

SAUCON MUTUAL INSURANCE COMPANY
74 W. Broad Street, Suite 300, Bethlehem, PA 18018

**MEMBER INFORMATION STATEMENT
AND PROXY STATEMENT**
for
SPECIAL MEETING OF MEMBERS
to be held on [DATE], 2015

TABLE OF CONTENTS

INTRODUCTION	1
WHY HAS THIS MEMBER INFORMATION STATEMENT BEEN SENT TO ME?	2
WHAT ARE THE TRANSACTIONS CONTEMPLATED BY THE PLAN OF CONVERSION?	2
HOW WILL THE TRANSACTIONS CONTEMPLATED BY THE PLAN OF CONVERSION AFFECT ME?	3
WHY DOES SAUCON MUTUAL WANT TO DEMUTUALIZE?	3
WILL THE CLOSING OF THE DEMUTUALIZATION TRANSACTIONS AFFECT MY INSURANCE POLICY?	3
WHO WILL OWN THE INSURANCE COMPANY AFTER IT DEMUTUALIZES?	4
HAVE THE DEMUTUALIZATION TRANSACTIONS BEEN APPROVED BY THE RELEVANT GOVERNMENT AGENCY?	4
WHAT VOTE OF THE MEMBERS WILL BE REQUIRED TO APPROVE THE PLAN OF CONVERSION?	5
WILL THE DEMUTUALIZATION TRANSACTIONS REQUIRE ANY OTHER VOTES BY THE MEMBERS AT THE SPECIAL MEETING?	5
CAN I CAST MY VOTE AT THE SPECIAL MEETING BY SUBMITTING A PROXY?	5
CAN I CHANGE MY VOTE OR REVOKE MY PROXY AFTER I RETURN MY PROXY CARD?	5
WHERE CAN I GET FINANCIAL INFORMATION ABOUT SAUCON MUTUAL?	6
HOW DOES SAUCON MUTUAL’S BOARD OF DIRECTORS RECOMMEND I VOTE?	6
DO I HAVE TO VOTE TO APPROVE THE PLAN OF CONVERSION IN ORDER TO RECEIVE CONSIDERATION?	6
WILL I HAVE THE RIGHT TO SUBSCRIBE FOR SHARES OF CAPITAL STOCK OF SAUCON HOLDING COMPANY?	6
WHERE CAN I GET MORE INFORMATION ABOUT THE TRANSACTIONS DESCRIBED IN THIS MEMBER INFORMATION STATEMENT?	6
BACKGROUND TO DEMUTUALIZATION	7
DESCRIPTION OF DEMUTUALIZATION	7
DISCUSSION OF THE PRINCIPAL CHARACTERISTICS OF SAUCON MUTUAL, AND YOUR RIGHTS AS A POLICYHOLDER, BEFORE AND AFTER DEMUTUALIZATION	7
RIGHT OF BOARD OF DIRECTORS TO AMEND OR WITHDRAW THE PLAN OF CONVERSION	8
BACKGROUND TO THE DEMUTUALIZATION TRANSACTIONS	9
DESCRIPTION OF SAUCON MUTUAL	9
BACKGROUND TO THE PROPOSED DEMUTUALIZATION	9
REASONS FOR THE PROPOSED DEMUTUALIZATION	10
DESCRIPTION OF CONSIDERATION TO MEMBERS	13
DESCRIPTION OF CONSIDERATION TO MEMBERS	13
COMPENSATION FOR MEMBERS AS OF THE RECORD DATE WHO HOLD PERPETUAL POLICIES	13
COMPENSATION FOR MEMBERS AS OF THE RECORD DATE WHO HOLD NON-PERPETUAL POLICIES	13
CERTAIN TAX CONSIDERATIONS	14
EFFECT ON POLICIES PURCHASED AFTER ADOPTION OF PLAN BY THE BOARD OF DIRECTORS	14
DESCRIPTION OF DEMUTUALIZATION TRANSACTIONS	15
DEMUTUALIZATION OF SAUCON MUTUAL	15
CHARITABLE CONTRIBUTION	15
CLOSING OF STOCK OFFERING BY SAUCON HOLDING COMPANY	15
DIAGRAM ILLUSTRATING EFFECT OF THE TRANSACTIONS	16
ENTITY REORGANIZATION OF THE AGENCY	16
PAYMENT OF CONSIDERATION TO MEMBERS	16
CIRCULATION OF NEW INSURANCE POLICY DECLARATIONS	16
DESCRIPTION OF CHANGES IN POLICYHOLDERS’ RIGHTS	17
VOTING RIGHTS	17
DIVIDENDS	17
EXCESS OF LIQUIDATION PROCEEDS OVER LIABILITIES	17

DESCRIPTION OF CHANGES IN GOVERNANCE 18
DESCRIPTION OF CHARITABLE CONTRIBUTION 19
DESCRIPTION OF STOCK OFFERING OF SAUCON HOLDING COMPANY 19
 STOCK OFFERING19
 DESCRIPTION OF SAUCON HOLDING COMPANY19
 PARTICIPANTS IN STOCK OFFERING20
 USE OF PROCEEDS OF STOCK OFFERING20
FAIRNESS OPINION OF BOENNING & SCATTERGOOD 21
RECOMMENDATION OF THE BOARD OF DIRECTORS 21

INTRODUCTION

This member information statement and proxy statement is being given by the board of directors of Saucon Mutual Insurance Company, a Pennsylvania mutual insurance company (“Saucon Mutual”), in connection with its solicitation of proxies from members to be voted at the special meeting of members of Saucon Mutual that is to be held on [DATE], 2015 at [LOCATION] (the “Special Meeting”).

The board of directors has called the Special Meeting to vote on a proposal to approve a plan of conversion to demutualize Saucon Mutual (the “Plan of Conversion”) and a related amendment of Saucon Mutual’s articles of incorporation. The Plan of Conversion provides for Saucon Mutual to be converted from a mutual insurance company to a stock insurance company that will be named “Saucon Insurance Company”. A copy of the Plan of Conversion is attached as Exhibit 1.

Anyone who owns a policy or policies of insurance with Saucon Mutual is a member of Saucon Mutual until the termination or non-renewal of such policy or policies.

The board of directors has set August 27, 2014 (the “Record Date”) as the record date for determination of members entitled to notice of, and to vote at, the Special Meeting (and any postponements or adjournments thereof) and to receive consideration as contemplated in the Plan of Conversion. Only members of Saucon Mutual as of the Record Date are entitled to notice of, and to vote at, the Special Meeting (and any postponements or adjournments thereof). The date of this member information statement is [DATE OF MAILING], and this member information statement, its exhibits and the accompanying proxy card are being mailed to persons who are members of Saucon Mutual as of the Record Date.

In order to close the transactions contemplated by the Plan of Conversion, the Plan of Conversion must be approved by the vote of at least two-thirds of the members that are cast at the Special Meeting. Each member as of the Record Date is entitled to cast one vote at the Special Meeting, and may vote in person or by properly executed proxy.

The consummation of the transactions contemplated by the Plan of Conversion is subject to approval by the members of Saucon Mutual and by the Pennsylvania Insurance Department.

The proposed demutualization of Saucon Mutual and the other transactions contemplated by the Plan of Conversion are more fully described in this member information statement. You are strongly encouraged to read it, and its exhibits, in their entirety and consider them carefully.

QUESTIONS AND ANSWERS RELATING TO THE SPECIAL MEETING AND THE PLAN OF CONVERSION

Why has this member information statement been sent to me?

This member information statement has been sent to all members of Saucon Mutual as of the Record Date. Because Saucon Mutual is a mutual insurance company, every owner of an insurance policy issued by Saucon Mutual as of that date is a member of Saucon Mutual and, as such, has certain voting rights in his, her or its capacity as a member, including the right to vote on a proposed demutualization of the company.

The board of directors of Saucon Mutual has approved a Plan of Conversion that would, among other things, demutualize Saucon Mutual. That Plan of Conversion is being submitted to the members of Saucon Mutual for their approval, since the closing under it cannot occur unless (among other things) the Plan of Conversion is duly approved by the members of Saucon Mutual.

A Special Meeting of the members of Saucon Mutual has been called so that the members of Saucon Mutual can vote on the Plan of Conversion and the related amendment to Saucon Mutual's articles of incorporation. This member information statement and the accompanying proxy materials have been sent to you to solicit your proxy to vote in favor of approving the Plan of Conversion and the related amendment to Saucon Mutual's articles of incorporation.

What are the transactions contemplated by the Plan of Conversion?

