

Bybee, Cressinda

From: Roggenbaum, Frances R. <FRoggenbaum@saul.com>
Sent: Thursday, October 06, 2016 11:06 AM
To: Bybee, Cressinda
Cc: Feather, Karen
Subject: RE: Saucon Mutual - Engagement of StoneRidge
Attachments: Saucon engagement acknowledgment.pdf

Cris – Attached is a copy of the acknowledgement as signed by Brian Regan. The hard copy will be placed in the mail to you today.

Thanks so much!

Frances R. Roggenbaum
 Saul Ewing LLP
 2 North Second Street, 7th Floor
 Harrisburg, PA 17101
 717.257.7526 (phone)
 717.257.7596 (fax)
froggenbaum@saul.com

From: Bybee, Cressinda [mailto:cbybee@pa.gov]
Sent: Wednesday, October 05, 2016 12:21 PM
To: Roggenbaum, Frances R.
Cc: Feather, Karen
Subject: Saucon Mutual - Engagement of StoneRidge

Fran – Please have Mr. Regan sign the attached acknowledgement. A scanned image of the signed document should be emailed to me with the hardcopy to follow via standard mail.

Thank you,
 Cris

Cressinda E. Bybee | PIR | Chief, Company Licensing Division
 Insurance Department | Bureau of Company Licensing and Financial Analysis
 1345 Strawberry Square | Hbg, PA 17120
 Phone: 717.783.2144 | Fax: 717.787.8557
www.insurance.pa.gov
 Twitter: @PAInsuranceDept
 Facebook: [Facebook.com/PAInsuranceDepartment](https://www.facebook.com/PAInsuranceDepartment)

"Saul Ewing LLP <saul.com>" made the following annotations:

+~~~~~+

This e-mail may contain privileged, confidential, copyrighted, or other legally protected information. If you are not the intended recipient (even if the e-mail address is yours), you may not use, copy, or retransmit it. If you have received this by mistake please notify us by return e-mail, then delete.

+~~~~~+



October 5, 2016

Mr. Brian T. Regan, Chairman & President
Saucon Mutual Insurance Company
74 W. Broad Street, Suite 300
Bethlehem, PA 18018

RE: Engagement of StoneRidge Advisors, LLC

Dear Mr. Regan:

The Pennsylvania Insurance Department ("Department") has engaged StoneRidge Advisors, LLC ("StoneRidge") as an independent consultant to assist in the Department's review of the proposal of Saucon Mutual Insurance Company ("Saucon") to effectuate a conversion (engagement letter attached). Saucon's proposal is developed pursuant to Article VIII-A of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, No. 284, as amended, 40 P.S. §§911-A to 929-A. Under the provisions of Article VIII-A, the fees of StoneRidge are the responsibility of Saucon.

The purpose of this letter is to obtain Saucon's acknowledgment of this statutory obligation and its undertaking to promptly pay the fees and expenses of any expert retained by the Department, including any expert retained by another expert. Such fees and expenses are payable upon the delivery of invoices by StoneRidge to Saucon. These fees and expenses shall be the obligation of Saucon regardless of whether the Department ultimately approves any such plan.

Please indicate your agreement to the foregoing by executing this letter in the space provided below and returning a copy to me. Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Karen Feather".

Karen Feather
Special Assistant
Insurance Company Licensing

ACCEPTED:

SAUCON MUTUAL INSURANCE COMPANY

BY: A handwritten signature in cursive script that reads "Brian Regan".

Brian Regan, Chairman & President

STONERIDGE
ADVISORS, LLC

RECEIVED
Corporate & Financial Regulation

OCT 04 2016

Pennsylvania
Insurance Department

September 16, 2016

Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

Attention: Joseph DiMemmo
Deputy Insurance Commissioner for Corporate and Financial Regulation

This letter agreement (together with Annex A hereto, the "Agreement") confirms the engagement of StoneRidge Advisors, LLC ("StoneRidge") by the Pennsylvania Insurance Department (the "Department") to perform a valuation analysis (the "Valuation Analysis") of Saucon Mutual Insurance Company (the "Company").

Section 1. Services. Subject to the terms and conditions of this Agreement, StoneRidge will perform financial advisory and investment banking services as are customary and appropriate for the engagement contemplated hereunder. The valuation analysis should be conducted using an appropriate methodology for a potential demutualization of the company.

