

**~~SECOND-THIRD~~ AMENDED AND RESTATED
ALTERNATIVE PLAN OF CONVERSION OF
SAUCON MUTUAL INSURANCE COMPANY**

On ~~April 27~~March 22, 2015 ~~2017~~, the Board of Directors of Saucon Mutual Insurance Company (“**Saucon Mutual**”) will consider this ~~Second-Third~~ Amended and Restated Alternative Plan of Conversion of Saucon Mutual Insurance Company (the “**Plan**”).

I. PROCEDURAL BACKGROUND

On August 27, 2014, the Board of Directors of Saucon Mutual approved an Alternative Plan of Conversion of Saucon Mutual Insurance Company (the “**Original Plan**”). The Original Plan was filed with the Pennsylvania Insurance Department ~~of Insurance~~ (the “**Department**”) on September 2, 2014. ~~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. On February 4, 2015, and was subsequently amended and restated by the Board of Directors of Saucon Mutual unanimously approved an~~ on February 4, 2015 (as the “Amended and Restated Alternative Plan of Conversion of Saucon Mutual Insurance Company (the “Interim Amended Plan”) to address those items. ~~The Interim Amended Plan amended and restated the Original Plan in its entirety. The Department has not yet approved the Interim Amended Plan.~~” which is referred to in this Plan as the “**February 2015 Restated Plan**”) and again on April 27, 2015 (as the “**Second Amended and Restated Alternative Plan of Conversion of Saucon Mutual Insurance Company**”, which is referred to in this Plan as the “**April 2015 Restated Plan**,” and which, together with the Original Plan and the February 2015 Restated Plan”, are collectively referred to as the “**Prior Proposed Plans**”) to address various issues raised by the Department. After further discussions with the Department, Saucon Mutual determined to file a plan structured to afford to the Eligible Members (defined below) the right to either receive Member Compensation (defined below) or to subscribe for shares of Saucon Holding (defined below) in the Saucon Holding Offering (defined below).

~~Subsequently, during April 2015, Saucon Mutual’s management and counsel discussed the proposed transactions contemplated by the Interim Amended Plan with the Department. The This~~ Plan is being presented to the Board of Directors of Saucon Mutual to address ~~comments made concerns~~ raised by the Department ~~in those discussions, including making subscription rights available to the Eligible Members as an alternative to receiving Member Compensation.~~ 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 ~~Interim Amended Plan.~~Prior Proposed Plans.

If this Plan is approved by the Department and the Eligible Members, the Conversion (defined below) will present to each Eligible Member, at that Eligible Member’s election, the right to either (i) receive Member Compensation; or (ii) subscribe for shares of Saucon Holding in the Saucon Holding Offering (defined below) as described more fully in Section VII below.

II. 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 ~~May 7~~April 3, 2015 ~~2017~~, 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~~ Saucon Mutual'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~~ Member Information Statement and Offering Document 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~~ Amended Articles of Incorporation and bylaws of the ~~converted insurance company~~ 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~~ 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;~~
- ~~(6)~~ the Form A;
- ~~(8)~~ (7) the articles of incorporation and proposed bylaws of ~~the holding company~~ Saucon Holding;
- ~~(9)~~ (8) the form of ~~shareholder agreement for the holding company~~ the Saucon Holding Shareholder Agreement;
- (9) the form of the First Stage Offering Subscription Agreement;
- (10) the form of the Second Stage Offering Subscription Agreement;
- ~~(10)~~ (11) a list of the current directors of Saucon Mutual ~~;~~ and
- (12) a Valuation Analysis prepared by StoneRidge Advisors, LLC.

III. CERTAIN DEFINED TERMS

For purposes of this Plan, the following meanings are ascribed to the following terms:

"Agency" has the meaning given in Section IV.A of this Plan.

"Amended Articles of Incorporation" means the amended articles of incorporation of Saucon Mutual in the form attached hereto as Exhibit C, which are to be filed in the office of the Department of State of the Commonwealth of Pennsylvania on the Effective Date in connection with the Conversion.

“Applicants” has the meaning given in Section X.E of this Plan.

“April 2015 Restated Plan” has the meaning given in Section I of this Plan.

“Control Group” means the set of individuals each of whom is, as of the date that this Plan is approved by the Board of Directors of Saucon Mutual, either the Chief Executive Officer or a member of the Board of Directors of Saucon Mutual, even if that individual subsequently ceases to hold such status.

“Conversion” means the conversion of Saucon Mutual (an insurance company incorporated in Pennsylvania according to the mutual principle) into the Converted Insurance Company (incorporated in Pennsylvania as a stock insurance corporation) pursuant to the Conversion Act.

“Conversion Act” means the Insurance Company Mutual-to-Stock Conversion Act, 40 P.S. §§ 911-A et seq.

“Converted Insurance Company” has the meaning given in Section IV.B of this Plan.

“Department” has the meaning given in Section I of this Plan.

“Effective Date” has the meaning given in Section IV.D. of this Plan.

“Eligible Member” means any member (i.e., any policyholder) of Saucon Mutual as of the Record Date. In accordance with Saucon Mutual’s existing procedures, the following paragraphs illustrate the principles for determining Eligible Members of Saucon Mutual under various circumstances, assuming in each case that the policy was in force on the Record Date:

- Single Policy With More Than One Person Specified as the Named Insured. In the case of a policy issued by Saucon Mutual where more than one person is specified as a named insured, then all of the persons identified as a named insured are collectively considered to be the Eligible Member with respect to that policy.

For example, if a particular Saucon Mutual policy identifies the named insured as “Mr. X and Mrs. Y” then Mr. X and Mrs. Y are collectively considered to be the Eligible Member of Saucon Mutual which means that: (i) with respect to any matter upon which members of Saucon Mutual may vote (including the vote to approve this Plan at the Special Meeting), the vote would have to be made by Mr. X and Mrs. Y, acting jointly and casting a single vote; (ii) any decision to subscribe for shares of Saucon Holding in the First Stage Offering rather than receiving the Member Compensation pursuant to this Plan would have to be made by Mr. X and Mrs. Y, acting jointly (if Mr. X and Mrs. Y in fact subscribe for shares of Saucon Holding in the Saucon Holding Offering, the subscription would have to be made by, and the issuance of the shares would be made to, Mr. X and Mrs. Y, jointly); and (iii) if Mr. X and Mrs. Y do not subscribe for shares of Saucon Holding in the Saucon Holding Offering and therefore receive Member Compensation pursuant to this Plan, then the check for the Member Compensation will be made payable to Mr. X and Mrs. Y (in the same manner that a claim on the policy would have been paid).