The Plan of Conversion contemplates the following transactions:

- Saucon Mutual would be demutualized. This means that Saucon Mutual would be converted from a mutual insurance company to a stock insurance company that would be called "Saucon Insurance Company".
- A recently formed stock holding company, called "Saucon Holding Company", would become the sole stockholder of Saucon Insurance Company.
- Saucon Holding Company would issue shares of its capital stock to certain investors by means of a stock offering.
- An entity reorganization would occur immediately after the demutualization that would cause Saucon Insurance Agency, Inc. (the "Agency"), an insurance agency that is currently a wholly-owned subsidiary of Saucon Mutual, to become a wholly-owned subsidiary of Saucon Holding Company (and a sister company of Saucon Insurance Company).

These transactions are collectively referred to in this member information statement as the "Demutualization Transactions". These transactions are described more fully below under the heading "Description of Demutualization Transactions".

How will the transactions contemplated by the Plan of Conversion affect me?

If the Demutualization Transactions occur, members of Saucon Mutual as of the Record Date will receive consideration, including cash payments, which is described more fully below under the heading “Description of Consideration to Members”.

Additionally, because Saucon Mutual would be demutualized, policyholders would no longer have voting rights (such as the right to elect directors of the insurance company). A description of the changes in the policyholders’ rights that would result from the company’s demutualization is set forth below under the heading “Description of Changes in Policyholders’ Rights”.

Policies of insurance issued by Saucon Mutual that are in force at the time of closing of the Demutualization Transactions would remain in full force and effect. Saucon Mutual does not expect that the Demutualization Transactions will have any negative impact on the company’s financial strength ratings nor on its ability to pay claims and policy benefits.

Why does Saucon Mutual want to demutualize?

The board of directors of Saucon Mutual has determined that demutualization is in the company’s best interests for several reasons, including:

- rewarding members for their loyalty to the company;
- making a charitable contribution in furtherance of the company’s ongoing commitment to the community;
- modernizing the company’s governance structure;
- 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;
- preparing the company to re-enter the insurance underwriting business; and
- maintaining the independence of the company.

These reasons are explained more fully below under the heading “Background to the Proposed Demutualization of Saucon Mutual – Reasons for the Proposed Demutualization”.

Will the closing of the Demutualization Transactions affect my insurance policy?

The closing of the Demutualization Transactions will not, in and of itself, affect any of the insurance policies issued by Saucon Mutual, except that policyholders will cease to have voting rights and the right to share in the surplus of the mutual company, as described more fully below under the heading “Description of Changes in Policyholders’ Rights.” In all other respects, the insurance policies issued by Saucon Mutual would remain in full force and effect.

Who will own the insurance company after it demutualizes?

If the Demutualization Transactions close, Saucon Insurance Company (the stock company into which Saucon Mutual would convert) will become a wholly-owned subsidiary of Saucon Holding Company, a newly-organized corporation.

Saucon Holding Company, in turn, would be owned by those investors who subscribe for capital stock in a stock offering that would close concurrently with the transactions contemplated by the Plan of Conversion, as described more fully below under the heading “Description of Stock Offering of Saucon Holding Company”.

Have the Demutualization Transactions been approved by the relevant government agency?

Yes. On [DATE], the Pennsylvania Insurance Department approved:

- the Plan of Conversion;
- a Form A (Acquisition of Control of, or Merger With, a Domestic Insurer), which must be filed because the transactions will constitute a change of control of Saucon Mutual; and
- the distribution of the stock of the Agency to Saucon Holding Company.

The Pennsylvania Insurance Department was required by Pennsylvania law to approve the Plan of Conversion if it found that the Plan of Conversion does not prejudice the interests of the members, is fair and equitable, and complies with the applicable statute. Please note, however, that the Pennsylvania Insurance Department’s approval of the Plan of Conversion should not be taken as constituting the endorsement of the Demutualization Transactions by the Pennsylvania Insurance Department.

On September 2, 2014, Saucon Mutual filed the Form A and the original version of the Plan of Conversion with the Pennsylvania Insurance Department for its approval. Upon filing of that original version of the Plan of Conversion, Saucon Mutual delivered a notice to all of its members informing them of the filing and notifying them of their right to file comments on the Plan of Conversion with the Pennsylvania Insurance Department within the 30-day period following the filing. By letter dated January 12, 2015, the Pennsylvania Insurance Department provided a list of additional items necessary to the review of the filing of the original Plan of Conversion and the related documents.

On February 4, 2015, the board of directors of Saucon Mutual unanimously approved the amendment and the restatement of the original plan of conversion in the form attached to this member information statement. References in this member information statement to the “Plan of Conversion” refer to this amended and restated plan of conversion. The Plan of Conversion and certain related documents were then filed with the Pennsylvania Insurance Department for its approval on February 6, 2015. Subsequently, on [DATE], the Pennsylvania Insurance Department approved the Plan of Conversion and certain related filings and transactions as indicated above.

What vote of the members will be required to approve the Plan of Conversion?

Under Pennsylvania law, the Plan of Conversion may be effected only if it is approved by the affirmative vote, in present or by proxy, of at least two-thirds of the members that are cast at a meeting at which a quorum is present that is called to consider and vote upon the Plan of Conversion.

Saucon Mutual's bylaws provide that the presence of five members, either by being present at the meeting or by proxy, constitutes a quorum at any annual or special meeting of the members.

The board of directors has called the Special Meeting to occur on [DATE], 2015 to consider and vote on the Plan of Conversion. Only members as of the Record Date will be entitled to notice of, and to vote at, the Special Meeting.

Will the Demutualization Transactions require any other votes by the members at the Special Meeting?

Yes. Under Pennsylvania law, the Plan of Conversion may be effected only if, at the Special Meeting called to approve the Plan of Conversion, the amendment of Saucon Mutual's articles of incorporation in the form attached hereto as Exhibit 2 is approved by the affirmative vote, in present or by proxy, of at least two-thirds of the members that are cast at that meeting.

Can I cast my vote at the Special Meeting by submitting a proxy?

Yes. You can participate in the Special Meeting by proxy, by filling out and returning the attached proxy card to Saucon Mutual. Any properly-executed proxy cards received prior to the Special Meeting, and not duly and timely revoked, will be voted at the Special Meeting in accordance with the instructions indicated on the proxies.

Can I change my vote or revoke my proxy after I return my proxy card?

Yes. Any proxy may be revoked before it is voted. Proxies may be revoked by: (i) filing with Saucon Mutual, at or before the taking of the vote at the Special Meeting, a written notice of revocation with a date later than the proxy; (ii) executing a later dated proxy and delivering it to Saucon Mutual by mail prior to the Special Meeting, or any adjournments, postponements, rescheduling or continuations thereof; or (iii) attending the Special Meeting and voting in person (attendance at the Special Meeting will not in and of itself constitute the revocation of a proxy). Any written notice of revocation or subsequent proxy must be sent to and received by Saucon Mutual at 74 West Broad Street, Suite 300, Bethlehem PA 18018, attention: Stephen Bajan, Chief Executive Officer, or hand-delivered to Stephen Bajan at Saucon Mutual before the Special Meeting. Saucon Mutual members may obtain a new proxy by submitting a request to Stephen Bajan at Saucon Mutual, 74 West Broad Street, Suite 300, Bethlehem PA 18018.

Where can I get financial information about Saucon Mutual?

A copy of Saucon Mutual's unaudited, condensed comparative annual statement for the fiscal years ended December 31, 2013 and December 31, 2012 is attached to this member information statement as Exhibit 3.

How does Saucon Mutual's board of directors recommend I vote?

Saucon Mutual's board of directors recommends that you vote "FOR" the proposal to approve the Plan of Conversion and "FOR" the proposal to amend Saucon Mutual's articles of incorporation.

Do I have to vote to approve the Plan of Conversion in order to receive consideration?

No. If the Plan of Conversion is duly approved and the Demutualization Transactions close, all members of Saucon Mutual as of the Record Date will receive consideration whether they voted "FOR" approval of the Plan of Conversion, "AGAINST" approval, or did not vote at all.

Will I have the right to subscribe for shares of capital stock of Saucon Holding Company?

No. The proposed demutualization of Saucon Mutual has not been structured as a "subscription rights offering", which means that members of Saucon Mutual do not, in their capacity as such, have the right to subscribe for the stock that is being offered in the stock offering by Saucon Holding Company.

Where can I get more information about the transactions described in this member information statement?

You may contact Stephen Bajan, the Chief Executive Officer of Saucon Mutual, at 74 West Broad Street, Suite 300, Bethlehem PA 18018, telephone (610) 868-1832.