If requested, StoneRidge will deliver an opinion to the Department as to the fairness, from a financial point of view, to the policyholders of the Company of the consideration to be paid in a potential demutualization of the Company (an "Opinion"). The scope, form and substance of the Opinion will be as StoneRidge deems appropriate after conducting its investigation of the potential demutualization.

The Department acknowledges that StoneRidge's services hereunder will not include, and the Department is not relying on StoneRidge for, any tax advice (or developing tax strategies) or any advice as to legal, accounting or regulatory matters and that, as the Department's financial advisor hereunder, StoneRidge is acting as an independent contractor and not in any other capacity, including as an agent or fiduciary, of the Department. The Department further acknowledges and agrees that any duties of StoneRidge arising out of this Agreement will be owed solely to the Department and that, except as provided in Annex A hereto, the engagement of StoneRidge hereunder is not intended to confer rights or remedies upon any person (including policyholders, employees or creditors of the Department or the Company) not a party hereto.

Section 2. Fees and Expenses. In connection with StoneRidge's engagement hereunder, the Department and the Company agree that StoneRidge will be paid in cash the following by the Company:

- (a) an upfront advisory fee of \$25,000, payable promptly upon the execution of this Agreement;
- (b) a valuation fee of \$50,000, payable promptly at the time StoneRidge delivers its Valuation Analysis to the Company;

Pennsylvania Insurance Department
September 16, 2016

(c) a fairness opinion fee of \$25,000, payable promptly at the time StoneRidge informs the Department, at the Department's request, that it is prepared to deliver an Opinion; and

(d) promptly upon request by StoneRidge, reimbursement of expenses incurred by StoneRidge (including, but not limited to, fees and expenses of counsel) in connection with its engagement hereunder.

Section 3. Information. The Department will provide or otherwise cause to be available to StoneRidge all financial and other information concerning the Company's business and operations prepared by the Company, or any of its advisors as StoneRidge reasonably requests (all such provided information, collectively, the "Information"). The Department agrees that StoneRidge will be entitled to rely without independent investigation upon all such Information and all other information that is available from public sources or otherwise and that StoneRidge will not assume responsibility for the accuracy, completeness or reasonableness of the Information or such other information or have any obligation to independently evaluate, appraise or physically inspect any assets or liabilities (contingent or otherwise) of the Company. With respect to any financial forecasts or estimates provided to StoneRidge, StoneRidge will assume that such financial forecasts and estimates have been reasonably prepared reflecting the best currently available estimates and judgments of the preparer thereof. To the best of the Department and the Company's knowledge, the Information when delivered, will be true and correct in all material respects and will not contain any material misstatement of fact or omit to state any material fact necessary to make the statements contained therein, in the light of the circumstances in which they were made, not misleading. The Department and the Company will promptly notify StoneRidge of any material inaccuracy or misstatement in, or material omission from, the Information.

It is understood and agreed that the Opinion would be issued to the Department and would not be included in a proxy or similar disclosure document to policyholders. In the event any Valuation Analysis or Opinion delivered by StoneRidge pursuant to this Agreement is required by law to be included by the Department or the Company in a disclosure document, the Valuation Analysis or Opinion will be reproduced therein in full and any description of or reference to StoneRidge or any summary of the Valuation Analysis, Opinion or presentation of StoneRidge included in such document will be subject to StoneRidge's prior written consent and approval.

Section 4. Confidentiality. All information and materials produced or obtained in the course of StoneRidge's analysis will be considered confidential and may only be reproduced or distributed with the prior written consent of the Department. StoneRidge will be permitted to retain one copy of all information and materials, which is necessary for StoneRidge's professional work record.

Section 5. Indemnification. The Department will assist StoneRidge in getting the Company to agree to the indemnification and other provisions set forth in Annex A attached hereto, which is incorporated herein by reference.

Section 6. Termination. This Agreement may be terminated by the Department or StoneRidge upon written notice to such effect. Upon termination of this Agreement, StoneRidge will be entitled to prompt payment of all fees and reimbursement of all expenses to which it is entitled pursuant to Section 2 hereof in accordance with the provisions thereof. The provisions of

Pennsylvania Insurance Department
September 16, 2016

Sections 3, 4 (including the indemnity set forth in Annex A attached hereto), 5 and 6 will remain operative and in full force and effect regardless of any termination pursuant to this Section 5.