- Two or More Policies With the Same Named Insureds. If there are two or more Saucon Mutual policies which each identify as the named insured or named insureds a particular person or a particular set of persons, then that person or set of persons is considered to be a single Eligible Member with respect to all of those policies, in the same manner as described above under the heading “Single Policy With More Than One Person Specified as the Named Insured.”

For example, if there are two Saucon Mutual policies that each identify Mr. Z as the sole named insured, then Mr. Z would have the right to cast only one vote (and not two votes), and would make a single decision regarding whether to subscribe for shares of Saucon Holding in the Saucon Holding Offering or to receive Member Compensation. Similarly, if there are two Saucon Mutual policies that each identify “Mr. G and Mrs. H” as the named insureds, then (i) with respect to any matter upon which members of Saucon Mutual may vote (including the vote to approve this Plan at the Special Meeting), the vote would have to be made by Mr. G and Mrs. H, acting jointly and casting a single vote (and not two votes even though they hold two policies); (ii) any decision to subscribe for shares of Saucon Holding in the First Stage Offering rather than receiving the Member Compensation pursuant to this Plan would have to be made by Mr. G and Mrs. H, acting jointly (if Mr. G and Mrs. H in fact subscribe for shares of Saucon Holding in the Saucon Holding Offering, the subscription would have to be made by, and the issuance of the shares would be made to, Mr. G and Mrs. H, jointly), and (iii) if Mr. G and Mrs. H do not subscribe for shares of Saucon Holding in the Saucon Holding Offering and therefore receive Member Compensation pursuant to this Plan, then the check for the Member Compensation will be made payable to Mr. G and Mrs. H with respect to the second policy (in the same manner that a claim on the policies would have been paid).

- Two or More Policies With Named Insureds that are Not the Same. In the case of two or more policies issued by Saucon Mutual where the named insured or named insureds on each are not the same, then the named insured or named insureds on each such policy are considered to be a separate Eligible Member.

For example, if a particular Saucon Mutual policy identifies the named insureds as “Mr. V and Mrs. W”, and a second policy identifies the named insured as “Mr. V” alone, then “Mr. V and Mrs. W” are collectively considered to be a single Eligible Member of Saucon Mutual with respect to the first policy, but Mr. V alone is considered to be a distinct Eligible Member of Saucon Mutual with respect to the second policy, with a separate right to vote and subscribe for shares of Saucon Holding in the Saucon Holding Offering or to receive Member Compensation. In this case, even if Mr. V and Mrs. W, acting jointly as the named insureds under the first policy, elect to (i) vote to approve the Plan and (ii) receive Member Compensation pursuant to this Plan rather than subscribing for shares of Saucon Holding in the Saucon Holding Offering; Mr. V (acting alone with respect to the second policy for which he is the sole named insured) could elect to vote against approving the Plan, and could elect to either subscribe for shares of Saucon Holding in the Saucon Holding Offering or receive Member Compensation.

“February 2015 Restated Plan” has the meaning given in Section I of this Plan.

“**First Stage Offering**” means the offering to Non-Control Group Eligible Members of all of the shares of Saucon Holding in accordance with Section VII.A.1 of this Plan.

“**First Stage Offering Subscription Agreement**” means the subscription agreement to be entered into between Saucon Holding on the one hand and, on the other hand, any Non-Control Group Eligible Member who subscribes for shares of Saucon Holding in the First Stage Offering, in the form attached as **Exhibit G** to this Plan;

“**First Stage Offering Subscription Documents**” means the First Stage Offering Subscription Agreement, the questionnaire attached as **Exhibit A** to the First Stage Offering Subscription Agreement, and if the Eligible Member is subscribing for five percent or more of the shares of Saucon Holding, a joinder to the Saucon Holding Shareholder Agreement.

“**Form A**” means the acquisition of control statement as required by Section 1402 of the Insurance Company Act of 1921, as amended, that is to be filed with the Department in connection with the proposed Conversion.

“**Member Compensation**” means the compensation described in Section VI below that an Eligible Member who does not subscribe for shares of Saucon Holding in the Saucon Holding Offering will be entitled to receive by reason of the Conversion.

“**Member Documents Package**” has the meaning given in Section IX of this Plan.

“**Non-Control Group Eligible Members**” means Eligible Members who are not members of the Control Group.

“**Original Plan**” has the meaning given in Section I of this Plan.

“**Plan**” means this Third Amended and Restated Alternative Plan of Conversion of Saucon Mutual Insurance Company.

“**Prior Proposed Plans**” has the meaning given in Section I of this Plan.

“**Record Date**” means August 27, 2014.

“**Saucon Holding**” means Saucon Holding Company, a Pennsylvania stock corporation that has been formed for the purpose of becoming the holding company of the Converted Insurance Company upon the Conversion.

“**Saucon Holding Offering**” means, collectively, the First Stage Offering and the Second Stage Offering.

“**Saucon Holding Shareholder Agreement**” means a shareholder agreement, among Saucon Holding and certain or all of the shareholders of Saucon Holding, in substantially the form attached as **Exhibit D** to this Plan.

“**Saucon Mutual**” means Saucon Mutual Insurance Company prior to the Conversion.

“Second Stage Offering” means the offering to the Control Group of all of the shares of Saucon Holding that are not subscribed for by Non-Control Group Eligible Members in the First Stage Offering in accordance with Section VII.A.2 of this Plan.

“Second Stage Offering Subscription Agreement” means the subscription agreement to be entered into between Saucon Holding on the one hand and, on the other hand, any member of the Control Group who subscribes for shares of Saucon Holding in the Second Stage Offering, in the form attached as Exhibit H to this Plan.

“Second Stage Offering Subscription Documents” means the Second Stage Offering Subscription Agreement, the questionnaire attached as Exhibit A to the Second Stage Offering Subscription Agreement, and a joinder to the Saucon Holding Shareholder Agreement.

“Special Meeting” has the meaning given in Section IX of this Plan.

