approvals of any Governmental Authority; and (c) any orders, decisions, advisory or interpretative opinions, injunctions, judgments, awards, decrees of, or agreements with, any Governmental Authority.

“**Board**” means the board of directors of the Company.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which commercial banks in Bethlehem, Pennsylvania are authorized or required to close.

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

“**Company Confidential Information**” means any confidential and proprietary information of the Company or of any Subsidiary of the Company or any of their respective clients, including without limitation customer lists, data, business plans, know-how, trade secrets, and other proprietary and confidential information or material, whether or not explicitly labeled as such, in each case so long as it is neither generally known nor readily ascertainable by the public.

“**Company Exercise Notice**” has the meaning set forth in **Section 4.03(e)(ii)**.

“**Company Option Period**” has the meaning set forth in **Section 4.03(e)(ii)**.

“**Excluded Issuance**” means an issuance or sale of any capital stock of the Company or Stock Equivalents in connection with: (a) a grant to any existing or prospective Directors, officers or other employees of the Company or any Subsidiary of the Company pursuant to a stock option plan or similar equity-based plans or other compensation agreement; (b) the exercise of any warrants or other rights to acquire capital stock of the Company; (c) any acquisition by the Company or any Subsidiary of the Company of any equity interests, assets, properties or business of any Person; (d) any merger, consolidation or other business combination involving the Company or any Subsidiary of the Company; (e) the commencement of any public offering of the securities of the Company that is registered under the Securities Act; (f) any subdivision of capital stock of the Company (by a split of capital stock of the Company or otherwise), payment of stock dividend, reclassification, reorganization or any similar recapitalization; (g) any private placement of warrants to purchase capital stock of the Company to lenders or other institutional investors (excluding the Shareholders) in any arm’s length transaction in which such lenders or investors provide debt financing to the Company or any Subsidiary of the Company; (h) a joint venture, strategic alliance or other commercial relationship with any Person (including Persons that are customers, suppliers and strategic

partners of the Company or any Subsidiary of the Company) relating to the operation of the Company's or any Subsidiary of the Company's business and not for the primary purpose of raising equity capital; or (i) any office lease or equipment lease or similar equipment financing transaction in which the Company or any Subsidiary of the Company obtains from a lessor or vendor the use of such office space or equipment for its business. *[Note- the significance of this definition is that pre-emptive rights do not apply to these transactions.]*

"Deceased Shareholder Put Notice" has the meaning set forth in **Section 3.01**.

"Exercising Shareholder" has the meaning set forth in **Section 4.03(e)(iv)**.

"Family Members" has the meaning set forth in **Error! Reference source not found.**

"First Offer Notice" has the meaning set forth in **Section 4.03(a)**.

"Fully Diluted Basis" means, as of any date of determination: all shares of issued and outstanding capital stock of the Company and all shares of capital stock of the Company issuable upon the exercise or conversion of any outstanding Stock Equivalents as of such date, whether or not such Stock Equivalent is at the time exercisable or convertible that are issuable upon the conversion or exercise of any outstanding Stock Equivalents as of such date, whether or not such Stock Equivalent is at the time exercisable or convertible.

"Fully Exercising Shareholder" has the meaning set forth in **Section 2.01(d)**.

"Governmental Authority" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of law), or any arbitrator, court or tribunal of competent jurisdiction.

"Initial Shareholder" means each Person identified as a Shareholder as of the date hereof.

"Issuance Notice" has the meaning set forth in **Section 2.01(b)**.

"Joinder Agreement" means a joinder agreement with the Company that is reasonably satisfactory to the Company under which the Transferee joins and becomes a party to this agreement.

"New Securities" means any authorized but unissued shares of capital stock or any Stock Equivalents.

"Offered Stock" has the meaning set forth in **Section 4.03(a)**.

“**Offering Shareholder**” has the meaning set forth in **Section 4.03(a)**.

“**Over-allotment Exercise Period**” has the meaning set forth in **Section 2.01(d)**.

“**Over-allotment Notice**” has the meaning set forth in **Section 2.01(d)**.

“**Permitted Transfer**” means a Transfer of capital stock of the Company or Stock Equivalents carried out pursuant to **Section 4.02**.

“**Permitted Transferee**” means a recipient of a Permitted Transfer.

“**Person**” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

“**Pre-emptive Acceptance Notice**” has the meaning set forth in **Section 2.01(c)**.

“**Pre-emptive Exercise Period**” has the meaning set forth in **Section 2.01(c)**.

“**Pro Rata Portion**” means, for any Shareholder as of any particular time, a fraction determined by dividing (a) the number of shares of capital stock of the Company on a Fully Diluted Basis owned by such Shareholder immediately prior to such time by (b) the aggregate number of shares of capital stock of the Company on a Fully Diluted Basis owned by all of the Shareholders immediately prior to such time.

“**Prospective Purchaser**” has the meaning set forth in **Section 2.01(b)**.

“**Prospective Transferee**” has the meaning set forth in **Section 4.03(a)**.

“**Remaining New Securities**” has the meaning set forth in **Section 2.01(d)**.

“**Securities Act**” means the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations thereunder, which are in effect at the time.

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

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

“**Shareholder Exercise Notice**” has the meaning set forth in **Section 4.03(e)(iii)**.

“**Shareholder Option Period**” has the meaning set forth in **Section 4.03(e)(iii)**.

“**Stock Equivalents**” means any stock option and any other security or obligation that is by its terms, directly or indirectly, convertible into or exchangeable or exercisable for shares of capital stock of the Company, and any option, warrant or other right to subscribe for, purchase or

acquire shares of capital stock of the Company or Stock Equivalents (disregarding any restrictions or limitations on the exercise of such rights).

“**Subsidiary**” means, with respect to any Person, any other Person of which a majority of the outstanding shares or other equity interests having the power to vote for directors or comparable managers are owned, directly or indirectly, by the first Person.

“**Transfer**” means to, directly or indirectly, sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of, either voluntarily or involuntarily, by operation of law or otherwise, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance, hypothecation or similar disposition of, any shares of capital stock of the Company or Stock Equivalents owned by a Person or any interest (including a beneficial interest) in any capital stock of the Company or Stock Equivalents owned by a Person. “**Transfer**,” when used as a noun, have a correlative meaning.

“**Transfer Offer**” has the meaning set forth in **Section 4.03(a)(iii)**.

“**Transferee**” means a recipient of, or proposed recipient of, a Transfer, including a Permitted Transferee or a Prospective Transferee.

“**Transferor**” means a Shareholder who makes a Transfer.