BACKGROUND TO DEMUTUALIZATION

Description of Demutualization

A mutual insurance company is structured differently and operated differently than a stock insurance company. The chart that follows contrasts the general characteristics of mutual insurance companies as compared to demutualized stock insurance companies. The chart also illustrates how the rights of policyholders differ in the two structures.

	Mutual Insurance Companies	Demutualized Stock Insurance Companies
Disposition of proceeds of a liquidation of the company	Upon liquidation of a mutual insurance company, the remaining proceeds (after satisfaction of liabilities and claims) would be escheated to the Commonwealth of Pennsylvania.	The holding company, as the sole stockholder of the company, will have the right to receive the remaining proceeds (after satisfaction of liabilities and claims). If the holding company were liquidated, its shareholders would have the right to receive the remaining proceeds (after satisfaction of the holding company's liabilities and claims).
Voting interests	Members have the right to vote on matters submitted to them. Each member has one vote.	Only shareholders have the right to vote. A shareholder generally has one vote per share.
Transferability of membership or ownership interests	Not transferable separately from the underlying policy. Membership interests end when policy expires or is terminated.	Ownership of the stock of the demutualized company is not related to the status of any insurance policy.
Existence of shareholders	Company has members but no shareholders.	Company has both shareholders (of the holding company) and policyholders (of the insurance company).
Dividends	Payable to members if and as declared by the board of directors, and subject to restrictions as provided by law.	Payable to stockholders and/or policyholders if and as declared by the board of directors, and subject to restrictions as provided by law. Policyholders do not have the right to share in the surplus of the company.
Ability to conduct capital transactions	Limited – can only raise capital through borrowing or through sale of subsidiary stock or assets.	Increased ability to raise capital—by selling stock and other financial instruments—and can use stock and other financial instruments to pay for acquisitions.
Ability to provide employees with stock-based compensation	Not possible.	The company may provide employees stock-based compensation such as stock grants and stock options.

Discussion of the Principal Characteristics of Saucon Mutual, and Your Rights as a Policyholder, Before and After Demutualization

Membership interests will be exchanged for economic value. Policyholders of Saucon Mutual have membership interests in Saucon Mutual. Membership interests include the right to vote on matters

submitted to members (such as the election of directors), the right to share in the surplus of the company, and the right to receive consideration upon demutualization.

Upon the demutualization of Saucon Mutual as contemplated under the Plan of Conversion, all of the membership interests of all members will cease to exist and, in exchange, the members will receive the compensation set forth in the Plan of Conversion. No member will have to pay for or give up their policy in order to receive this compensation. The compensation is described more fully below under the heading “Description of Consideration to Members”.

Potential for competing interests between shareholders and policyholders. A mutual insurance company is generally operated for the benefit of its policyholders, who are its members. After demutualization, the company will be owned by Saucon Holding Company. Saucon Holding Company, in turn, will be owned by the investors who participate in a stock offering by that company as described more fully below under the heading “Description of Stock Offering of Saucon Holding Company”.

Some policyholders may be concerned that their interests and those of the shareholders of Saucon Holding Company might not be the same after demutualization. In particular, shareholders may be more interested in financial performance as it relates to the value of their investment in the stock, while policyholders may be more interested in financial performance as it relates to the ability of their insurance company to pay claims and as it affects the cost of insurance. Saucon Mutual believes that both policyholders and shareholders will benefit from business opportunities that the proposed demutualization will make possible because of increased access to the financial markets, enhanced financial flexibility and improved ability to attract and retain suitable employees. Saucon Mutual believes that it will be able to effectively address the competing interests of shareholders and policyholders.

Policy benefits. The closing of the Demutualization Transactions will not, in and of itself, affect any of the insurance policies issued by Saucon Mutual, except that policyholders will cease to have voting rights and other membership rights. In all other respects, the insurance policies issued by Saucon Mutual would remain in full force and effect.

Right of Board of Directors to Amend or Withdraw the Plan of Conversion

Under Pennsylvania law, since the Plan of Conversion has already been approved by the Pennsylvania Insurance Department, it may be amended by the affirmative vote of at least two-thirds of the directors of Saucon Mutual; provided, however, that any such amendment also shall be subject to approval by the Pennsylvania Insurance Department. Once the Plan of Conversion is approved by the members at the special meeting that is being called for that purpose, it can be amended before the closing of the Demutualization Transactions so long as (i) the requirements set forth above are satisfied, and (ii) if the Pennsylvania Insurance Department determines the amendment to be material, the amendment is also approved by the affirmative vote of at least two-thirds of the votes cast at a meeting of the members called for that purpose.

The Plan of Conversion may be terminated at any time before the closing of the Demutualization Transactions by the affirmative vote of at least two-thirds of the directors of Saucon Mutual then in office.

BACKGROUND TO THE DEMUTUALIZATION TRANSACTIONS

Description of Saucon Mutual.

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.

Saucon Mutual maintains both perpetual and non-perpetual policies for homeowners and dwelling property programs. Perpetual policies are written to have no term, or date, when the policy expires. From the effective start date, the coverage exists for perpetuity. Saucon Mutual also issues policies that do have a set date when the policy expires, these are referred to as non-perpetual policies.

In 1991, Saucon Mutual organized 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 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.

Saucon Mutual's unaudited, condensed comparative annual statement for the fiscal years ended December 31, 2013 and December 31, 2012 are attached as Exhibit 3 to this member information statement.

Background to the Proposed Demutualization

Saucon Mutual's board of directors met several times in 2013 and 2014 to discuss the general strategic plan of the company. The board identified its objectives as including the following:

- Rewarding members for their loyalty to the company
- Making a charitable contribution in furtherance of the company's ongoing commitment to the community
- Modernizing the company's governance structure
- 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
- Re-entering the insurance underwriting business
- Maintaining the independence of the company

Saucon Mutual's board organized an informal strategic planning subcommittee whose members consisted of Brian T. Regan (Chairman of the Board), Stephen Bajan (the Chief Executive Officer of the company), and board member Michael Crofton. This strategic planning subcommittee presented to the whole board a proposal to address the goals identified above by engaging in the Demutualization Transactions. With the board's authorization and direction, the strategic planning subcommittee discussed the proposed transactions with the Pennsylvania Insurance Department, engaged outside

counsel to prepare the Plan of Conversion and other related documents and filings, and engaged the investment banking firm of Boenning & Scattergood to deliver a fairness opinion with respect to the Demutualization Transactions.

At a board meeting on August 27, 2014, the original version of the plan of conversion and the other related documents and filings were presented to the board of directors and were unanimously approved. The board then directed that the original version of the plan of conversion and the other related documents and filings be filed with the Pennsylvania Insurance Department. Saucon Mutual filed the original version of the plan of conversion and the other related documents and filings with the Pennsylvania Insurance Department on September 2, 2014. Saucon Mutual also delivered a notice to all of its members informing them of the filing and notifying them of their right to file, with the Pennsylvania Insurance Department, comments on that original version of the plan of conversion within the 30-day period following the filing. By letter dated January 12, 2015, the Pennsylvania Insurance Department provided a list of additional items necessary to the review of the filing of the original Plan of Conversion and the related documents.

On February 4, 2015, the board of directors of Saucon Mutual unanimously approved the amendment and restatement of the original plan of conversion that had been filed on September 2, 2014. That amendment and restatement was in the form attached to this member information statement, and references in this member information statement to the “Plan of Conversion” refer to this amended and restated plan of conversion. The Plan of Conversion and certain related documents were then filed with the Pennsylvania Insurance Department for its approval on February 6, 2015. Subsequently, on [DATE], the Pennsylvania Insurance Department approved the Plan of Conversion and certain related filings and transactions.

The board of directors of Saucon Mutual has directed that a special meeting of the members of Saucon Mutual be called to vote upon the Plan of Conversion, and upon the related amendment to Saucon Mutual’s articles of incorporation, in accordance with applicable law.

Reasons for the Proposed Demutualization

Saucon Mutual’s board of directors believes that the proposed demutualization and the Demutualization Transactions are the most appropriate and effective means of enabling the company to achieve the objectives designated by the board.

- Rewarding members for their loyalty to the company. As described more fully below under the heading “Description of Consideration to Members”, the consideration that members of Saucon Mutual would receive upon the closing of the Demutualization Transactions would depend, in part, upon the number of years that the member’s policy had remained in force. This permits Saucon Mutual to reward members for their loyalty to the company by maintaining their policies. The aggregate amount of the payments to members will be approximately \$1,064,788, assuming a June 30, 2015 closing date.
- Making a charitable contribution in furtherance of the company’s ongoing commitment to the community. As described more fully below under the heading “Description of Charitable Contribution”, upon the closing of the Demutualization Transactions, the company would make a

\$1 million cash contribution to the Lehigh Valley Community Foundation. The contributions committee of Saucon Insurance Company's board of directors will then make recommendations as to how those funds should be disbursed for charitable purposes. The members of the contribution committee will not be compensated for their service on the committee.