“Survey” has the meaning given in Section V.B of this Plan.

IV. ~~III~~-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~~ Saucon Mutual is approved to write homeowners and dwelling property coverages, ~~and maintains under both~~ perpetual and non-perpetual policies ~~for these programs~~. Saucon Mutual does not have any assessment or participation provisions ~~or any participating in its 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. Saucon Mutual currently has 344 policyholders located primarily in six eastern Pennsylvania counties: 152 dwelling fire, 186 homeowners and six inland marine.

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 shares~~ of the Agency ~~that it owns~~ on its balance sheet ~~as with~~ an asset ~~with a~~ value of ~~\$1.00~~ one dollar in the aggregate.

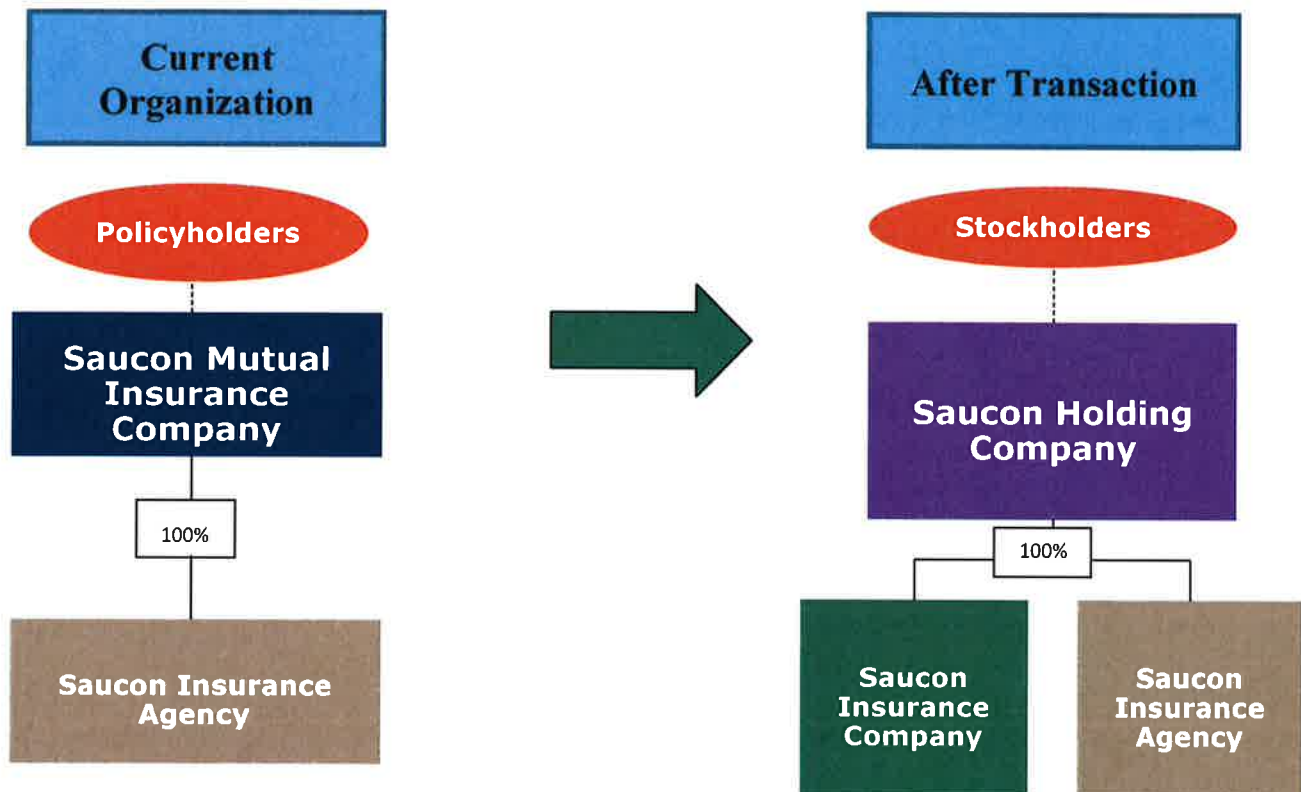
Saucon Mutual has written very few new insurance policies since 2005. Although Saucon Mutual maintains a level of surplus that satisfies relevant legal regulatory requirements, it has only ~~four~~ three employees and believes that it does not presently have the infrastructure that would enable it to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

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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 bring about the Conversion of Saucon Mutual into a stock corporation, all of the capital stock shares of which would be held by a newly-organized stock holding corporation, and all of the capital stock shares of that stock holding corporation in turn would be held by investors in the Saucon Holding Offering, 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-named "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-formed 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-Effective Date will not have issued stock any shares, 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-proposed 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 III.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 VI. 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.~~

2. Subscription Agreements For Saucon Holding Stock. During the First Stage Offering, Non-Control Group Eligible Members may execute and deliver subscription agreements for shares of Saucon Holding, so long as they fulfill the requirements to subscribe for those shares and timely deliver their documents and tender the subscription price for them. If shares of Saucon Holding remain available after the First Stage Offering, members of the Control Group may execute and deliver subscription agreements for shares of Saucon Holding during the Second Stage Offering. In each case, by subscribing for shares of Saucon Holding in the First Stage Offering or the Second Stage Offering, as applicable, the subscriber will be electing not to receive the Member Compensation described in Section VI of this Plan. It is expected that subject to the availability of a sufficient number of shares of Saucon Holding after the First Stage Offering, all members of the Control Group will elect not to receive the Member Compensation so that they may participate in the Second Stage Offering. On the Effective Date, and subject to the provisions of Section VII of this Plan, Saucon Holding will countersign the subscription agreements that had been signed and delivered by the participants in the First Stage Offering and the Second Stage Offering. Upon the Conversion, Saucon Holding will become the sole stockholder of the Converted Insurance Company, and the investors who enter into subscription agreements with Saucon Holding to subscribe for shares of Saucon Holding will acquire and become the holders of all of Saucon Holding's shares. Each Non-Control Group Eligible Member who subscribes for five percent or more of all of the shares of Saucon Holding, and every investor who subscribes for shares of Saucon Holding in the Second Stage Offering, will be required as a condition to their respective subscription to enter into the Saucon Holding Shareholder Agreement attached hereto as **Exhibit D** by executing and delivering a joinder to that agreement. Any subscription by a Non-Control Group Eligible Member for five percent or more of all of the shares of Saucon Holding will be subject to approval by the Department. Any Non-Control Group Eligible Member who subscribes for ten percent or more of all of the shares of Saucon Holding will be required to file and have approved a Form A with the Department. The right of an Eligible Member to subscribe will also be subject to other limitations and qualifications which are described more fully in Section VII of this Plan.