Section 1.02 Interpretation. For purposes of this Agreement: (a) the words “include,” “includes” and “including” are to be deemed to be followed by the words “without limitation;” (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. The definitions given for any defined terms in this Agreement apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Exhibits and Schedules mean the Articles and Sections of, and Exhibits and Schedules attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement is to be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Exhibits and Schedules referred to herein are to be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

ARTICLE II
PRE-EMPTIVE RIGHTS

Section 2.01 Pre-emptive Right.

(a) **Issuance of New Securities.** The Company hereby grants to each Shareholder a separate right to purchase its Pro Rata Portion (subject to its over-allotment option in **Section 2.01(d)** below) of any New Securities that the Company may from time to time propose to issue or sell to any party; *provided*, that the provisions of this **Section 2.01** will not apply to any Excluded Issuance.

(b) **Additional Issuance Notices.** The Company shall give written notice (an “**Issuance Notice**”) of any proposed issuance or sale of New Securities described in **Section 2.01(a)** to the Shareholders within 5 days following any meeting of the Board at which any such issuance or sale is approved. If applicable, the Issuance Notice is to be accompanied by a written offer from any prospective purchaser seeking to purchase the applicable New Securities (a “**Prospective Purchaser**”) and is to set forth the material terms and conditions of the proposed issuance or sale, including:

- (i) the number and description of New Securities proposed to be issued;
- (ii) the proposed issuance date, which is to be at least twenty (20) days from the date of the Issuance Notice;
- (iii) the proposed purchase price per share of New Securities and all other material terms of the offer or sale; and
- (iv) if the consideration to be paid by the Prospective Purchaser includes non-cash consideration, the fair market value thereof, as determined in good faith by the Board.

(c) **Exercise of Pre-emptive Rights.** Each Shareholder will for a period of 10 days following the receipt of an Issuance Notice (the “**Pre-emptive Exercise Period**”) have the right to elect irrevocably to purchase all or any portion of its Pro Rata Portion of any New Securities on the terms and conditions, including the purchase price, set forth in the Issuance Notice by delivering a written notice to the Company (a “**Pre-emptive Acceptance Notice**”) specifying the number of New Securities it desires to purchase up to its Pro Rata Portion. The delivery of a Pre-emptive Acceptance Notice by a Shareholder will be a binding and irrevocable offer by such Shareholder to purchase the New Securities described therein. The failure of a Shareholder to deliver a Pre-emptive Acceptance Notice by the end of the Pre-emptive Exercise Period will constitute a waiver of its rights under this **Section 2.01(c)** with respect to the purchase of such New Securities, but will not affect its rights with respect to any future issuances or sales of New Securities.

(d) **Over-allotment.** No later than 5 days following the expiration of the Pre-emptive Exercise Period, the Company shall give written notice (the “**Over-allotment Notice**”) to each

Shareholder specifying the number of New Securities that each Shareholder has agreed to purchase (including, for the avoidance of doubt, where such number is zero) and the aggregate number of remaining New Securities, if any, not elected to be purchased by the Shareholders pursuant to **Section 2.01(c)** (the “**Remaining New Securities**”). Each Shareholder exercising its rights to purchase its Pro Rata Portion of the New Securities in full (a “**Fully Exercising Shareholder**”) will have a right of over-allotment such that if there are any Remaining New Securities, such Fully Exercising Shareholder may purchase all or any portion of its pro rata portion of the Remaining New Securities, based on the relative Pro Rata Portions of all Fully Exercising Shareholders. Each Fully Exercising Shareholder may elect to purchase its allotment of Remaining New Securities by giving written notice to the Company specifying the number of Remaining New Securities it desires to purchase within 5 days of receipt of the Over-allotment Notice (the “**Over-allotment Exercise Period**”).

(e) **Sales to the Prospective Purchaser.** Following the expiration of the Pre-emptive Exercise Period and, if applicable, the Over-allotment Exercise Period, the Company will be free to complete the proposed issuance or sale of New Securities described in the Issuance Notice with respect to which Shareholders declined to exercise the pre-emptive right set forth in this **Section 2.01** on terms no less favorable to the Company than those set forth in the Issuance Notice (except that the amount of New Securities to be issued or sold by the Company may be reduced); *provided*, that: (i) such issuance or sale is closed within 60 days after the expiration of the Pre-emptive Exercise Period and, if applicable, the Over-allotment Exercise Period; and (ii) for the avoidance of doubt, the price at which the New Securities are sold to the Prospective Purchaser is at least equal to or higher than the purchase price described in the Issuance Notice. In the event the Company has not sold such New Securities within such time period, the Company may not thereafter issue or sell any New Securities without first again offering such securities to the Shareholders in accordance with the procedures set forth in this **Section 2.01**.

(f) **Closing of the Issuance.** The closing of any purchase by any Shareholder is to be consummated concurrently with the consummation of the issuance or sale described in the Issuance Notice. Upon the issuance or sale of any New Securities in accordance with this **Section 2.01**, the Company shall deliver the New Securities in certificated form, free and clear of any liens (other than those arising hereunder and those attributable to the actions of the purchasers thereof), and the Company shall so represent and warrant to the purchasers thereof, and further represent and warrant to such purchasers that such New Securities will be, upon issuance thereof to such purchasers and after payment therefor, duly authorized, validly issued, fully paid and non-assessable. Each Shareholder shall deliver to the Company the purchase price for the New Securities purchased by it by certified or bank check or wire transfer of immediately available funds. Each party to the purchase and sale of New Securities shall take all such other actions as may be reasonably necessary to consummate the purchase and sale including, without limitation, entering into such additional agreements as may be necessary or appropriate.

ARTICLE III
BUY-SELL

Section 3.01 Death of Shareholder. Upon the death of a Shareholder, the Shareholder's personal representative may, within 60 days following the date of death, deliver a written notice to the Company (the "**Deceased Shareholder Put Notice**"), whereupon the Company shall purchase all of the deceased Shareholder's shares of capital stock of the Company at the price and on the terms set forth in **Section 3.03**. If no Deceased Shareholder Put Notice is delivered by the personal representative of a deceased Shareholder within the aforesaid 60-day period, then the Company will not be obligated to purchase that deceased Shareholder's shares under this Article III.

Section 3.02 Termination of Shareholder's Status as a Director or Officer of the Company. If a Shareholder is a director or an officer of the Company and, for any reason, that Shareholder's status as a director or officer of the Company terminates, then within the time period specified in **Section 3.03** the Company may, but subject to **Section 3.01** will not be required to, purchase all of the affected Shareholder's shares of capital stock of the Company at the price and on the terms set forth in **Section 3.03**.