Section 6. Miscellaneous.

It is hereby acknowledged that any party hereto (and any employee, representative or other agent thereof) may, subject to applicable law, disclose, without limitation, the U.S. tax treatment and structure of any transaction contemplated hereby, and all materials that are provided to it relating to such U.S. tax treatment and structure, that are relevant to support any U.S. tax benefit expected to be claimed with respect to such transaction.

Any dispute arising under this agreement is governed by the law of Pennsylvania, without regard to otherwise applicable conflicts of law principles of that or any other jurisdiction, and any dispute must be resolved in the proper venue within the Commonwealth of Pennsylvania.

This Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. If any provision of this Agreement is determined to be invalid, void or unenforceable in any respect, the remainder of the provisions contained herein will remain in full force and effect and will in no way be affected, impaired or invalidated. This Agreement may not be amended or otherwise modified or waived except by written agreement of the parties hereto. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which will constitute one and the same agreement. This Agreement will be binding upon the parties hereto and their respective successors and assigns and any successor or assign of any substantial portion of such party's businesses and/or assets.

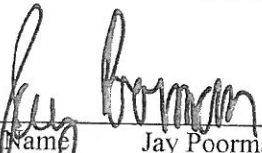
[this space left intentionally blank]

Pennsylvania Insurance Department
September 16, 2016

Please confirm that the foregoing correctly sets forth our understanding, by signing and returning the attached copy of this Agreement, whereupon this Agreement will become effective as of the date first above written. StoneRidge is delighted to accept this engagement and looks forward to working with the Department on this assignment.

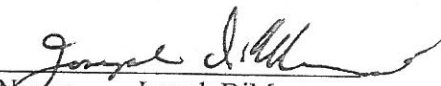
Sincerely,

STONERIDGE ADVISORS, LLC

By: 
Name: Jay Poorman
Title: Managing Director

Accepted and agreed to
as of the date first above written:

PENNSYLVANIA INSURANCE DEPARTMENT

By: 
Name: Joseph DiMemmo
Title: Deputy Insurance Commissioner for Corporate and Financial Regulation

Annex A

This Annex A is a part of, and incorporated into, that certain letter agreement (together, the "Agreement"), dated September 16, 2016, by and between the Pennsylvania Insurance Department (the "Department") and StoneRidge Advisors, LLC ("StoneRidge") with respect to Saucon Mutual Insurance Company (the "Company").

The Company agrees to indemnify and hold harmless StoneRidge and its affiliates and their directors, officers, employees, agents, registered representatives and controlling persons (each such entity or person, an "Indemnified Person") from and against any and all losses, claims, damages, judgments, assessments, costs and other liabilities (collectively, the "Liabilities"), and will reimburse each Indemnified Person for all fees and expenses, arising from, in connection with or in any way related to any matters referred to in the Agreement (including fees and expenses of legal counsel and expenses incurred in connection with investigating, preparing, pursuing or defending any claim, suit, action, proceeding or investigation arising from, in connection with or in any way related to the Agreement (an "Action")); provided that the Company will not be responsible for such Liabilities to the extent that a court of competent jurisdiction has determined in a final, non-appealable judgment that such Liabilities resulted solely from StoneRidge's gross negligence or willful misconduct (including bad faith). The Company also agrees to reimburse each Indemnified Person for all expenses incurred in connection with enforcing such Indemnified Person's rights under the Agreement (including without limitation, its rights under this Annex A).

In the event that the foregoing indemnity is unavailable to an Indemnified Person for any reason other than the gross negligence or willful misconduct (including bad faith) of the Indemnified Person or is insufficient to hold such Indemnified Person harmless, the Company will contribute to the Liabilities and expenses paid or payable by such Indemnified Person in such proportion as is appropriate to reflect the relative benefits to the Company and its policyholders or other constituencies, on the one hand, and to such Indemnified Person, on the other hand, of the matters contemplated by the Agreement (whether or not any transaction contemplated thereby is consummated) or, if such allocation is for any reason held unenforceable, in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and its policyholders or other constituencies, on the one hand, and of such Indemnified Person, on the other hand, in connection with the matters to which such Liabilities or expenses relate as well as any other relevant equitable considerations. For purposes of this paragraph, the relative benefits to the Company and its policyholders or other constituencies, on the one hand, and to an Indemnified Person, on the other hand, of the matters contemplated by the Agreement will be deemed to be in the same proportion as (i) the total value received or contemplated to be received by the Company or its policyholders or other constituencies, as the case may be, in the transaction contemplated by the Agreement (whether or not any transaction contemplated thereby is consummated) bears to (ii) the fees paid to StoneRidge in connection with such transaction; provided that in no event will the Company contribute less than the amount necessary to assure that such Indemnified Person is not liable for any Liabilities and expenses in excess of the amount of fees actually received by StoneRidge pursuant to the Agreement.