~~3. Amendment to~~ 3. Amended Articles of Incorporation; Conversion. On the Effective Date, the Articles of Incorporation of Saucon Mutual will be amended and restated in the form of the Amended Articles of Incorporation attached hereto as **Exhibit C** to ~~reflect the conversion of the Saucon Mutual into a stock corporation, which will include a~~ effect the Conversion and to change the 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~~ Converted Insurance Company.

4. Issuance and Sale of Converted Insurance Company's Capital Stock Shares. 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~~ 1,000 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. ~~These~~ The authorized and outstanding shares of the Converted Company will have a par value of \$950.00 per share. Saucon Holding will pay an aggregate purchase price of \$1,425,000 for ~~those~~ the shares of the Converted Company, using a portion of the proceeds of the ~~stock offering~~ Saucon Holding Offering described in the preceding paragraph 2 to do so. The Converted Insurance Company will record the proceeds of ~~that the~~ issuance and sale of the Converted Insurance Company's ~~capital stock shares~~ 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 of insurance will have been satisfied.

5. Consideration Member Compensation. The Converted Insurance Company will pay ~~and make available~~ to each Eligible Member of Saucon Mutual ~~the consideration described in Section V.A. below (which payments will be in the aggregate amount of approximately \$1,564,839, assuming a closing date of July 31, 2015), and who does not subscribe for shares of Saucon Holding in the Saucon Holding Offering the Member Compensation described in Section VI below.~~ Assuming an Effective Date of July 31, 2017 and assuming that none of the Non-Control Group Eligible Members elect to forego their share of that Member Compensation by subscribing for shares of Saucon Holding in the First Stage Offering, the aggregate value of the Member Compensation will be approximately \$2,131,000. In addition to the Member Compensation, on the Effective Date, the Converted Insurance Company will make a contribution in the amount of \$500,000 to the Lehigh Valley Community Foundation as described in Section ~~V.C.VI.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~~ Conversion. The Converted Insurance Company will distribute to Saucon Holding (as its sole stockholder) all of the issued and outstanding ~~capital stock shares~~ 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 ~~VIII-IX~~ 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, and as a proxy for benefiting former policyholders of Saucon Mutual who will not participate in the Conversion; (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~~ 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 of Incorporation. On the Effective Date, the corporate existence of Saucon Mutual will continue as the Converted Insurance Company. Saucon Mutual ~~seeks to will~~ file the Amended 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. The closing of the issuance and sale of Saucon Holding shares to the subscribers in the Saucon Holding Offering will also occur on the Effective Date.

V. ~~IV.~~ **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 term "Eligible Member" is defined in Section III of this Plan. 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~~ Effective Date 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 V and Eligible Members~~ will be entitled to vote on the Plan pursuant to Section ~~VIII~~ VIII. All Eligible Members who do not subscribe for shares of Saucon Holding in the Saucon Holding Offering will receive the Member Compensation.

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 ~~Mutual's~~ process included preparing a list of all issued policies that ~~have had~~ not been affirmatively terminated. From that list Saucon Mutual removed those policies where the members' right to coverage ~~has been was~~ established through affirmative contact with the member within the ~~past~~

~~year~~ preceding the July 24, 2014 mailing date of a continuing coverage survey (the “Survey”). 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~~The members’ responses to those surveys enabled Saucon Mutual to identify which policies ~~that should either remain in place or remained in force and which had to~~ be cancelled. For policies that ~~are~~were to be cancelled, appropriate notices under Act 205 ~~have been or will be~~were sent where the insured ~~has had~~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~~If the requisite thirty day notice period under Act 205 had not yet fully elapsed with respect to a particular member before the Record Date (August 27, 2014) or that member filed an appeal of the cancellation under Act 205, then that member continues to be regarded as an Eligible Member with respect to this Plan, which means that that member will have the right to vote on the Plan at the Special Meeting, and the right to either receive the Member Compensation or to subscribe for shares of Saucon Holding in the First Stage Offering. 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~~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; and (d) making in-person visits to the insured’s address of record.

~~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.~~

VI. MEMBER ~~V.~~ COMPENSATION TO MEMBERS

A. Description of Cash and Other ~~Consideration~~Compensation to Members

All Eligible Members who do not subscribe for shares of Saucon Holding in the Saucon Holding Offering are entitled to ~~the compensation described in this Plan if~~receive Member Compensation if the closing of the Conversion is effectuated. The compensation package occurs. The type and amount of the consideration that an Eligible Member ~~will~~who does not subscribe for shares of Saucon Holding in the Saucon Holding Offering will be entitled to receive as Member Compensation will depend on whether ~~it~~the Eligible Member maintains a perpetual or non-perpetual insurance policy.

Perpetual policies are written to have no term, or expiration date, when the policy expires. From the policy’s effective start date, ~~the a perpetual policy’s~~coverage will exist-remain in effect 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~~which the insurer holds for so long as the perpetual policy remains in effect. Saucon Mutual also issues policies that do have a set date when the policy expires, ~~these~~which are referred to in this Plan as non-perpetual policies.

1. Compensation for Eligible Members Who Hold Perpetual Policies

Eligible Members who hold perpetual policies will be entitled to receive the following Member Compensation, but in each case only if that Eligible Member does not subscribe for shares of Saucon Holding in the Saucon Holding Offering:

A. *Cash Payment.* A cash payment computed by multiplying (i) the actual number of calendar days that the perpetual policy had been in effect from its issuance until the ~~closing date of the Conversion~~Effective Date, by (ii) \$0.2787 per day, then rounding that amount to the nearest whole dollar. For example, ~~a member~~an Eligible Member who is a perpetual policyholder whose policy had been in effect for ~~10 ten~~ years (i.e., ~~3650~~3652 days) would receive a cash payment of ~~\$1,0171,018~~; and ~~a member~~an Eligible Member who is a perpetual policyholder whose policy had been in effect for ~~10 ten~~ years plus 120 days (i.e., ~~3770~~3772 days) would receive a cash payment of \$1,051. The aggregate amount of cash payments to all ~~members~~Eligible Members who are perpetual policyholders under this paragraph ~~will be \$1,197,061~~(assuming that none of the perpetual policyholders subscribe for shares of Saucon Holding in the Saucon Holding Offering) will be \$1,269,435, assuming ~~a closing date~~an Effective Date of July 31, ~~2015~~2017.