Section 3.03 Price and Terms of a Purchase of Shares Under Section 3.01 or Section 3.02. In the event of a purchase of shares of capital stock of the Company under **Section 3.01** or **Section 3.02**, the purchase price per share will be an amount equal to the greater of (A) \$1.00 per share; or (B) (i) the Agreed Company Value as of the date of death or termination, as applicable, divided by (ii) the number of outstanding shares of capital stock of the Company on a Fully Diluted Basis as of the date of death or termination, as applicable; and the closing of such purchase is to occur at a date and time specified by the Company (not more than 120 days following the date of death or the date of termination of the affected Shareholder's status as a director or officer, as applicable), and all of the affected Shareholder's shares of capital stock of the Company are to be deemed to have been repurchased at the closing. At the closing, the Company shall pay the purchase price for the shares in question either, at the Company's option, in a lump sum in cash or in the form of the Company's promissory note providing for principal payments in five equal annual installments on the first, second, third, fourth and fifth anniversaries of the closing date, with each installment bearing interest at the mid-term applicable federal rate in effect on the closing date. Notwithstanding the foregoing, if at any time the Board determines in good faith that the Company does not have sufficient available cash to pay in full, or is restricted by law from paying in full, any installment due on any note described in this **Section 3.03**, the Company may defer the payment of that installment until such time as the Board determines in good faith that the Company has sufficient available cash to pay that installment or is otherwise permitted by law to pay it, whereupon the Company will pay it. Each Shareholder hereby irrevocably appoints the officers of the Company as such Shareholder's true and lawful attorney in the name, place and stead of such Shareholder, such appointment being coupled with an interest, to execute, sign, acknowledge and file all papers which are necessary or desirable to effect any sale of that Shareholder's shares under this **Section 3.03**.

Section 3.04 Life Insurance. The Company may, but will not be required to, procure and maintain a life insurance policy with respect to any one or more Shareholders in order to permit the Company to apply the proceeds of such insurance policy to the purchase price for shares under **Section 3.01**. If the proceeds of any such insurance policy exceed the purchase price for such Shareholder's shares, the Company may retain the excess.

ARTICLE IV TRANSFER

Section 4.01 General Restrictions on Transfer.

(a) **Shareholders.** Each Shareholder acknowledges and agrees that such Shareholder (or any Permitted Transferee of such Shareholder) may not Transfer any shares of capital stock of the Company except:

(i) With the prior written consent of the Board (and in compliance with whatever conditions and procedures the Board specifies);

(ii) pursuant to **Section 4.02**; or

(iii) in compliance with **Section 4.03**.

(b) **Other Transfer Restrictions.** Notwithstanding any other provision of this Agreement (including **Section 4.02** and **Section 4.03**), each Shareholder agrees that it will not, directly or indirectly, Transfer any of its capital stock of the Company or Stock Equivalents, and the Company agrees that it may not issue any capital stock of the Company or Stock Equivalents:

(i) unless any required approvals from the Pennsylvania Insurance Department have been duly obtained, and any filings required to be made with the Pennsylvania Insurance Department by the Company, the Transferor, the Transferee or any other Person in connection with such Transfer or issuance have been duly made;

(ii) except as permitted under the Securities Act and other applicable federal or state securities or blue sky laws, and then, with respect to a Transfer of capital stock of the Company or Stock Equivalents, if requested by the Company, only upon delivery to the Company of a written opinion of counsel in form and substance satisfactory to the Company to the effect that such Transfer may be effected without registration under the Securities Act;

(iii) if such Transfer or issuance would cause the Company or any of the Company Subsidiaries to be required to register as an investment company under the Investment Company Act of 1940, as amended; or

(iv) if such Transfer or issuance would cause the assets of the Company or any Subsidiary of the Company to be deemed "Plan Assets" as defined under the Employee

Retirement Income Security Act of 1974 or its accompanying regulations or result in any “prohibited transaction” thereunder involving the Company or any Subsidiary of the Company.

(c) **Joinder Agreement.** No Transfer of capital stock of the Company or Stock Equivalents pursuant to any provision of this Agreement may be deemed completed until the Transferee has entered into a Joinder Agreement.

(d) **Transfers in Violation of this Agreement.** Any Transfer or attempted Transfer of any capital stock of the Company or Stock Equivalents in violation of this Agreement, including any failure of a Transferee, as applicable, to enter into a Joinder Agreement pursuant to **Section 4.01(c)** above, will be null and void, no such Transfer may be recorded on the Company’s books and the purported Transferee in any such Transfer is not to be treated (and the Shareholder proposing to make any such Transfer is to continue be treated) as the owner of such capital stock of the Company or Stock Equivalents for all purposes of this Agreement.

Section 4.02 Permitted Transfers. Subject to **Section 4.01** above, including the requirement to enter into a Joinder Agreement pursuant to **Section 4.01(c)** above, the provisions of **Section 4.03** will not apply to any Transfer by any Shareholder of any of its capital stock of the Company or Stock Equivalents, to:

- (a) such Shareholder’s spouse, descendants (including adoptive relationships and stepchildren) and the spouses of each such natural persons (collectively, “**Family Members**”);
- (b) a trust under which the distribution of capital stock of the Company may be made only to such Shareholder and/or any Family Members of such Shareholder;
- (c) a charitable remainder trust, the income from which will be paid only to such Shareholder during his life;
- (d) a corporation, partnership or limited liability company, the shareholders, partners or members of which are only such Shareholder and/or Family Members of such Shareholder; or
- (e) such Shareholder’s executors, administrators, testamentary trustees, legatees or beneficiaries for bona fide estate planning purposes, either by will or by the laws of intestate succession.

Section 4.03 Right of First Offer.

(a) **Offered Stock.** Before making a Transfer of shares of capital stock of the Company under this **Section 4.03**, in addition to complying with all of the relevant requirements of **Section 4.01**, the Shareholder who proposes to make the Transfer (the “**Offering Shareholder**”) must deliver a written notice (the “**First Offer Notice**”) to the Company and to all of the other Shareholders, which First Offer Notice must specify:

- (i) the applicable aggregate number of shares proposed to be Transferred by the Offering Shareholder (the “**Offered Stock**”); and

(ii) the purchase price per share for the Offered Stock and the other material terms and conditions of the Transfer Offer.

(b) The First Offer Notice will constitute the Offering Shareholder's offer to Transfer all of the Offered Stock to the Company and the other Shareholders in accordance with the provisions of this **Section 4.03**, which offer will be irrevocable until the end of the Shareholder Option Period described in **Section 4.03(e)(iii)**.

(c) By delivering the First Offer Notice, the Offering Shareholder represents and warrants to the Company and each other Shareholder that:

(i) the Offering Shareholder has full right, title and interest in and to the Offered Stock described in the First Offer Notice;

(ii) the Offering Shareholder has all the necessary power and authority and has taken all necessary action to Transfer the Offered Stock described in the First Offer Notice as contemplated by this **Section 4.03**; and

(iii) the Offered Stock described in the First Offer Notice is free and clear of any and all liens other than those arising as a result of or under the terms of this Agreement.