- Modernizing the company's governance structure. The board of directors of Saucon Mutual believes that it is in the company's interest to align the interests of its constituents with the growth and success of the company, and that organization as a stock corporation is a more appropriate structure to accomplish this goal than organization as a mutual company.

The authority to elect directors and make certain other decisions with respect to a Pennsylvania mutual insurance company such as Saucon Mutual lies with its members (*i.e.*, its policyholders). But each member is entitled to cast one vote—regardless of the type of policy or the amount of coverage—with respect to a matter that is submitted to the members for approval, which means that there is no particular relationship between a particular member's commercial relationship with the company and the weight of that member's vote. By way of contrast, in the case of a stock corporation, each stockholder is entitled to cast one vote per share, which means that a stockholder who wishes to enjoy a greater degree of control over the corporation can do so by acquiring more shares. The board of directors believes that it is in the company's interest to adopt a governance structure where the voting power of a constituent of the company is more closely aligned to that constituent's economic interest in the company, as represented by that constituent's investment in the company to acquire shares.

- 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. A mutual company cannot issue stock. A stock corporation, on the other hand, can issue shares of its stock and other financial instruments. Among the reasons that a stock corporation may issue shares of stock or other financial instruments are:
 - To sell the shares to investors to raise capital for the company;
 - To acquire another business, by using the stock or other financial instruments that it issues as some or all of the purchase price for the business; and
 - To incentivize employees through the issuance of stock grants, stock options and other similar equity compensation strategies, because those strategies can give the employees who receive those grants the opportunity to share in the economic benefits of the growth of the company. This can help the company attract and retain suitable employees.
- Re-entering the insurance underwriting business. While Saucon Mutual is in a stable position from a financial point of view (see Saucon Mutual's unaudited, condensed comparative annual statement for the fiscal years ended December 31, 2013 and December 31, 2012, a copy of which are attached to this member information statement as Exhibit 3), Saucon Mutual has written very few new insurance policies since 2005. Saucon Mutual's personnel and business systems are adequate to continue to maintain the existing insurance policies and their renewals in full force and effect, but Saucon Mutual does not presently have sufficient personnel and infrastructure to enable it to issue new insurance policies. Saucon Mutual's board of directors believes that demutualizing the company would permit the company to implement steps to attract and retain

suitable personnel and to develop appropriate infrastructure to assist the company in re-entering the business of issuing new insurance policies.

- Maintaining the independence of the company. Upon the closing of the Demutualization Transactions, Saucon Insurance Company (the stock insurance company into which Saucon Mutual would be converted) will become a wholly-owned subsidiary of Saucon Holding Company. The stock of Saucon Holding Company in turn will be owned by the investors in a concurrent stock offering. The investors in that stock offering are individuals who were board members or members of management of Saucon Mutual, rather than being other insurance companies. See “Description of Stock Offering of Saucon Holding Company”.

The Demutualization Transactions have been structured to enable the company to achieve its goals without becoming acquired by another insurance company. For this reason, the Demutualization Transactions were designed to, and are expected to, permit the company to maintain its independence.

It should be noted that while it is very difficult for a mutual insurance company to be acquired by another company because a merger with another mutual insurer or a demutualization would be necessary, it would be possible for a third party to acquire control of the stock insurance company by acquiring all or a controlling interest in the stock of Saucon Holding Company. However, the stock of Saucon Holding Company will not be publicly traded, so there is no marketplace through which such a third party can acquire Saucon Holding Company shares. In addition, the shareholders of Saucon Holding Company will enter into a shareholders agreement that will, among other things, impose restrictions on the transfer of their shares. Changes in control of a Pennsylvania stock insurance company are also subject to approval by the Pennsylvania Insurance Department in accordance with law. For these reasons, Saucon Mutual does not believe that after the Demutualization Transactions close, a subsequent change in control of Saucon Holding Company or of the stock insurance company is likely to occur in the foreseeable future.

In considering the Demutualization Transactions, the board considered Saucon Mutual’s current financial condition and future prospects, and considered the advice of its legal and financial advisors. The board thoroughly reviewed its available strategic alternatives and concluded that the approach outlined in the Plan of Conversion was the most attractive alternative from a strategic, financial and operational point of view.

The board of directors believes that the Demutualization Transactions do not prejudice the interests of the members of Saucon Mutual, are fair and equitable, and are not inconsistent with the purposes and intent of Pennsylvania’s Insurance Company Mutual-to-Stock Conversion Act and has obtained an opinion to that effect from the firm of Boenning & Scattergood, the company’s financial advisor. A copy of that opinion is attached to this member information statement as Exhibit 4.

DESCRIPTION OF CONSIDERATION TO MEMBERS

Description of Consideration to Members

Saucon Mutual's outstanding policies are either perpetual policies or non-perpetual policies. Perpetual policies are written to have no term, or date, when the policy expires. From the effective start date, the coverage exists for perpetuity. Saucon Mutual also issues policies that do have a set date when the policy expires, these are referred to as non-perpetual policies. The consideration that a particular member will receive will depend upon whether that member holds a perpetual policy or a non-perpetual policy.

Compensation for Members as of the Record Date Who Hold Perpetual Policies

A. *Cash Payment.* A cash payment computed by multiplying (i) the actual number of years that the policy had been in effect from its issuance until the closing date of the Conversion (including any fractional part of a whole year), by (ii) \$60 per year, then rounding that amount to the nearest whole dollar. For example, a member who is a perpetual policyholder whose policy had been in effect for 10 years (i.e., 3650 days) would receive a cash payment of \$600; and a member who is a perpetual policyholder whose policy had been in effect for 10 years plus 120 days (i.e., 3770 days) would receive a cash payment of \$620. The aggregate amount of cash payments to all members who are perpetual policyholders under this paragraph will be \$704,249, assuming a closing date of June 30, 2015.

B. *Return of Deposits.* A return of 15% of the member's deposits held by Saucon Mutual, if any. The aggregate amount of deposits to be returned to members who are perpetual policyholders under this paragraph will be approximately \$340,000, less any deposits that are returned before the closing in accordance with policy terms. The balance of a member's deposit (the remaining 85%) will be returnable in accordance with policy terms.

C. *Removal of Charges for Increases in Policy Limits Under Inflation Adjustment Endorsements.* Many of the perpetual insurance policies issued by Saucon Mutual have inflation adjustment endorsements, which are either "Annual Adjustment of Limits" endorsements or "Automatic Increase in Insurance" endorsements. Those endorsements generally cause the policy limit of the perpetual policy to be increased each year due to inflation, but they generally require the perpetual policyholder to pay an additional annual deposit to Saucon Mutual because of that increase in the policy limit. After the Conversion, the Converted Insurance Company will discontinue its practice of requiring holders of those perpetual policies to pay those additional annual deposits, commencing on the annual anniversary of the date of issuance of that perpetual policy that follows the closing date of the Conversion.

Compensation for Members as of the Record Date Who Hold Non-Perpetual Policies

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

- A cash payment computed by multiplying (i) the actual number of years that the policy had been in effect (including all renewals) from its issuance until the closing date of the Conversion (including any fractional part of a whole year), by (ii) \$60 per year, then

rounding that amount to the nearest whole dollar. For example, a member who is a non-perpetual policyholder whose policy had been issued and then renewed from time to time for a total period of 10 years (i.e., 3650 days) as of the closing date would receive a cash payment of \$600; and a member who is a non-perpetual policyholder whose policy had been issued and then renewed from time to time for a period of 10 years plus 120 days (i.e., 3770 days) as of the closing date would receive a cash payment of \$620. The aggregate amount of cash payments to all members who are non-perpetual policyholders under this paragraph will be \$18,739, assuming a closing date of June 30, 2015; 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 members who are non-perpetual policyholders under this paragraph would be approximately \$1,800.

Certain Tax Considerations

This section discusses generally what Saucon Mutual believes to be the principal U.S. federal income tax consequences under current law for the payment of consideration to the members as contemplated by the Plan of Conversion. This discussion does not address how the federal income tax rules affect all of the possible types of members, some of whom may be subject to special rules not discussed here, nor does this discussion address state, local or foreign tax consequences, which can vary widely.