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~~Eligible Members who are perpetual policyholders under this paragraph will be approximately ~~\$334,000~~\$325,000 (assuming that none of the perpetual policyholders subscribe for shares of Saucon Holding in the Saucon Holding Offering), less any deposits that ~~are returned~~have already been or, before the closing Effective Date will be, returned 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~~ and also 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 who do not subscribe for shares of Saucon Holding in the Saucon Holding Offering 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~~Effective Date. Assuming that none of the perpetual policyholders subscribe for shares of Saucon Holding in the Saucon Holding Offering, the estimated aggregate value of the removal of charges for increases in policy limits under the inflation adjustment endorsements is approximately \$500,000.

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

Eligible Members who hold non-perpetual policies will be entitled to receive the following Member Compensation, but in each case only if that Eligible Member does not subscribe for shares of Saucon Holding in the Saucon Holding Offering:

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

- ~~A cash payment~~ An amount computed by multiplying (i) the actual number of calendar days that the non-perpetual policy had been in effect (including all renewals) from its issuance until the ~~closing date of the Conversion~~ Effective Date, by (ii) \$0.2787 per day, then rounding that amount to the nearest whole dollar. For example, ~~a member~~ an Eligible 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 ten~~ years (i.e., ~~3650-3652~~ days) as of the ~~closing date~~ Effective Date would receive a cash payment of ~~\$1,0171,018~~; and ~~a member~~ an Eligible Member who is a non-perpetual policyholder whose policy had been issued and then renewed from time to time for a period of ~~10 ten~~ years plus 120 days (i.e., ~~3770-3772~~ days) as of the ~~closing date~~ Effective Date would receive a cash payment of \$1,051. The aggregate amount of cash payments to all ~~members~~ Eligible Members who are non-perpetual policyholders under this paragraph ~~will be \$31,978~~ (assuming that none of the Eligible Members who are non-perpetual policyholders subscribe for shares of Saucon Holding in the Saucon Holding Offering) ~~will be \$34,865~~, assuming ~~a closing date~~ an Effective Date of July 31, ~~2015~~ 2017; plus

- An additional one-time cash payment equal to 15% of the current premium of the non-perpetual policy. The aggregate amount of cash payments to be made to ~~members~~ Eligible Members who are non-perpetual policyholders under this paragraph (~~assuming that none of the Eligible Members who are non-perpetual policyholders subscribe for shares of Saucon Holding in the Saucon Holding Offering~~) would be approximately ~~\$1,800~~ 1700.

3. Aggregate ~~Payments to Members~~ Value of Member Compensation

The aggregate value of the Member Compensation described in paragraphs VI.A.1.A, VI.A.1.B and VI.A.2 above (assuming that none of the Eligible Members subscribe for shares of Saucon Holding in the Saucon Holding Offering) will be approximately \$2,131,000, assuming an Effective Date of July 31, 2017.

Note that since all members of the Control Group who are Eligible Members are expected to subscribe for shares of Saucon Holding in the Second Stage Offering (assuming that any shares remain after the First Stage Offering and that none of the circumstances described in Section VII.B of this Plan as being the basis for such members of the Control Group to decline to participate in the Second Stage Offering are applicable), none of the members of the Control Group are expected to share in the Member Compensation. The estimates of the aggregate value of the Member Compensation that are set forth in this Plan have been made on the basis of that assumption.

~~The aggregate amount of the payments to members described in paragraphs V.A.1.A, V.A.1.B and V.A.2 above will be approximately \$1,564,839, assuming a closing date of July 31, 2015.~~

4. Payment Procedure

Eligible Members of Saucon Mutual who do not subscribe for shares of Saucon Holding in the Saucon Holding Offering will receive a check issued by the Converted Insurance Company in the amounts described in ~~clauses 1.A and 1.B, or 2~~ Sections VI.A.1.A and VI.A.1.B of this Plan (in the case of Eligible Members holding perpetual policies), or Section VI.A.2 of this Plan (in the case of Eligible Members holding non-perpetual policies), as applicable, as promptly as practicable after the Effective Date. In a case where the Eligible Member consists of more than one natural person or entity, see Section III of this Plan for a description of the manner in which the check will be issued.

B. ~~No~~ Subscription Rights

No ~~Saucon Mutual member, in its capacity as such,~~ Eligible Member will be entitled, as part of or as a result of the Conversion, to receive any subscription right to ~~purchase~~ subscribe for any of the ~~capital stock shares~~ of the Converted Insurance Company or ~~to purchase any of the capital stock~~ of any other corporation other than that of Saucon Holding. No director or officer of Saucon Mutual will receive any subscription rights to purchase the ~~capital stock shares~~ of the Converted Insurance Company.

However, ~~the Eligible Members, including~~ directors and officers of Saucon Mutual, are being offered the right to ~~purchase capital stock~~ subscribe for shares of Saucon Holding in the Saucon Holding Offering as described in Section ~~VI-VII~~ below.

C. Charitable Contribution

On the Effective Date, the Converted Insurance Company will make a \$500,000 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~~ 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 would be more cost-effective and straightforward than establishing a de novo foundation.

The Lehigh Valley Community Foundation will make disbursements from ~~that fund~~ the Saucon Insurance Company Foundation 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~~ Board of Directors, which committee shall not include Mr. Story. The members of that contribution committee will not receive compensation for serving on that committee or attending its gift recommendation meetings.