(d) **Exception for Permitted Transfers.** Notwithstanding anything herein to the contrary, the right of first refusal in **Section 4.03(a)** will not apply to any Transfer Offer or Transfer of Shares (or applicable Stock Equivalents) that are permitted by and made in accordance with **Section 4.02**.

(e) **Exercise of Right of First Offer; Over-Allotment Option.**

(i) Upon receipt of the First Offer Notice, the Company and each other Shareholder will have the right to purchase the Offered Stock on the terms and at the purchase price set forth in the First Offer Notice in the following order of priority: *first*, the Company will have the right to purchase all or any portion of Offered Stock in accordance with the procedures set forth in **Section 4.03(e)(ii)**, and *thereafter*, to the extent the Company does not exercise its right in full, the other Shareholders will collectively have the right to purchase up to all of the Offered Stock in accordance with the procedures set forth in **Section 4.03(e)(iii)** and **Section 4.03(e)(iv)**.

(ii) The Company may exercise its initial right to purchase any Offered Stock by delivering a written notice (the "**Company Exercise Notice**") to the Offering Shareholder and the other Shareholders within 30 days of receipt of the First Offer Notice (the "**Company Option Period**"), stating the applicable number(s) (including where such number is zero) of shares of Offered Stock the Company elects to purchase on the terms and purchase price(s) set forth in the First Offer Notice. The Company Exercise Notice will be binding upon delivery and irrevocable by the Company. If the Company fails to deliver a Company Exercise Notice within the 30-day period then the Company will be deemed to have delivered a Company Exercise

Notice, upon the expiration of that period, stating that the Company elects not to purchase any Offered Stock.

(iii) If the Company does not elect to purchase all of the Offered Stock, the other Shareholders may purchase the remaining Offered Stock not elected to be purchased by the Company. For a period of 30 days following the receipt of a Company Exercise Notice in which the Company has elected to purchase less than all the Offered Stock (such period, the “**Shareholder Option Period**”), each other Shareholder may elect to purchase all or any portion of its Pro Rata Portion of remaining Offered Stock by delivering a written notice to the Company and the Offering Shareholder (a “**Shareholder Exercise Notice**”) stating the applicable number(s) (including where such number is zero) of shares of Offered Stock that such Shareholder elects to purchase on the terms and purchase price(s) set forth in the First Offer Notice. The Shareholder Exercise Notice will be binding upon delivery and irrevocable by the Shareholder delivering it. If any Shareholder fails to deliver a Shareholder Exercise Notice within the 30-day period then that Shareholder will be deemed to have delivered a Shareholder Exercise Notice, upon the expiration of that period, stating that that Shareholder elects not to purchase any Offered Stock.

(iv) If the other Shareholders pursuant to **Section 4.03(e)(iii)** do not, in the aggregate, elect to purchase all of the remaining Offered Stock not purchased by the Company, each Shareholder electing pursuant to **Section 4.03(e)(iii)** to purchase its entire Pro Rata Portion of remaining Offered Stock (each, an “**Exercising Shareholder**”) may purchase all or any portion of any remaining Offered Stock not elected to be purchased by the Company and the other Shareholders. As promptly as practicable following the Shareholder Option Period, the Offering Shareholder shall deliver a written notice to each Exercising Shareholder (an “**Additional Allotment Availability Notice**”) stating the number(s) and type(s) of remaining Offered Stock available for purchase following the Shareholder Exercise Period. For a period of 30 days following the receipt of an Additional Allotment Availability Notice (such period, the “**Additional Allotment Option Period**”), each Exercising Shareholder may elect to purchase all or any portion of remaining Offered Stock by delivering a written notice to the Company and the Offering Shareholder (an “**Additional Allotment Exercise Notice**”) specifying the number(s) and type(s) of additional remaining Offered Stock it desires to purchase on the terms and applicable purchase price(s) set forth in the First Offer Notice. The Additional Allotment Exercise Notice will be binding upon delivery and irrevocable by the Exercising Shareholder.

(v) The failure of the Company or any Shareholder to deliver a Company Exercise Notice or a Shareholder Exercise Notice, respectively, by the end of the Company Option Period or the Shareholder Option Period, respectively, will constitute a waiver by the Company or that Shareholder, as applicable, of the applicable rights of first refusal under this **Section 4.03** with respect to the Transfer of the Offered Stock pursuant to that First Offer Notice, but will not affect their respective rights with respect to any future Transfers.

(f) **Allocation of Offered Stock.** Upon the expiration of the Shareholder Option Period or, if applicable, the expiration of the Additional Allotment Option Period, the remaining

Offered Stock not selected for purchase in its entirety by the Company pursuant to **Section 4.03(e)(ii)** is to be allocated for purchase among the Exercising Shareholders in accordance with their respective Pro Rata Portions or as they may otherwise mutually agree.

(g) **Consummation of Sale to the Company and/or Other Shareholders.** If the Company and/or the other Shareholders have, in the aggregate, exercised their respective rights to purchase any of the Offered Stock, then the Offering Shareholder shall sell such Offered Stock to the Company and/or such other Shareholders, and the Company and/or such other Shareholders, as the case may be, shall purchase such Offered Stock, within 60 days following the expiration of the Shareholder Option Period or, if applicable, the Additional Allotment Option Period (either of which period may be extended for a reasonable time to the extent reasonably necessary to make any required filings with and/or obtain required approvals or consents from, the Pennsylvania Insurance Department and/or any other Governmental Authority). Each Shareholder shall take all actions as may be reasonably necessary to consummate the sale contemplated by this **Section 4.03(g)**, including, without limitation, entering into agreements and delivering certificates and instruments and consents as may be deemed necessary or appropriate. At the closing of any sale and purchase pursuant to this **Section 4.03(g)**, the Offering Shareholder shall deliver to the Company and/or the participating Shareholders certificates representing the Offered Stock to be sold, free and clear of any liens or encumbrances (other than those contained in this Agreement), accompanied by evidence of transfer, against receipt of the purchase price therefor from the Company and/or such Shareholders by certified or official bank check or by wire transfer of immediately available funds.

(h) **Sale to Third Party.** If the Company and/or the other Shareholders have not collectively elected to purchase all of the Offered Stock, then, provided the Offering Shareholder has also complied with the provisions of **Section 4.01**, to the extent applicable, the Offering Shareholder may Transfer the remaining Offered Stock to a third party, at a price per share not less than that specified in the First Offer Notice and on other terms and conditions which are not materially more favorable in the aggregate to the purchaser than those specified in the First Offer Notice, but only to the extent that such Transfer occurs within 90 days after expiration of the Shareholder Option Period or, if applicable, the Additional Allotment Option Period. Any Offered Stock not Transferred within such 90-day period will be subject to the provisions of this **Section 4.03** upon subsequent Transfer.