Saucon Mutual does not provide tax advice and this discussion is not intended to be tax advice. Please consult your tax advisor to determine the federal, state, local and any applicable foreign tax consequences of the Demutualization Transactions in your particular circumstances.

Return of Deposits to Members Who Are Perpetual Policyholders. Part of the cash payment being made to members who are perpetual policyholders will be a return by Saucon Mutual of a portion of the member's funds that are held on deposit. In general, a return of deposits to a member should not be taxable.

Cash Payments. In general, cash that is paid to a member as contemplated by the Plan of Conversion (other than the partial return of deposits) is treatment as payment for the member's membership interest in Saucon Mutual. The payment generally will result in a long- or short-term capital gain for tax purposes, depending upon whether the member in question owned his, her or its policy for more than one year at the time the cash is paid to the member. Most individuals who are U.S. citizens or residents should report the amount of the cash received as gain from "Saucon Mutual Insurance Company" on Schedule D of IRS Form 1040. Saucon Insurance Company will report cash payments to the IRS and to the members and withhold any applicable tax payments to the extent required by law.

Effect on Policies Purchased After Adoption of Plan by the Board of Directors

Saucon Mutual does not intend to issue any new insurance policies prior to the closing under the Plan of Conversion. Consequently, Saucon Mutual will not issue any policies after the date that the Plan of Conversion was adopted by its board of directors and before the closing of the Demutualization Transactions.

DESCRIPTION OF DEMUTUALIZATION TRANSACTIONS

The closing of all of the Demutualization Transactions will occur simultaneously except for the entity reorganization that will cause the Agency to become a wholly-owned subsidiary of Saucon Holding Company, which will occur promptly after the closing of the other Demutualization Transactions. The Demutualization Transactions are described below:

Demutualization of Saucon Mutual

Saucon Mutual will be converted from a mutual insurance company into a stock insurance company called "Saucon Insurance Company". Saucon Mutual's articles of incorporation will be amended and restated in the form attached as exhibits to the Plan of Conversion to reflect the name change and to reflect its organization as a stock insurance company, and its bylaws will be amended and restated in the form attached as exhibits to the Plan of Conversion. A description of the material changes in the articles of incorporation and bylaws is set forth below under the heading "Description of Changes in Governance."

Saucon Insurance Company will issue and sell 1,000 shares of its capital stock to Saucon Holding Company for an aggregate purchase price of \$1,425,000. Those shares will constitute all of the outstanding shares of Saucon Insurance Company, so that Saucon Insurance Company will be a wholly-owned subsidiary of Saucon Holding Company.

The directors and officers of Saucon Mutual who are in office immediately prior to closing will remain in office as directors and officers of Saucon Insurance Company.

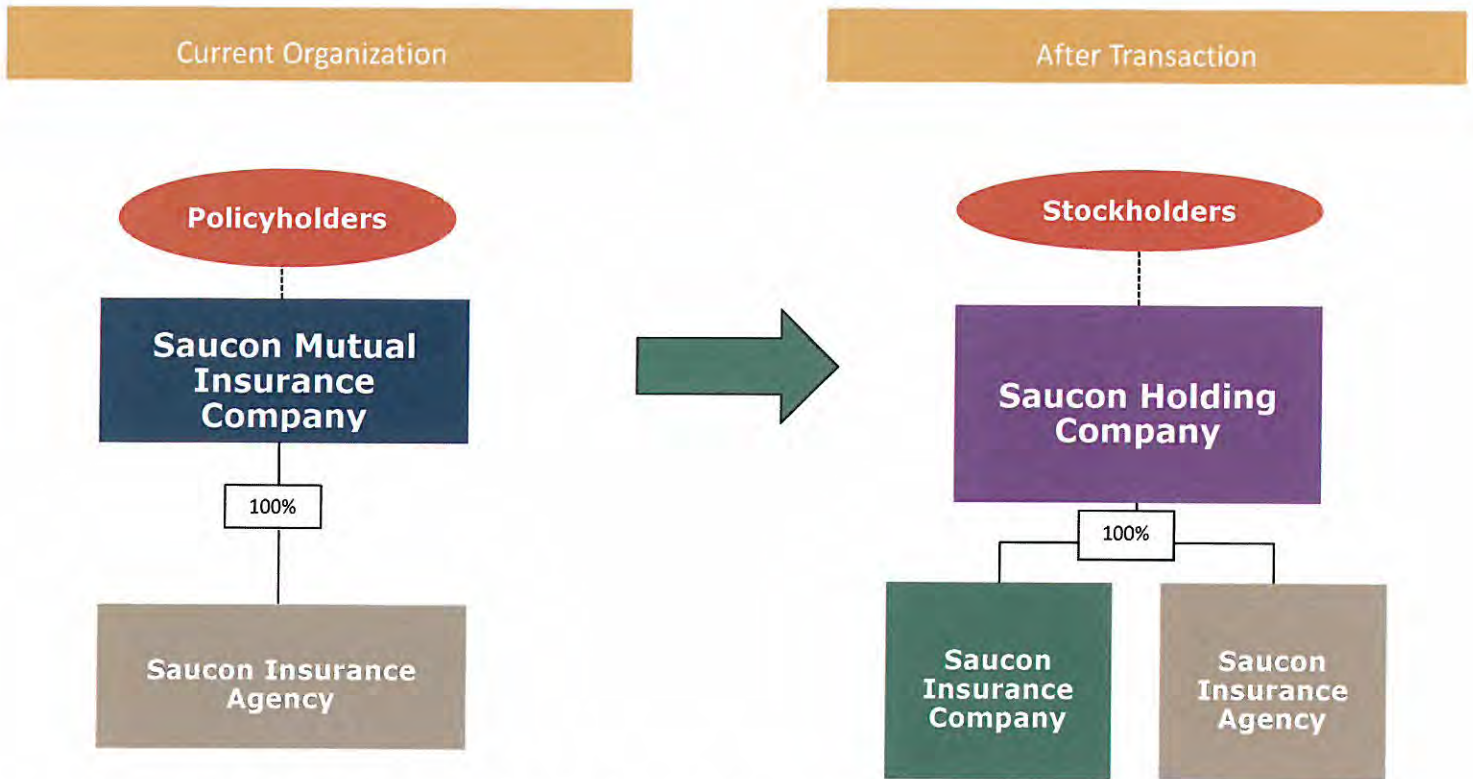
Charitable Contribution

The converted company will make a \$1,000,000 charitable contribution to the Lehigh Valley Community Foundation, to be held and applied as described in this member information statement under the heading "Description of Charitable Contribution".

Closing of Stock Offering by Saucon Holding Company

Saucon Holding Company will sell 3,250,000 shares of its capital stock to investors for a subscription price of \$1.00 per share, as described in this member information statement under the heading "Description of Stock Offering of Saucon Holding Company". The stock of Saucon Holding Company being issued in that capital offering will constitute all of the outstanding shares of capital stock of Saucon Holding Company. As a result, the investors in that capital offering will hold all of the outstanding stock of Saucon Holding Company.

The following diagram illustrates the effect of the transactions:



Immediately following the closing, the following transactions will occur:

Entity Reorganization of the Agency

Saucon Insurance Company will make a distribution to Saucon Holding Company (its sole stockholder) of all of the capital stock of the Agency, with the result that the Agency will become a direct wholly-owned subsidiary of Saucon Holding Company and will be a sister company (rather than a subsidiary) of Saucon Insurance Company. This distribution will occur immediately after the closing of the demutualization.

As promptly as practicable following the closing, the following transactions will occur:

Payment of Consideration to Members

Saucon Insurance Company will pay to each of the Saucon Mutual members their respective consideration as described in this member information statement under the heading “Description of Consideration to Members”.

Circulation of New Insurance Policy Declarations and/or Amendatory Endorsement

Because of the changes in the policyholders’ rights (as described in this member information statement under the heading “Description of Changes in Policyholders’ Rights”), Saucon Insurance Company will prepare either new declarations and/or an amendatory endorsement for its insurance policies and will deliver them to the policyholders following the closing.

DESCRIPTION OF CHANGES IN POLICYHOLDERS' RIGHTS

Saucon Mutual is a Pennsylvania mutual insurance company. The policyholders' current rights in their capacity as members of the company are set forth in Saucon Mutual's articles of incorporation and bylaws, and under the Pennsylvania Business Corporation Law. From and after the closing of the Demutualization Transactions, policyholders of Saucon Insurance Company (the stock insurance company into which Saucon Mutual will be converted) will no longer be members of the company and will therefore no longer enjoy those rights. This section summarizes the material changes in rights that the policyholders of Saucon Mutual will experience upon the closing of the Demutualization Transactions.