VII. ~~VI.~~ STOCK OFFERING OF SAUCON HOLDING OFFERING

A. ~~Terms and Conditions of~~ Saucon Holding Offering

Concurrently with the other transactions contemplated by the Conversion, Saucon Holding will issue and sell ~~its shares of its common stock~~ to investors in ~~accordance with the following stock offering plan which has~~ the Saucon Holding Offering, the terms of which have been approved by the Board of Directors of Saucon Mutual ~~(the "Stock Offering")~~. The closing of the Saucon Holding Offering and the receipt by Saucon Holdings of the aggregate subscription amounts from the investors are conditions precedent to the effectiveness of the Conversion. The Saucon Holding Offering consists of the First Stage Offering and the Second Stage Offering, and is subject to the following terms and conditions in addition to the terms and conditions set forth in the First Stage Offering Subscription Agreement and the Second Stage Offering Subscription Agreement:

1. **First Stage Offering.** The First Stage Offering will be an offering by Saucon Holding to the Non-Control Group Eligible Members only, to issue and sell up to 3,250,000 shares of Saucon Holding, par value one cent per share (which represent all of the shares of Saucon Holding that will be made available for subscription in the Saucon Holding Offering in the aggregate), at a purchase price of one dollar per share. If any Non-Control Group Eligible Member timely fulfills the requirements to subscribe for shares of Saucon Holding in the First Stage Offering, those shares will be issued on the Effective Date. Any Non-Control Group Eligible Member who does not complete, execute and return a First Stage Offering Subscription Agreement by the relevant deadline will be presumed to have elected not to subscribe for shares of Saucon Holding in the First Stage Offering but will be eligible to receive Member Compensation. The First Stage Offering will be subject to all of the following additional conditions:

a. **Participants in the First Stage Offering Will Not Be Entitled to Receive Any Member Compensation.** Non-Control Group Eligible Members who subscribe for shares of Saucon Holding in the First Stage Offering will not receive the Member Compensation. Non-Control Group Eligible Members must elect to either receive Member Compensation, or subscribe for shares, but they may not do both.

b. **First Stage Offering Limited to Non-Control Group Eligible Members.** The First Stage Offering will be limited to Non-Control Group Eligible Members. Members of the Control Group may not participate in the First Stage Offering even if they are Eligible Members.

c. **Subscription Rights are Non-Transferable; Identity of the Non-Control Group Eligible Member Must Match the Name or Names of the Named Insured on a Saucon Mutual Policy.** The right to participate in the First Stage Offering is not transferable. A Non-Control Group Eligible Member may only subscribe for shares of Saucon Holding in the First Stage Offering in the Eligible Member's own name (the name or names specified as the named insured for that Non-Control Group Eligible Member's policy or policies). In a case where the Eligible Member consists of more than one natural person or entity, see the definition of "Eligible Member" in Section III of this Plan for further illustration. Saucon Holding will not accept any purported subscription in the First Stage Offering from any prospective subscriber who is not a Non-Control Group Eligible Member.

d. **Minimum Subscription.** The minimum subscription by a particular Non-Control Group Eligible Member will be for 500 shares (i.e., a minimum aggregate subscription price to be paid by a particular subscriber who is a Non-Control Group Eligible Member will be \$500.00). Saucon Holding will not be required to accept a subscription for a lesser number of shares.

e. **Limited Exercise Period.** Participation in the First Stage Offering will be limited to Non-Control Group Eligible Members who complete and sign the First Stage Offering Subscription Documents in accordance with the instructions accompanying those documents, and return them to Saucon Mutual on or before the deadline stated in those documents (which will be approximately 40 days following the date that the Member Documents Package is mailed).

f. **Subject to the Other Limits in this Plan, a Non-Control Group Eligible Member May Subscribe for as Few as 500 or as Many as All of the Shares of Saucon Holding in the First Stage Offering.** Subject to the limits set forth in this Plan (such as the minimum subscription limit, limitations on the number of non-“accredited investors” who may subscribe for shares of Saucon Holding, cutbacks, and the requirement that acquisitions of shares of Saucon Holding be approved by the Department in certain circumstances), a Non-Control Group Eligible Member who elects to participate in the First Stage Offering may acquire as few as five hundred shares or as many as all of the available shares of Saucon Holding.

g. **Limitation on Number of Non-Accredited Investors.** Saucon Holding will not be required to accept subscriptions from more than 35 Non-Control Group Eligible Members who do not credibly indicate, in their response to the questionnaire that is included in the First Stage Offering Subscription Documents, that they are “accredited investors” as that term is defined in Rule 501(a) promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933, 17 CFR §230.501(a). The purpose of this limitation is to enable the Saucon Holding Offering to qualify for an exemption from registration under the federal and Pennsylvania securities laws. If more than 35 Non-Control Group Eligible Members who are not “accredited investors” timely deliver executed subscription documents to Saucon Mutual, Saucon Holding will accept the subscription documents from the 35 of such Non-Control Group Eligible Members whose subscription documents indicate their willingness to subscribe for the largest amounts. Note that the limitation in this paragraph g. does not apply to Non-Control Group Eligible Members who are “accredited investors” because the exemption from the federal and state securities law registration requirements upon which Saucon Holding will be relying does not limit the number of subscribers who are “accredited investors.” Any Non-Control Group Eligible Member who is not an “accredited investor” and whose subscription for shares of Saucon Holding is not accepted by reason of the limitation in this paragraph g. will instead receive the Member Compensation.

h. **Cutbacks.** In order to assure that no more than 3,250,000 shares of Saucon Holding are subscribed for in the Saucon Holding Offering, cutbacks may be applied. The aggregate number of shares of Saucon Holding that will be offered in the Saucon Holding Offering is 3,250,000 shares. Each Non-Control Group Eligible Member may subscribe for as few as 500 such shares (per the limitation in paragraph d. above), or as many as all 3,250,000 shares. If Non-Control Group Eligible Members subscribe for more than 3,250,000 shares in the aggregate, then each Non-Control Group Eligible Member’s subscription will be subject to cutback as follows: each Non-Control Group Eligible Member’s subscription will be regarded as a subscription for a number of shares of Saucon Holding equal to 3,250,000 shares multiplied by a fraction, the numerator of which is the

number of shares that the Non-Control Group Eligible Member indicated as the subscription amount in the subscription documents, and the denominator of which is the aggregate number of shares that all Non-Control Group Eligible Members indicated as their subscription amounts in their respective subscription documents, rounded to the nearest whole number of shares.