ARTICLE V COVENANTS

Section 5.01 Company Confidential Information. Each Shareholder must at all times from and after the date of this Agreement hold in strict confidence all Company Confidential Information that they possess or acquire and, except as required by applicable law, may not use or disclose such Company Confidential Information to any Person except on behalf of the company or otherwise in accordance with the Company's normal business practices. The

covenant in this **Section 5.01** survives the termination of any Shareholder's status as a shareholder of the Company.

Section 5.02 Regulatory Requirements. Each Shareholder must at all times take such actions, make such filings, and use its respective best efforts to enable the Company to take such actions and make such filings (including providing information to the Company), so as to comply and to cause the Company to comply with the filing and reporting requirements of the insurance laws of Pennsylvania or as otherwise required by the Pennsylvania Insurance Department.

Section 5.03 Limitation of Ownership of Shares of Insurance Company. For so long as each Shareholder is a shareholder of the Company, such Shareholder may not directly or indirectly acquire or hold shares of capital stock representing 10% or more of the voting capital stock of any insurance company other than any Subsidiary of the Company.

ARTICLE VI MISCELLANEOUS

Section 6.01 Expenses. All costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with the preparation and execution of this Agreement, or any amendment or waiver hereof, and the transactions contemplated hereby are to be paid by the party incurring such costs and expenses.

Section 6.02 Further Assurances. In connection with this Agreement and the transactions contemplated hereby, the Company and each Shareholder hereby agrees, at the request of the Company or any other Shareholder, to execute and deliver such additional documents, instruments, conveyances and assurances and to take such further actions as may be required to carry out the provisions hereof and give effect to the transactions contemplated hereby.

Section 6.03 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder are to be in writing and will 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 facsimile or 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 day after the date mailed, by 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 is specified in a notice given in accordance with this **Section 6.03**):

If to the Company:	74 W. Broad Street Suite 300 Bethlehem, PA 18018
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Facsimile: 610.317.0998
Attn: Chief Executive Officer

If to a Shareholder, to such Shareholder's respective mailing address as set forth on **Schedule A**.

Section 6.04 Headings. The headings in this Agreement are inserted for convenience or reference only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Agreement or any provision of this Agreement.

Section 6.05 Severability. If any term or provision of this Agreement is held to be invalid, illegal or unenforceable under Applicable Law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect 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.

Section 6.06 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 supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

Section 6.07 Successors and Assigns; Assignment. Subject to the rights and restrictions on Transfers set forth in this Agreement, this Agreement will be binding upon and will inure to the benefit of the parties hereto and their respective permitted successors and permitted assigns.

Section 6.08 No Third-party Beneficiaries. This Agreement is for the sole benefit of the parties hereto (and their respective heirs, executors, administrators, successors and assigns) and nothing herein, express or implied, is intended to or will confer upon any other Person, including any creditor of the Company, any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 6.09 Amendment. No provision of this Agreement may be amended or modified except by an instrument in writing executed by the Company and Shareholders holding **[a majority]** of the issued and outstanding shares of capital stock of the Company. Any such written amendment or modification will be binding upon the Company and each Shareholder.

Section 6.10 Waiver. No waiver by any party of any of the provisions hereof will be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party will operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and

whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement will operate or be construed as a waiver thereof, nor will 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. For the avoidance of doubt, nothing contained in this **Section 6.10** will diminish any of the explicit and implicit waivers described in this Agreement, including in, **Section 4.03(e)(v)**, and **Section 6.12** hereof.

Section 6.11 Governing Law. All issues and questions concerning the application, construction, validity, interpretation and enforcement of this Agreement are to be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without giving effect to any choice or conflict of law provision or rule (whether of the Commonwealth of Pennsylvania or any other jurisdiction).

Section 6.12 Waiver of Jury Trial. Each party hereto hereby acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.

Section 6.13 Equitable Remedies. Each party hereto acknowledges that a breach or threatened breach by such party of any of its obligations under this Agreement would give rise to irreparable harm to the other parties, for which monetary damages would not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by such party of any such obligations, each of the other parties hereto will, in addition to any and all other rights and remedies that may be available to them in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond).

Section 6.14 Remedies Cumulative. The rights and remedies under this Agreement are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise.

Section 6.15 Counterparts. This Agreement may be executed in counterparts, each of which is to be deemed an original, but all of which together are to be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission is to be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 6.16 Legend. In addition to any other legend required by Applicable Law, all certificates representing issued and outstanding capital stock of the Company will bear a legend substantially in the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A SHAREHOLDERS AGREEMENT AMONG THE COMPANY AND ITS SHAREHOLDERS, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH SHAREHOLDERS AGREEMENT.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT EFFECTIVE UNDER SUCH ACT AND LAWS, OR (B) PURSUANT TO AN EXEMPTION FROM REGISTRATION THEREUNDER.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

The Company:

Saucon Holding Company

By: _____

Name:

Title:

[Shareholder Name]

By: _____

Name:

[Shareholder Name]

By: _____

Name:

SCHEDULE A
SHAREHOLDERS

Shareholder Name and Address
[NAME AND ADDRESS]
[NAME AND ADDRESS]
[NAME AND ADDRESS]

E

SAUCON
INSURANCE COMPANY

BY-LAWS

I. SHAREHOLDER MEETINGS

Section 1. **Annual Meeting.** The annual meeting of the shareholders of the Company shall be held at its principal office or other place specified in the notice of meeting at such time during the fiscal year of the Company that is selected by the Board of Directors each year for the purpose of electing Directors of the Company as hereinafter provided and for the transaction of such other business as may be submitted for the consideration of the shareholders.

Section 2. **Notice of Annual Meeting.** The Secretary shall give the shareholders notice of the time and place of the annual meeting by any means permitted by Pennsylvania law at least 30 days in advance.

Section 3. **Special Meetings.** The Board of Directors (hereinafter "**Board**") may, and at the written request of one or more shareholders who hold at least one tenth part in interest of the capital stock entitled to vote at such meeting it shall, call special meetings of the shareholders to be held at the principal office of the Company (or at such other place as the Board may specify) and fix the time (including the hour) and the purposes of such meeting.

Section 4. **Notice of Special Meeting.** The Secretary shall give shareholders notice of the time, place and purpose of any special meeting by any means permitted by Pennsylvania law at least 30 days in advance.

Section 5. **Quorum.** The holders of a majority in interest of all stock issued, outstanding and entitled to vote at a meeting shall constitute a quorum at any annual or special meeting of the shareholders.