Voting rights.

Policyholders in their capacity as members of a mutual insurance company have the right to vote on certain matters, such as electing the company's board of directors and approving certain fundamental transactions such as a demutualization, a merger, a liquidation of the company or a sale of all or substantially all assets. Once the company demutualizes and becomes a stock corporation, those voting rights are enjoyed by the company's stockholders rather than its policyholders.

Dividends.

The board of directors of a mutual insurance company has the right to cause the company to declare and pay dividends (subject to restrictions under applicable law), which are then paid to the policyholders in their capacity as members. Once the company demutualizes and becomes a stock corporation, dividends may be payable to stockholders and/or policyholders if and as declared by the board of directors, and subject to restrictions as provided by law. Policyholders will not have the right to share in the surplus of the company.

It should be noted that Saucon Mutual has not declared or paid any dividends in at least the past 25 years, and the board of directors does not have any present plans to declare or pay any dividends in the foreseeable future, whether or not the Demutualization Transactions close, with the exception of the distribution of the stock of the Agency to Saucon Holding Company, as described under the heading "Description of Demutualization Transactions".

Excess of liquidation proceeds over liabilities.

Pennsylvania law provides that upon the voluntary dissolution of a mutual insurance company that is not a life insurance company, after discharging or making adequate provision for the company's liabilities, the assets that may not be properly credited to policyholders and members are to be escheated to the Commonwealth of Pennsylvania. This contrasts with the right of stockholders of a stock corporation, who generally have the right to share in the distribution of the assets of a liquidating corporation that remain after discharging or making adequate provision for the discharge of all of the corporation's liabilities.

Because the policyholders of a mutual insurance company incorporated in Pennsylvania do not have the right to share in the liquidation proceeds, Saucon Mutual does not believe that the Demutualization Transactions will materially affect the rights of its policyholders with respect to a liquidation of the company.

DESCRIPTION OF CHANGES IN GOVERNANCE

Upon the closing of the Demutualization Transactions, the articles of incorporation and bylaws of Saucon Mutual will be amended in order to reflect its conversion into a stock insurance company. The following table summarizes the key changes in the governance of Saucon Mutual:

	Saucon Mutual Insurance Company (before closing)	Saucon Insurance Company (after closing)
Authorization of Stock	None.	1,000 shares of capital stock authorized, all of which will be issued to Saucon Holding Company.
Election of Directors	Election by members of Saucon Mutual (1 vote per member)	Election by Saucon Holding Company, which will be the company's sole stockholder
Initial Makeup of Board of Directors	Brian T. Regan (Chairman) Susan C. Drabic (Vice Chairman) Phillip J. Bell Michael Crofton Martin C. Gilchrist Donna Jean Goss Richard E. Santee, Jr. Bernard J. Story	No change. The incumbent board members will continue to serve until the expiration of their terms, or until their death, resignation or removal. These individuals will also be the initial board members of Saucon Holding Company.
Initial Officers	Stephen Bajan (CEO) Brian T. Regan (President) Phillip J. Bell (Secretary) Martin C. Gilchrist (Treasurer)	No change. The incumbent officers will continue to serve until the expiration of their terms, or until their death, resignation or removal. These individuals will also be the initial officers of Saucon Holding Company.
Board members' term of office	Three years. The board is divided into three classes with overlapping terms of office so that approximately one-third of the board members are subject to election every year.	No change.
Term limits of directors	Saucon Mutual's bylaws provide that all directors other than Phillip J. Bell and Susan C. Drabic may be elected to a maximum of five three-year terms.	No change, except that the closing will result in the "reset" of term limits so that all incumbent directors will be considered to be serving their first term.
Holding company	None	Saucon Holding Company will be the company's sole stockholder. The stockholders of Saucon Holding Company (who will be the investors who acquired stock in the stock offering described in this memorandum under the heading "Description of Stock Offering of Saucon Holding Company") will elect the directors of Saucon Holding Company, having one vote per share. The bylaws of Saucon Holding Company will be substantially similar to those of the converted insurance company. The boards of directors of both companies will consist of the same individuals.

DESCRIPTION OF CHARITABLE CONTRIBUTION

Upon the closing of the Demutualization Transactions, Saucon 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, which is the region in which Saucon Mutual’s operations are conducted and where most of its members are located. Its website is <http://www.lehighvalleyfoundation.org/>. Saucon Mutual determined that the contribution to the Lehigh Valley Community Foundation was more cost-effective and straightforward than establishing a separate, new 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.

The Lehigh Valley Community Foundation will be entitled to receive a fee for maintaining the Saucon Insurance Company Foundation Fund. 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 to the Foundation.

DESCRIPTION OF STOCK OFFERING OF SAUCON HOLDING COMPANY

Stock Offering

As part of the Demutualization Transactions, Saucon Holding Company will close an offering of capital stock to certain investors concurrently with the closing under the Plan of Conversion. The investors who subscribe for stock of Saucon Holding Company in that offering will become all of the stockholders of Saucon Holding Company.

The investors in the Saucon Holding Company stock offering will subscribe for 3,250,000 shares of Saucon Holding Company’s common stock at a subscription price of \$1.00 per share. This means that if the closing occurs, Saucon Holding Company will receive \$3,250,000 in gross proceeds from the stock offering.

Description of Saucon Holding Company

Saucon Holding Company was organized for the purpose of the transactions contemplated by the Plan of Conversion. It has not issued any shares of capital stock and it has not engaged in any business activities. Upon the closing of the Demutualization Transactions, Saucon Holding Company will become the sole stockholder and parent company of Saucon Insurance Company (the stock insurance company into which Saucon Mutual will be converted when it demutualizes). Immediately after the closing by virtue of the entity reorganization described under the heading “Description of Demutualization Transactions – Entity Reorganization of the Agency”, Saucon Holding Company will

also become the sole stockholder and parent company of the Agency. The articles of incorporation and bylaws of Saucon Holding Company are attached as exhibits to the Plan of Conversion.

Participants in Stock Offering

The proposed demutualization of Saucon Mutual is not a subscription rights demutualization. This means that members of Saucon Mutual, in their capacity as such, are not being offered the right to participate in the capital offering and subscribe for shares of stock of Saucon Holding Company. Instead, the members of Saucon Mutual will receive the consideration described in this member information statement under the heading “Description of Consideration to Members”.

Nine individuals were invited to, and are expected to, subscribe for stock of Saucon Holding Company in the offering. These individuals are board members and members of management of Saucon Mutual. Saucon Mutual expects that three of these individuals will acquire, in the aggregate, approximately 91% of the Saucon Holding Company shares that will be offered, and the other six individuals will acquire, in the aggregate, the balance of the Saucon Holding Company being offered. In order to ensure that the stock offering would be treated as an offering exempt from the registration requirements under federal and state securities laws to minimize the costs and expenses of the stock offering, and in order to assure a continuity of control of the company, no other investors were invited to participate in the stock offering.

Use of Proceeds of Stock Offering

Saucon Holding Company intends to use the proceeds of the stock offering as follows:

Use	\$
Costs and expenses of the Demutualization Transactions (which include the fees of Saucon Mutual’s financial advisor to prepare and deliver the fairness opinion, the fees and expenses of counsel, the fees and expenses of tax and accounting advisors, filing fees with the Pennsylvania Insurance Department, and printing, filing and mailing expenses).	\$700,000 (estimated)
Purchase of 1,000 shares of capital stock of Saucon Insurance Company	\$1,425,000
Cash reserve to be held by Saucon Holding Company	\$1,125,000 (estimated)

The proceeds of the stock offering will exceed the sum of the cash payments to be made to the members of Saucon Mutual, the amount of the charitable contribution to be made by Saucon Mutual, and the estimated costs and expenses of the Demutualization Transactions. This means that after the closing of the Demutualization Transactions, the total assets of Saucon Holding Company on a consolidated basis will be greater than the total assets of Saucon Mutual before the closing.

FAIRNESS OPINION OF BOENNING & SCATTERGOOD

Saucon Mutual engaged the firm of Boenning & Scattergood as its advisor in connection with the Demutualization Transactions and to provide to the board of directors its opinion as to whether those transactions prejudice the interests of the members of Saucon Mutual, are fair and equitable to the company, and are consistent with the purposes and intent of Pennsylvania's Insurance Company Mutual-to-Stock Conversion Act, from a financial point of view. Boenning & Scattergood is an investment banking firm that specializes, among other things, in representing financial institutions such as mutual insurance companies.