By way of illustration, assume that only three Non-Control Group Eligible Members subscribe for shares of Saucon Holding, but those Non-Control Group Eligible Members return subscription agreements indicating subscriptions as follows: Member A: 50,000 shares; Member B: 3,250,000 shares; Member C: 1,000,000 shares. Applying the formula above, the subscriptions would be deemed revised as follows: Member A: 37,791 shares (or 1.16% of the total); Member B: 2,456,395 shares (or 75.58% of the total); Member C: 755,814 shares (or 23.26% of the total) for a total of 3,250,000 shares subscribed for in the aggregate by Member A, Member B and Member C.

i. **Saucon Holding Shareholder Agreement.** Any Non-Control Group Eligible Member who, as a result of the Saucon Holding Offering, subscribes for five percent or more of the outstanding shares of Saucon Holding will, as a condition to such subscription, be required to join and become a party to the Saucon Holding Shareholder Agreement. For this reason: (i) any Non-Control Group Eligible Member who subscribes for at least 162,500 shares of Saucon Holding in the First Stage Offering (i.e., five percent of the 3,250,000 shares of Saucon Holding that will be available for subscription in the aggregate in the Saucon Holding Offering) will be required, as a condition precedent to the subscription, to execute and deliver to Saucon Mutual a joinder to the Saucon Holding Shareholder Agreement, together with that subscriber's other First Stage Offering Subscription Documents, on or before the deadline stated in the Member Documents Package; and (ii) any Non-Control Group Eligible Member who subscribes for fewer than 162,500 shares of Saucon Holding in the First Stage Offering but whose subscription, upon the conclusion of the Saucon Holding Offering, ends up constituting a subscription for five percent or more of the aggregate number of shares of Saucon Holding that will be outstanding upon the Effective Date will be required, as a condition precedent to the subscription, to execute and deliver to Saucon Mutual a joinder to the Saucon Holding Shareholder Agreement by such deadline prior to the Effective Date as Saucon Mutual designates (and if any such Non-Control Group Eligible Member who is described in this clause (ii) refuses to timely execute and deliver such a joinder, then Saucon Holding may reject that subscription).

j. **Requirement to Tender Subscription Price; Subscription is Legally Binding Commitment.** In order to subscribe for shares of Saucon Holding in the First Stage Offering, the Non-Control Group Eligible Member must timely tender the entire subscription price together with the return of the fully-executed First Stage Offering Subscription Documents. To the extent that a Non-Control Group Eligible Member's entire subscription amount cannot be accepted (such as by reason of the abandonment of the Saucon Holding Offering or by reason of the cutbacks described in paragraph h. above), then the excess portion of such tendered funds will be promptly returned. The remaining tendered funds will be held in an interest-bearing escrow account pending the Effective Date, whereupon the subscription amount that has not already been returned will be applied to satisfy that Non-Control Group Eligible Member's subscription obligation, and any accrued interest on the funds held in the escrow account will be returned to the subscribers. Although Saucon Holding will not countersign the subscription agreements until the Effective Date, the execution and delivery of a First Stage Offering Subscription Agreement will be relied upon by Saucon Holding, Saucon Mutual and the other prospective participants in the Saucon Holdings Offering. Consequently, a Non-Control Group Eligible Member's execution of the First Stage Offering Subscription Agreement and the other

subscription documents will be a legally binding commitment on the part of that Non-Control Group Eligible Member, which that Non-Control Group Eligible Member may not unilaterally cancel or withdraw, and which Saucon Holding may enforce.

k. Acquisition of Five Percent or More of the Outstanding Shares of Saucon Holding Will be Conditioned on Approval by the Department. Any proposed subscription by a Non-Control Group Eligible Member for five percent or more of the shares of Saucon Holding is conditioned upon the Department's approval of that subscription. If, within 30 days of the date of Saucon Mutual's receipt of the subscriber's First Stage Offering Subscription Documents, Saucon Mutual does not receive from the subscriber written evidence of the subscriber's good faith effort to obtain the Department's approval of that subscription, that subscription will be deemed to have been cancelled and of no further force or effect, in which case that Eligible Member will receive Member Compensation.

l. Acquisition of Ten Percent or More of the Outstanding Shares of Saucon Holding Will be Conditioned on Approval by the Department. The Form A that is being filed with the Department in connection with the proposed Conversion identifies those persons whom Saucon Mutual presently believes would become holders of ten percent or more of the outstanding shares of Saucon Holding upon the Conversion. If any Non-Control Group Eligible Member subscribes for ten percent or more of the shares of Saucon Holding in the First Stage Offering, then that Non-Control Eligible Member must separately file a Form A with the Department, and the Conversion and the Saucon Holding Offering would not proceed until the Form A has been approved by the Department in accordance with Section 1402 of the Insurance Company Act of 1921, as amended. If within 30 days of the date of Saucon Mutual's receipt of such a subscriber's First Stage Offering Subscription Documents, Saucon Mutual does not receive from that subscriber written evidence of the subscriber's good faith effort to file a Form A with the Department with respect to the proposed subscription, that subscription will be deemed to have been cancelled and of no further force or effect, in which case that Eligible Member will receive Member Compensation.

m. Abandonment of Conversion and Saucon Holding Offering Upon First Stage Offering Resulting in Subscriptions for More than 51%, but Less than All, of the Available Shares of Saucon Holding. As described more fully in the description of the Second Stage Offering below, shares of Saucon Holding that are not subscribed for in the First Stage Offering will be available to be subscribed for by the Control Group in the Second Stage Offering. The members of the Control Group have, in the aggregate, entered into non-binding expressions of interest to subscribe in the Second Stage Offering for all of the shares of Saucon Holding that are not subscribed for in the First Stage Offering, but only so long as the members of the Control Group would thereby subscribe, in the aggregate, for at least 51% of the total number of shares of Saucon Holding.

However, if the First Stage Offering results in Non-Control Group Eligible Members subscribing for 1,657,500 or more shares (i.e., 51% of 3,250,000 shares) of Saucon Holding but fewer than 3,250,000 shares of Saucon Holding, then the Board of Directors of Saucon Mutual may abandon the Conversion and the Saucon Holding Offering, in which case Saucon Mutual will not proceed with the Conversion and Saucon Holding will not proceed with the Saucon Holding Offering. In that case, none of the Eligible Members will receive Member Compensation, and any tendered subscription funds will be returned.