Section 6. **Voting and Proxies.** Shareholders shall have one vote for each share of stock entitled to vote held by them of record according to the records of the Company and a proportionate vote for any fractional share so held by them. Shareholders may vote either in person or by written proxy dated not more than six months before the meeting named therein. Proxies shall be filed with the clerk of the meeting, or of any adjournment thereof, before being voted. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by one of them unless at or prior to exercise of the proxy the company receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a shareholder shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger.

Section 7. **Action at Meeting.** When a quorum is present, any matter before the

meeting shall be decided by vote of the holders of a majority of the shares of stock present or represented and voting on such matter, except where a larger vote is required by law, by the Articles of Incorporation of the Company (the "*Articles*") or by these By-laws. No ballot shall be required for any election unless requested by a shareholder present or represented at the meeting and entitled to vote in the election. The Company shall not directly or indirectly vote any share of its own stock.

Section 8. **Action Without Meeting.** Any action to be taken by shareholders may be taken without a meeting if the holders of record of a majority of the shares entitled to vote at the meeting, represented in person or by proxy, consent to the action by a writing filed with the records of the meeting of shareholders. Such consent shall be treated for all purposes as a vote at a meeting.

II. BOARD OF DIRECTORS

Section 1. **Number.** The Company shall be managed by a Board consisting of not less than seven members nor more than eleven members as may be fixed by the Board without shareholder approval.

Section 2. **Terms.**

A. The term of office of a Director shall be three years.

B. The Board shall be divided into three Classes. There shall be an equal number of Directors in each Class as much as possible. The terms of office of at least one Class shall expire each year, and the terms of office of the respective Classes shall expire in successive years.

C. A Director may be elected to a maximum of five terms of three years; provided, however, that Directors in office in April of 2001 still serving as of the adoption of these By-laws (namely, Philip J. Bell and Susan Cooper Drabic) shall not be subject to a term limitation. As of the adoption of these By-laws concurrently with the closing of the conversion of Saucon Mutual Insurance Company into Saucon Insurance Company, all Directors then in office are to be deemed as serving in their first term as Director.

Section 3. **Qualifications.**

A. Not less than two thirds (2/3) of the Directors shall be citizens of the United States.

B. Not less than one third (1/3) of the Directors comprising the Board at any time shall be persons who are not officers or employees of the Company or of any entity controlling, controlled by or under common control with the Company and who are not beneficial owners of a controlling interest in the voting interests of the Company or of any entity controlling, controlled by or under common control of the Company, as those terms are defined in the Pennsylvania Insurance Holding Companies Act (each an "*Independent Director*").

C. A Director, other than Martin Gilchrist, shall retire as a Director at the end of such Director's term coinciding with or following the Director's 75th birthday. Martin Gilchrist, if a Director, shall retire as a Director at the end of his term coinciding with or following his 85th birthday.

Section 4. **Election of Directors.** All elections of Directors shall be by ballot. Cumulative voting shall not be applicable. The election shall be conducted by three judges chosen by the existing Board for that purpose, who shall certify, under their hands, the result of such election to be filed with the papers of the Company.

Section 5. **Election of Officers.** The Board shall hold an organizational meeting at the first meeting following the annual meeting of the shareholders. At the organizational meeting, the Board shall elect a Chair and a Vice-Chair of the Board. The Board shall also elect a President, a Secretary, a Chief Executive Officer and a Treasurer of the Company.

Section 6. **Vacancies.** The Board may fill a vacancy in any Classes of Directors, no matter how created, except if created by expiration of a Director's term. The term of a Director appointed to fill a vacancy in a particular Class will end on the day the term of that Class ends.

Section 7. **Powers and Duties.** Subject to the restrictions imposed by law, the Board may exercise all the powers of the Company. The Board may borrow money in the name of, and pledge the credit of, the Company for the purpose of paying losses, or for any other corporate purpose. The Board may, from time to time, fix the compensation to be paid to the officers, Directors, agents and employees of the Company subject to Article V Section 4. The Board shall have the power to authorize the Company to accept and insure risks under any form of policy permitted by law.

Section 8. **Quorum.** A majority of the Board, including at least one Independent Director, shall constitute a quorum at any regular or special meeting for the transaction of business at any meeting of the Board.

Section 9. **Meetings.** The Board shall regularly meet not less than six times per year. The Chair of the Board shall be responsible for establishing a meeting schedule at the beginning of each year. Special meetings of the Board may be requested by the Chair or the Chief Executive Officer.

Section 10. **Personal Liability of Directors.** A Director of the Company shall not be personally liable for monetary damages for any action taken, or any failure to take any action, unless:

(1) The Director has breached or failed to perform the duties of their office pursuant to this fiduciary relation to the Company as set forth in 15 Pa.C.S. 1712; and

(2) The breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

The provisions of this Section shall not apply to (1) the responsibility or liability of a Director pursuant to any criminal statute or (2) the liability of any Director for the payment of taxes pursuant to local, state or federal law.

The immunity and other rights and privileges set forth herein shall be construed to grant the maximum protection allowed by the laws of the Commonwealth of Pennsylvania and shall in no way be construed to be a restriction or a limitation of any other right, privilege or immunity granted by the laws of the Commonwealth of Pennsylvania.

III. OFFICERS OF THE BOARD AND THEIR DUTIES

Section 1. **Officers.** The officers of the Board shall be as follows:

A. **Chair of the Board.** It shall be the duty of the Chair to preside at all meetings of the Company and the Board and to perform such other duties as may be required by the Board.

B. **Vice Chair of the Board.** The Vice Chair shall perform the duties of the Chair in the latter's absence, and shall have such other duties as may be assigned by the Board.

Section 2. **Election and Terms of Office.** All officers of the Board shall be elected annually by the Board, and each officer shall hold office for a term of one year and thereafter until a successor has been elected and qualified or until the officer's earlier death, resignation or removal.

IV. OFFICERS OF THE COMPANY AND THEIR DUTIES

Section 1. **Officers.** The officers of the Company shall be as follows:

A. **President.** The President shall be a Director of the Company and shall be a non-voting ex-officio member of all committees of the Board with the exception of the Audit Committee and the Nominating and Compensation Committee. The President shall sign all policies and endorsements of insurance of the Company as may be required by applicable law and all papers to which the seal of the Company is affixed. The President's signature to policies and endorsements may be in facsimile.

B. **Chief Executive Officer.** The CEO shall manage the overall operation of the Company, and perform such other duties as may be required by the Board. Subject to the provision and approval of the Board, the CEO shall have general charge of the affairs of the Company.