On August 27, 2014, Boenning & Scattergood orally delivered, and subsequently confirmed in writing, its opinion to the board of directors of the company that, based on certain analyses and studies it performed, and subject to certain assumptions and caveats outlined in its opinion and in its accompanying presentation, the Demutualization Transactions did not prejudice the interests of the members of Saucon Mutual, were fair and equitable to the company, and were consistent with the purposes and intent of Pennsylvania's Insurance Company Mutual-to-Stock Conversion Act, from a financial point of view, as of that date. The full text of that opinion is attached as Exhibit 4 to this member information statement.

RECOMMENDATION OF THE BOARD OF DIRECTORS

On February 4, 2015, the board of directors of Saucon Mutual unanimously approved and adopted the Plan of Conversion. **The board of directors of Saucon Mutual recommends that you vote:**

“FOR” the adoption of the Plan of Conversion; and

“FOR” the related amendment of Saucon Mutual's articles of incorporation.

1

**AMENDED AND RESTATED
ALTERNATIVE PLAN OF CONVERSION OF
SAUCON MUTUAL INSURANCE COMPANY**

On February 4, 2015, the Board of Directors of Saucon Mutual Insurance Company (“Saucon Mutual”) will consider this Amended and Restated Alternative Plan of Conversion of Saucon Mutual Insurance Company (the “Plan”).

On August 27, 2014, the Board of Directors of Saucon approved an Alternative Plan of Conversion of Saucon Mutual Insurance Company (the “Original Plan”). The Original Plan was filed with the Pennsylvania Department of Insurance (the “Department”) on September 2, 2014. The Department has not yet approved the Original Plan. By letter dated January 12, 2015, the Department provided a list of additional items necessary to the review of the filing of the Original Plan. The Plan, if duly approved by the affirmative vote of two-thirds of the directors of Saucon Mutual then in office, will amend and restate the Original 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 Department on or about February 6, 2015, 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 Members (defined in Section III.A below). The application will contain the following:

- (1) the Plan;
- (2) a form of member information statement satisfying the requirements of 40 P.S. § 913-A(f) (the “Member Information Statement”);
- (3) the form of proxy to be solicited from Eligible Members;
- (4) the proposed amended articles of incorporation and bylaws of the converted insurance company;
- (5) a copy of a formal request that the Department approve “Saucon Insurance Company” as the intended name of the converted insurance company;
- (6) an acquisition of control statement as required by Section 1402 of the Insurance Company Act of 1921, as amended (the “Form A”);
- (7) a Fairness Opinion prepared by Boenning & Scattergood;
- (8) the articles of incorporation and proposed bylaws of the holding company;
- (9) the form of shareholder agreement for the holding company;
- (10) a list of the current directors of Saucon Mutual.

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. As of August 27, 2014 (the Record Date selected by Saucon Mutual's Board of Directors), Saucon Mutual had approximately three hundred and ninety-four (394) policies in force.

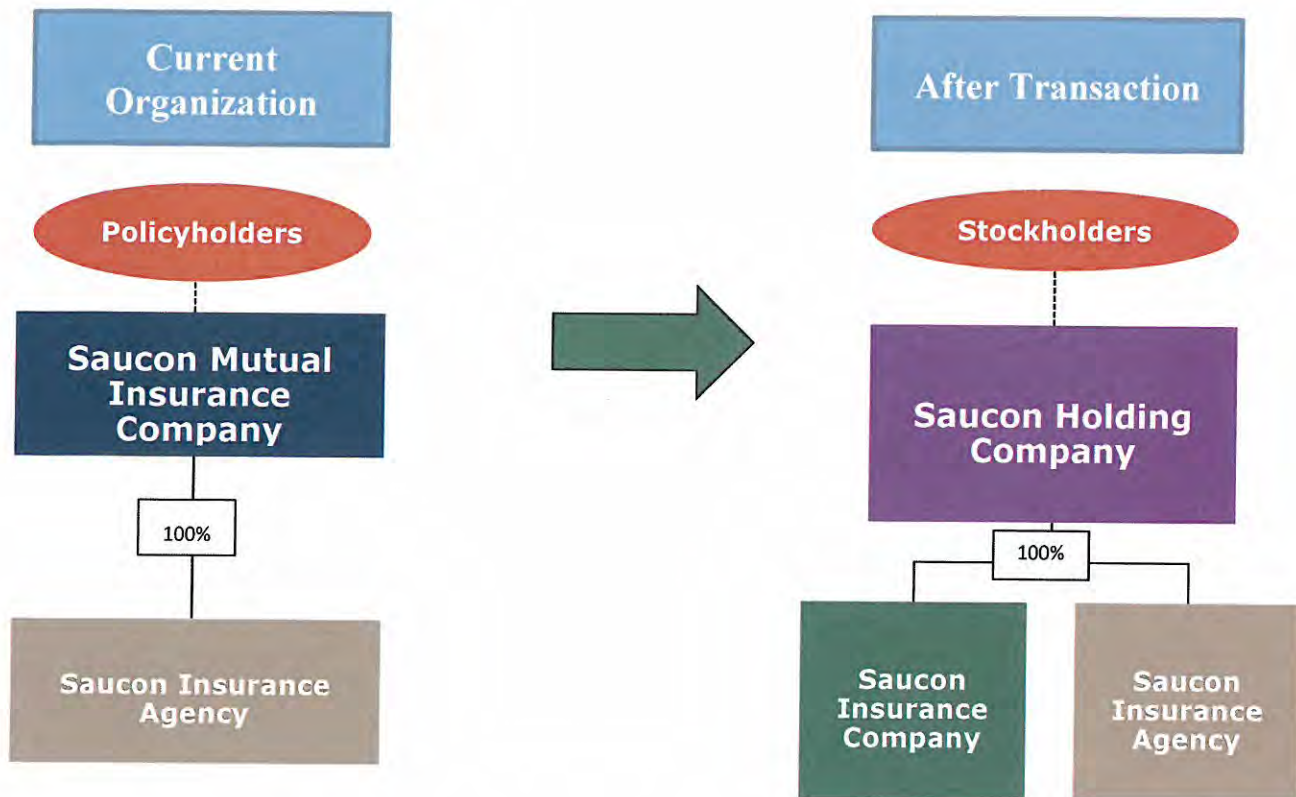
In 1991, Saucon Mutual organized Saucon Insurance Agency, Inc. (the "Agency") as a wholly-owned subsidiary. The Agency is an independent insurance agency that sells automobile insurance, homeowners insurance, business insurance and other insurance. The Agency also offers employee benefits consulting. 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 members 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.” Saucon Mutual is concurrently formally requesting that the Department approve “Saucon Insurance Company” as the intended name of the converted insurance company.

4. Issuance and Sale of Converted Insurance Company’s Capital Stock. On the Effective Date, the Converted Insurance Company will issue and sell to Saucon Holding, and Saucon Holding will purchase from the Converted Insurance Company, one thousand shares of the Converted Insurance Company’s capital stock, which will constitute all of the issued and outstanding shares of capital stock of the Converted Insurance Company 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. Saucon Holding will pay an aggregate purchase price of \$1,425,000 for those shares, using a portion of the proceeds of the stock offering described in the preceding paragraph 2 to do so. The Converted Insurance Company will record the proceeds of that issuance and sale of the Converted Insurance Company’s capital stock as follows: \$950,000 as paid-in capital (i.e., 1,000 shares times \$950.00 par value per share) and \$475,000 as paid-in surplus, with the result that the statutory minimum amounts of capital and of paid-in and contributed surplus for the Converted Insurance Company’s lines will have been satisfied.

5. Consideration. The Converted Insurance Company will pay and make available to each Eligible Member of Saucon Mutual the consideration described in Section IV.A. below (which payments will be in the aggregate amount of approximately \$1,064,788, assuming a closing date of June 30, 2015), 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 Members 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 members 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, as promptly as practical after the Plan has been duly approved by the Department and by the Eligible Members.