Upon receipt by an Indemnified Person of notice of an Action to which the Company is not a party with respect to which indemnity may be sought hereunder, such Indemnified Person will promptly notify the Company thereof; provided that the failure to so notify the Company will not relieve the Company from any liability which the Company may have on account of this Annex A or otherwise, except to the extent the Company did not otherwise learn of such Action and is actually materially prejudiced by such failure. The Company may, in its sole discretion,

assume the defense of any such Action, including the employment of counsel reasonably satisfactory to such Indemnified Person. Any Indemnified Person will have the right to employ separate counsel in any such Action and participate in the defense thereof and the fees and expenses of such counsel will be at the expense of such Indemnified Person, unless: (a) the Company fails to assume the defense promptly and employ counsel reasonably satisfactory to such Indemnified Person, (b) the Company agrees to the retention by such Indemnified Person of its own counsel or (c) the Indemnified Person is advised by its counsel that there are actual or potential conflicting interests between the Company and such Indemnified Person, including situations in which there are one or more legal defenses available to such Indemnified Person that are different from or additional to those available to the Company; provided that the Company will not be responsible for the fees and expenses of more than one firm of separate counsel for such Indemnified Person and any other Indemnified Persons in connection with any such Action in the same jurisdiction, in addition to any local counsel, unless the Company otherwise consents or a conflict of interest requires separate counsel for particular Indemnified Persons. Notwithstanding the foregoing, in the event the Company assumes the defense of any Action, an Indemnified Person may consult to the extent reasonably necessary or appropriate with its counsel in connection with its involvement in any such Action for purposes of coordinating with the Company's counsel and assisting such Indemnified Person with respect to requests for the production of documents prepared by, or depositions of, such Indemnified Person and similar matters and the Company will reimburse such Indemnified Person for the fees and expenses of such counsel reasonably incurred by such Indemnified Person in connection with such consultation. The Company will not, without the prior written consent of StoneRidge, settle, compromise or consent to the entry of any judgment in, or otherwise seek to terminate, any pending or threatened Action in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Person from all Liabilities arising out of such Action and does not include a statement as to, or an admission of, fault or culpability on the part of any Indemnified Person.

The Company also agrees that no Indemnified Person will have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company, its policyholders or other constituencies for or in connection with advice or services rendered or to be rendered by any Indemnified Person pursuant to the Agreement, any transaction contemplated thereby or any Indemnified Person's actions or inactions in connection with any such advice, services or transaction, except to the extent that a court of competent jurisdiction has determined in a final, non-appealable judgment that such liability resulted solely from StoneRidge's gross negligence or willful misconduct (including bad faith) in connection with the performance of its services pursuant to the Agreement.

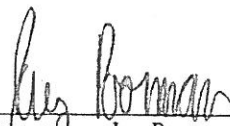
The reimbursement, indemnity and contribution obligations of the Company set forth hereunder will apply to any modification of the Agreement and will remain in full force and effect regardless of any termination of, or the completion of any Indemnified Person's services under or in connection with, the Agreement.

Saucon Mutual Insurance Company
September 16, 2016

Please confirm that the foregoing correctly sets forth our understanding, by signing and returning the attached copy of this Annex A, whereupon this Agreement will become effective as of September 16, 2016.

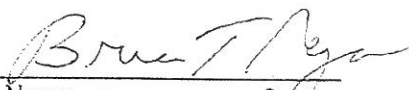
Sincerely,

STONERIDGE ADVISORS, LLC

By: 
Name: Jay Poorman
Title: Managing Director

Accepted and agreed to
as of the date first above written:

SAUCON MUTUAL INSURANCE COMPANY

By: 
Name: Brian T. Moran
Title: Chairman