C. **Secretary.** The Secretary shall keep complete and accurate records of the Company. The Secretary shall attest all to all policies and endorsements of insurance of the Company as may be required by applicable law. Such attestation may be in facsimile. The

Secretary shall make a complete and accurate report of the year's business at each annual meeting of the Company and shall perform such other duties as the Board may assign.

D. **Treasurer.** The Treasurer, under the direction of the Board, shall have charge of all funds of the Company and direct that deposits, in the name of the Company, shall be placed in depositories designated by the Board. The Treasurer shall review documents and make a complete and accurate report of the finances of the Company at each annual meeting, thereof, or at any time upon request of the Board. The Treasurer may also be either the President or the Secretary of the Company.

Section 2. **Election and Terms of Office.** All officers of the Company shall be elected annually by the Board, and each officer shall hold office for a term of one year and thereafter until a successor has been elected and qualified or until the officer's earlier death, resignation or removal. Each officer of the Company shall be a natural person of full age.

Section 3. **Removal of Officers.** Any officer of the Company may be removed at any time by vote of the Board.

V. COMMITTEES OF THE BOARD OF DIRECTORS.

Section 1. **Establishment of Committees.** The Board may establish one or more committees comprised solely of Directors, which, to the extent authorized by the Board, shall have and may exercise all power and authority of the Board, except that a committee shall not have the power or authority as to the following:

- (1) The submission to shareholders of any action requiring approval of shareholders under the Pennsylvania Business Corporation Law.
- (2) The creation or filling of vacancies in the Board.
- (3) The adoption, amendment or repeal of these bylaws.
- (4) The amendment or repeal of any resolution of the Board that by its terms is amendable or subject to appeal only by the Board.
- (5) Action on matters committed by a resolution of the Board to another committee of the Board.

With the exception of the Audit Committee and the Nominating and Compensation Committee, not less than one third ($\frac{1}{3}$) of the members of each committee of the Board shall be Independent Directors, and at least one Independent Director shall be required to constitute a quorum for the transaction of business at any meeting of each committee of the Board.

Section 2. **Audit Committee.** The Board shall establish and appoint members to an Audit Committee, which shall consist of two (2) or more Directors to be appointed at the annual meeting of the Board, provided that all such Directors shall be Independent Directors. The Audit

Committee shall recommend to the Board the selection, retention and/or termination of external financial auditors for the Company; review the Company's financial condition and the scope and results of the annual financial audit, including the external auditor's management letter and management's responses thereto; review the scope and results of internal audits and the response of the Company's management; and report all relevant matters to the Board on a timely basis.

Section 3. **Nominating and Compensation Committee.** The Board shall establish and appoint members to a Nominating and Compensation Committee. Such Committee shall consist of two (2) or more Directors to be appointed at the annual meeting of the Board, provided that all such Directors shall be Independent Directors. The Nominating and Compensation Committee shall nominate persons to serve as Directors for election by the shareholders, evaluate the performance of officers of the Company, and recommend to the Board the selection and compensation of such officers.

Section 4. **Contribution Committee.** The Board shall establish and appoint members to a Contribution Committee. Such Committee shall consist of two (2) or more Directors to be appointed at the annual meeting of the Board, provided that at least one third (1/3) of the Directors shall be Independent Directors. The Contribution Committee shall administer charitable contributions made by the Company and make recommendations to the Board with respect to any distributions from the Saucon Insurance Company Foundation Fund. Members of the Contribution Committee shall not be entitled to receive any compensation for their service, including reimbursement of expenses to attend any meeting or affair of the Contribution Committee.

VI. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 1. **General Rule.** The Company shall indemnify each Indemnitee against all Liabilities to the fullest extent permitted by Pennsylvania law.

A. **Advance Payment of Expenses.** The right to indemnification provided in this Article VI shall include the right to have expenses (including attorneys' fees and disbursements) incurred by the Indemnitee in defending any Proceeding paid by the Company in advance of the final disposition of the Proceeding to the fullest extent permitted by Pennsylvania law; provided that, if Pennsylvania law continues so to require, the payment of such expenses incurred by the Indemnitee in advance of the final disposition of a Proceeding shall be made only upon receipt by the Company of an undertaking, by or on behalf of the Indemnitee, to repay all amounts so advanced without interest if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Company under this Section or otherwise.

B. **Continuing Right to Indemnification.** Indemnification pursuant to this Article VI shall continue as to an Indemnitee who has ceased to be either a Director or officer or a representative of the Company and shall inure to the benefit of his or her heirs and personal representatives.

C. **Definitions.** For purposes of this Article VI, (A) "**Indemnitee**" shall mean each person who was or is a party to, or is threatened to be made a party to, or is otherwise involved

in, any Proceeding, by reason of the fact that he or she is or was a Director or officer of the Company or is or was serving at the request or for the benefit of the Company as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust, or other enterprise; (B) “*Liability*” or “*Liabilities*” shall mean all expenses (including attorneys’ fees and disbursements), judgments, fines, losses, penalties and amounts paid or payable in settlement and incurred by an Indemnitee in connection with a Proceeding; and (C) “*Proceeding*” shall mean any threatened, pending or completed action, appeal or other proceeding of any nature, whether civil, criminal, administrative, investigative or through arbitration in which an Indemnitee is a party, a witness or otherwise involved.

Section 2. **Indemnification of Representatives.** The Company may, by action of the Board, and to the extent provided in such action, indemnify against Liabilities, as though such person is an Indemnitee, any person by reason of the fact that such person is or was a representative of the Company or was serving at the request of the Company as a representative of another entity.

Section 3. **Mandatory Indemnification.** To the extent that a representative of the Company has been successful on the merits or otherwise in defense of any Proceeding or otherwise in defense of any claim, issue or matter therein, the Company shall indemnify such person against any Liability incurred by such person in connection with the Proceeding.

Section 4. **Non-Exclusivity of Rights.** The rights to indemnification and to the advancement of expenses provided in this Article VI shall not be exclusive of any other rights that any person may have or hereafter acquire under any statute, provision of the articles or bylaws, agreement, vote of shareholders or Directors, or otherwise.

Section 5. **Insurance.** The Company shall purchase and maintain insurance, at its expense, for the benefit of any person on behalf of whom insurance is permitted to be purchased by Pennsylvania law against any Liability, whether or not the Company would have the power to indemnify such person under Pennsylvania or other law. The Company may also purchase and maintain insurance to insure its indemnification obligations whether arising hereunder or otherwise.

Section 6. **Fund for Payment of Expenses.** The Company may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise may secure in any manner its indemnification obligations, whether arising hereunder or otherwise.