III. ELIGIBLE MEMBERS

A. Definition of Eligible Member

All members of Saucon Mutual as of August 27, 2014 (the "Record Date") will be considered Eligible Members of Saucon Mutual. The Record Date is the date that the Original Plan was approved by the Board of Directors. Saucon Mutual has not issued any new policies since August 27, 2014 and will not issue any new policies between that date and the closing date of the Conversion or the abandonment of the Plan. All Saucon Mutual members 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. Member Verification Process

Saucon Mutual conducted due diligence to verify its member list. As part of this project, former members whose policies were no longer active as of the Record Date, such as members who no longer qualified for coverage, were removed from the member 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 members' right to coverage has been established through affirmative contact with the member within the past year. All members remaining on the list received a "Continuing Coverage Survey" by certified mail, return receipt requested to the members' last known addresses in Saucon Mutual's records. Members' 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 member 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 member files an appeal of the cancellation under Act

205. For those members 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 members 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 members 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 members 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 MEMBERS

A. Description of Cash and Other Consideration to Members

All Eligible Members are entitled to the compensation described in this Plan if the Conversion is effectuated. The compensation package that an Eligible Member 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 Members Who Hold Perpetual Policies

A. *Cash Payment.* A cash payment computed by multiplying (i) the actual number of calendar days that the policy had been in effect from its issuance until the closing date of the Conversion, by (ii) \$0.1644 per day, then rounding that amount to the nearest whole dollar. For example, a member who is a perpetual policyholder whose policy had been in effect for 10 years (i.e., 3650 days) would receive a cash payment of \$600; and a member who is a perpetual policyholder whose policy had been in effect for 10 years plus 120 days (i.e., 3770 days) would receive a cash payment of \$620. The aggregate amount of cash payments to all members who are perpetual policyholders under this paragraph will be \$704,249, assuming a closing date of June 30, 2015.

B. *Return of Deposits.* A return of 15% of the Eligible Member's deposits held by Saucon Mutual, if any. The aggregate amount of deposits to be returned to members who are perpetual policyholders under this paragraph will be approximately \$340,000, less any deposits that are returned before the closing in accordance with policy terms.

C. *Removal of Charges for Increases in Policy Limits Under Inflation Adjustment Endorsements.* Many of the perpetual insurance policies issued by Saucon Mutual have inflation adjustment endorsements, which are either “Annual Adjustment of Limits” endorsements or “Automatic Increase in Insurance” endorsements. Those endorsements generally cause the policy limit of the perpetual policy to be increased each year due to inflation, but they generally require the perpetual policyholder to pay an additional annual deposit to Saucon Mutual because of that increase in the policy limit. After the Conversion, the Converted Insurance Company will discontinue its practice of requiring holders of those perpetual policies to pay those additional annual deposits, commencing on the annual anniversary of the date of issuance of that perpetual policy that follows the closing date of the Conversion.

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

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

- A cash payment computed by multiplying (i) the actual number of calendar days that the policy had been in effect (including all renewals) from its issuance until the closing date of the Conversion, by (ii) \$0.1644 per day, then rounding that amount to the nearest whole dollar. For example, a member who is a non-perpetual policyholder whose policy had been issued and then renewed from time to time for a total period of 10 years (i.e., 3650 days) as of the closing date would receive a cash payment of \$600; and a member who is a non-perpetual policyholder whose policy had been issued and then renewed from time to time for a period of 10 years plus 120 days (i.e., 3770 days) as of the closing date would receive a cash payment of \$620. The aggregate amount of cash payments to all members who are non-perpetual policyholders under this paragraph will be \$18,739, assuming a closing date of June 30, 2015; 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 members who are non-perpetual policyholders under this paragraph would be approximately \$1,800.

3. Aggregate Payments to Members

The aggregate amount of the payments to members described in paragraphs IV.A.1.A, IV.A.1.B and IV.A.2 above will be approximately \$1,064,788, assuming a closing date of June 30, 2015.

4. Payment Procedure

Eligible Members 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, as applicable, as promptly as practicable after the Effective Date.

B. No Subscription Rights

No Saucon Mutual member, 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 shareholders 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. Saucon Holding will use the proceeds of the Stock Offering as follows: (i) Saucon Holding will purchase the capital stock of the Converted Insurance Company for \$1,425,000 which means that the Converted Insurance Company will receive that amount; (ii) Saucon Holding will pay the costs and expenses related to this Plan and the transactions contemplated hereby; and (iii) Saucon Holding will retain the balance of the proceeds as a cash reserve.

6. 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.

7. 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 members in the aggregate amount of approximately \$1,064,788 (assuming a June 30, 2015 closing date) 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.

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 and sold to Saucon Holding on the Effective Date for a purchase price of \$1,425,000 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, except that 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 these changes in the policyholders' rights, Saucon Insurance Company will prepare either new declarations and/or an amendatory endorsement for its insurance policies and will deliver them to the policyholders following the closing.

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 MEMBERS

Following the Department's approval of the Plan, 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 Members by mailing: (i) a notice of the Special Meeting; (ii) a Member 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 Member may vote in favor of the Conversion; and (iv) a copy of the Plan filed with the Department (those materials collectively "Member Information Package"). The form of Member Information Package that has been attached to this application contains placeholders in place of the date of the Special Meeting, as the date of the Special Meeting will not be determined until after the Department approves the Plan. These documents will be sent to each Eligible Member at least thirty (30) days prior to the date of the Special Meeting.

Eligible Members may vote on the Plan in person at the Special Meeting or by proxy. In accordance with the bylaws of Saucon Mutual, each Eligible Member 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 Members 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 Members.

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 members, 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.

C. Department Approval of Intended Name

Saucon Mutual is requesting that the Department approve "Saucon Insurance Company" as the intended name of the converted insurance company.

D. Department Approval of Member Information Package Materials

Saucon Mutual requests that the Department approve the Member Information Package described in Section VII above so that, as promptly as practicable following the Department's approval

of the Plan, Saucon Mutual may call and hold a special meeting of the Eligible Members to approve the Plan.

E. 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. An Amended and Restated Form A for this change in control was submitted to the Department together with the submission of this Plan as part of the application described in Section I. Saucon Mutual requests that the Department approve the Form A.

F. 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 members 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 Converted Insurance Company will issue and sell those 1,000 authorized shares to Saucon Holding for an aggregate purchase price of \$1,425,000. The Converted Insurance Company will record proceeds of that issuance and sale of its capital stock as follows: \$950,000 as paid-in capital (i.e., 1,000 shares times \$950.00 par value per share) and \$475,000 as paid-in surplus, with the result that the statutory minimum amounts of capital and of paid-in and contributed surplus for the Converted Insurance Company's lines will have been satisfied.

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 the 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 the 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. Exhibit F also identifies the independent directors of the Converted Insurance Company's board of directors, and the members of its Audit Committee and its Nominating and Compensation Committee, as of the Effective Date.

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. Amendment and Restatement of the Original Plan

Upon the adoption of this Plan by the Board of Directors of Saucon Mutual, the Original Plan is hereby deemed to have been amended and restated in its entirety in the form hereof.

B. 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, its members, and the Converted Insurance Company and its policyholders.

C. 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 not less than 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 not less than 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 Members. This Plan may be amended at any time after its approval by the Eligible Members and prior to the Effective Date by the affirmative vote of not less than 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 Members called for that purpose.

D. Termination

This Plan may be terminated at any time before the Effective Date by the affirmative vote of not less than two-thirds of the directors of Saucon Mutual then in office.

E. Binding Upon Eligible Members

By approving this Plan, the Eligible Members 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 this 4th day of February, 2015.

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 4th day of February, 2015, 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 Bell, Secretary

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.

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 papers to which the seal of the Company is affixed.

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 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. 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 members 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 *[insert date that is selected as the date of closing of the conversion]*.
- 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 (A) during calendar year 2015, \$3,250,000 and (B) thereafter an amount, as of any such 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, 2015, as set forth in the Company’s audited consolidated financial statements for all of the completed fiscal years from December 31, 2015 until the time in question (it being acknowledged that the amount referred to in this clause (ii) may be a negative number).

“**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.

“**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
--------------------	--

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]

F

Exhibit F

Saucon Mutual Insurance Company List of Board of Directors & Classes

	Name	Class / Term Expiration
1	Phillip J. Bell	2017
2	Susan C. Drabic	2016
3	Martin C. Gilchrist	2017
4	Brian T. Regan	2016
5	Richard E. Santee, Jr.	2016
6	Donna Jean Goss	2015
7	Bernard J. Story	2015
8	Michael G. Crofton	2015

Converted Insurance Company List of Independent Directors

	NAME
1	Susan C. Drabic
2	Richard E. Santee, Jr.
3	Bernard J. Story
4	Donna Jean Goss

Converted Insurance Company List of Audit and Nominating & Compensation Committee Members

	NAME	Committee Member
1	Susan C. Drabic	Audit Committee; Nominating & Compensation Committee
2	Richard E. Santee, Jr.	Audit Committee; Nominating & Compensation Committee
3	Bernard J. Story	Audit Committee
4	Donna Jean Goss	Nominating & Compensation Committee

2

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 members 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 *[insert date that is selected as the date of closing of the conversion]*.
- TENTH:** The Shareholders of the corporation shall not have cumulative voting rights.