Section 7. **Amendment.** The provisions of this Article VI relating to indemnification and to the advancement of expenses shall constitute a contract between the Company and each Indemnitee that may be modified as to any Indemnitee only with that person's consent or as specifically provided in this Section. Notwithstanding any other provision of these bylaws relating to their amendment generally, any repeal or amendment of this Article VI that is adverse to any Indemnitee shall apply to such Indemnitee only on a prospective basis, and shall not reduce any limitation on the personal liability of a Director of the Company, or limit the rights of an Indemnitee to indemnification or to the advancement of expenses with respect to any action or failure to act occurring prior to the time of such repeal or amendment.

Notwithstanding any other provision of these bylaws, no repeal or amendment of these bylaws shall affect any or all of this Article VI so as either to reduce the limitation of Directors' liability or limit indemnification or the advancement of expenses in any manner unless adopted by the unanimous vote of the Directors of the Company then serving, provided that no such amendment shall have retroactive effect inconsistent with the preceding sentence.

Section 8. Changes in Pennsylvania Law. References in this Article VI to Pennsylvania law or to any provision thereof shall be to such law as it existed on the date this Article VI was adopted or as such law thereafter may be changed; provided that (a) in the case of any change that expands the liability of Directors or limits the indemnification rights or the rights to advancement of expenses that the Company may provide, the rights to limited liability, to indemnification and to the advancement of expenses provided in this Article VI shall continue as theretofore to the extent permitted by law; and (b) if such change permits the Company without the requirement of any further action by Directors or shareholders to limit further the liability of Directors (or limit the liability of officers) or to provide broader indemnification rights or rights to the advancement of expenses than the Company was permitted to provide prior to such change, then liability thereupon shall be so limited and the rights to indemnification and the advancement of expenses shall be so broadened to the extent permitted by law.

VII. STOCK

Section 1. Certificates of Stock. Every holder of stock in the Company shall be entitled to have a certificate signed in the name of the Company by the president or a vice president and by the treasurer or an assistant treasurer or the secretary or an assistant secretary of the Company, certifying the number of shares owned by such shareholder in the Company; provided however that where such certificate is signed (1) by a transfer agent or an assistant transfer agent or (2) by a transfer clerk acting on behalf of the Company and a registrar, the signature of the president, vice president, treasurer, assistant treasurer secretary or assistant secretary may be facsimile. In case any officer who has signed or whose facsimile signature has been placed on such certificate or certificates shall have ceased to be such officer before such certificate or certificates are issued, they may be issued by the Company with the same effect as if such officer had not ceased to be such at the time of their issue. Certificates of stock shall be in such form as shall, in conformity to law, be prescribed from time to time by the board of directors.

Section 2. Replacement of Certificates. In case of the alleged loss, destruction or mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms as the board of directors may prescribe.

Section 3. Transfer of Shares of Stock. Subject to the restrictions, if any, imposed by the Articles, title to a certificate of stock and to the shares represented thereby shall be transferred only by delivery of the certificate properly endorsed, or by delivery of the certificate accompanied by a written assignment of the same, or a written power of attorney to sell, assign, or transfer the same or the shares represented thereby, properly executed; but the person registered on the books of the Company as the owner of shares shall have the exclusive right to receive dividends thereon and to vote thereon as such owner, shall be held liable for such calls

and assessments, if any, as may lawfully be made thereon, and except only as may be required by law may in all respects be treated by the Company and its transfer agents and registrars, if any, as the exclusive owner thereof. It shall be the duty of each shareholder to notify the Company of the shareholder's post office address.

Section 4. **Transfer Books.** The board of directors shall have the power to close the stock transfer books of the Company for a period not exceeding sixty days preceding the date of any meeting of shareholders or the date for payments of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or the date for obtaining the consent of shareholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the board of directors may fix in advance a date not exceeding fifty days preceding the date of any meeting of the shareholders, or the date of any other of the above-mentioned events, as a record date from the determination of the shareholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or to any such allotment of rights or to exercise the rights in respect of any such change, conversion or exchange of capital stock or to give such consent, and in such case such shareholders and only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Company after such record date fixed as aforesaid.

Section 5. **Issuance of Stock.** Unless otherwise voted by the shareholders, the whole or any part of any unissued balance of the authorized capital stock of the Company, may be issued pursuant to vote of the board of directors to such persons, for such consideration, whether cash, property, goodwill, services or expenses, or as a stock dividend, and on such terms as the board of directors may determine from time to time and without first offering the same for subscription to shareholders of the Company.

VIII. AUDIT.

The books and accounts of the Company are to be audited by a Certified Public Accountant once each year. The Auditor will be selected by the Board, based on the recommendations of the Audit Committee. The annual report of the Company will be filed with the Insurance Department of the Commonwealth of Pennsylvania as required by law.

IX. MISCELLANEOUS PROVISIONS.

Section 1. **Dividends.** Subject to any applicable provisions of law and the Articles, dividends upon the capital stock of the Company may be declared by the board of directors at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock.

Section 2. **Seal.** The corporate seal of the Company shall, subject to alteration by the board of directors, consist of a flat-faced circular die with the word "Pennsylvania", together

with the name of the Company and the year of its organization cut or engraved thereon. The corporate seal of the Company may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 3. **Evidence of Authority.** A certificate of the secretary or assistant secretary or a temporary secretary as to any action taken by the shareholders, directors or any officer or representative of the Company shall, as to all persons who rely thereon in good faith, be conclusive evidence of such action. The exercise of any power which by law, by the Articles or by these by-laws, or under any vote of the shareholders or the board of directors, may be exercised by an officer of the Company only in the event of absence of another office or any other contingency, shall bind the company in favor of anyone relying thereon in good faith, whether or not such absence or contingency existed.

Section 4. **Fiscal Year.** The fiscal year of the Company shall be the calendar year.

Section 5. **Voting of Securities.** Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Company may be executed in the name of and on behalf of the Company by the chairman of the board, if any, the president, the treasurer or the secretary, and any such officer may, in the name of and on behalf of the Company, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Company may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Company might have exercised and possessed if present. The board of directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 6. **Amendments.** These bylaws may be altered or amended by the affirmative vote of a majority of the votes cast by the shareholders at a regular or special meeting called for that purpose or by an affirmative vote of a majority of the Board from time to time as may be necessary in their judgment for the prudent and efficient government of the affairs of the Company. Any alterations or amendments by the Board shall be subject to ratification by the shareholders of the Company at the next Annual or Special Meeting called for that purpose, provided the notice of such meeting shall set out the amendment or alteration proposed to be adopted.

F

Exhibit F

**Saucon Mutual Insurance Company
List of Board of Directors & Classes**

	Name	Class / Term Expiration
1	Bell, Philip	2017
2	Drabic, Susan	2016
3	Gilchrist, Martin	2017
4	Regan, Brian	2016
5	Santee, Richard	2016
6	Goss, Donna	2015
7	Story, Bernard	2015
8	Crofton, Michael	2015