2. **Second Stage Offering.** If the First Stage Offering results in subscriptions by Non-Control Group Eligible Members for 49% or less of the shares of Saucon Holding, the Second Stage Offering will be conducted. The Second Stage Offering will be an offering by Saucon Holding to issue and sell to members of the Control Group any of the 3,250,000 shares of Saucon Holding that remain available after the end of the exercise period for the First Stage Offering, at a purchase price of one dollar per share. Any shares of Saucon Holding that are subscribed for in the Second Stage Offering will be issued and sold on the Effective Date. The Second Stage Offering will be subject to all of the following additional conditions:

a. **Participants in the Second Stage Offering Will Not be Entitled to Receive Member Compensation.** Members of the Control Group who subscribe for shares of Saucon Holding in the Second Stage Offering will not be entitled to receive the Member Compensation, even if they are Eligible Members. Members of the Control Group who are Eligible Members must elect to either receive the Member Compensation, or subscribe for shares, but they may not do both.

†

~~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~~ b. **Second Stage Offering Limited to Members of the Control Group.** The Second Stage Offering will be limited to members of the Control Group. The members of the Control Group 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 remain available after the First Stage Offering, subject to the limitations described below.

2. Among ~~those~~ the nine investors members of the Control Group, ~~three~~ two have indicated an interest in acquiring more than ~~10%~~ ten percent of the Saucon Holding shares. Accordingly, those investors are ~~filing a~~ included in the Form A ~~that is being filed~~ with the Department concurrently with ~~the filing of~~ this Plan. Assuming that no shares are subscribed for in the First Stage Offering, Saucon Mutual expects that those ~~three~~ two investors will acquire, in the aggregate, approximately ~~91~~ 92.95% of the Saucon Holding shares that will be offered, and the other ~~six~~ seven investors will ~~acquire,~~ in the aggregate, acquire the remaining Saucon Holding shares that will be offered, subject to the limitations described below. If for any reason any of the ~~six~~ seven smaller Control Group investors fails to ~~purchase at closing~~ subscribe in the Second Stage Offering for the number of Saucon Holding shares that they had indicated an interest in ~~purhasings~~ subscribing for, it is expected that those shares will be re-allocated among the other ~~investors~~ each members of the Control Group (each of the largest ~~three~~ two 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, in the Second Stage Offering, but only so long as the members of the Control Group will, in the aggregate, hold at least 51% of the outstanding shares of Saucon Holding upon the Conversion).

c. **Subscription Rights are Non-Transferable.** The right to participate in the Second Stage Offering is not transferable. A person who is not a member of the Control Group may not subscribe for shares of Saucon Holding in the Second Stage Offering.

d. **Process for Participating in Second Stage Offering.** Members of the Control Group who participate in the Second Stage Offering will be required to complete and sign their respective Second Stage Offering Subscription Documents, and to tender their subscription price, on or prior to the Effective Date. All of the members of the Control Group who subscribe for shares of Saucon Holding in the Second Stage Offering will be required to join and become parties to the Saucon Holding Shareholder Agreement, regardless of their subscription amounts. A Control Group member's execution of the Second Stage Offering Subscription Documents will be a legally binding commitment on the part of that Control Group member, which that Control Group member may not unilaterally cancel or withdraw, and which Saucon Holding may enforce.

e. **Minimum Subscription.** The minimum subscription by a member of the Control Group will be for 500 shares (i.e., a minimum aggregate subscription price to be paid by a particular member of the Control Group will be \$500.00). Saucon Holding will not be required to accept a subscription for a lesser amount.

B. Saucon Holding Shareholder Agreement; Certain Limitations on Transactions With Respect to Shares of Saucon Holding.

Each Non-Control Group Eligible Member who subscribes for five percent or more of the shares of Saucon Holding in the First Stage Offering, and each member of the Control Group who subscribes for any shares of Saucon Holding in the Second Stage Offering, will be required, as a condition to the subscription for those shares of Saucon Holding, to join and become a party to the Saucon Holding Shareholder Agreement.

The Saucon Holding Shareholder Agreement, the form of which is attached as **Exhibit D** to this Plan, will among other things require the shareholders that are a party thereto to agree to be bound by: (i) certain transfer restrictions which are described more fully in the Saucon Holding Shareholder Agreement; and (ii) certain buy-sell provisions which may give Saucon Holding the right to repurchase their shares under certain circumstances, and which may give the shareholder the right to sell their shares to Saucon Holding under certain circumstances.

This Plan hereby provides that: (i) during the one year period following the Effective Date, no member of the Control Group may sell any shares of Saucon Holding except as required or permitted under the Saucon Holding Shareholder Agreement; (ii) during the three year period following the Effective Date, Saucon Holding may not redeem or repurchase any shares of Saucon Holding from any shareholder without the prior approval of the Department except: (A) in the case of a redemption of shares from all shareholders of Saucon Holding on a pro rata basis; or (B) as otherwise required or permitted under the Saucon Holding Shareholder Agreement; and (iii) during the three year period following the Effective Date, no member of the Control Group may purchase any additional shares of Saucon Holding without the prior approval of the Department other than such shares (if any) that such member of the Control Group subscribes for in the Second Stage Offering.

C. Use of Proceeds of Saucon Holding Offering.

~~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 Saucon Holding Offering as follows: (i) Saucon Holding will purchase the capital stock shares 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-reimburse the Converted Insurance Company for \$400,000 of the costs and expenses related to this Plan and the transactions contemplated hereby; and (iii) Saucon Holding will retain the any balance of the proceeds as a cash-reserve.

6. The closing of the Stock Saucon Holding Offering and the issuance and sale of the shares of Saucon Holding stock to the investors-subscribers will occur simultaneously with the filing of the amendment to Saucon Mutual's Articles of Incorporation that effects the conversion-Conversion of Saucon Mutual into a stock insurance corporation, all of which will occur on the Effective Date.

7. Because Saucon Holding will not have issued any shares before the Conversion, the shares being issued to the investors in the Stock Saucon Holding 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 Effective Date, the investors in the Stock Saucon Holding Offering will in the aggregate own all of the outstanding capital stock shares of Saucon Holding.

Upon the Closing Effective Date, as a result of the Stock Saucon Holding Offering, and the other transactions contemplated under this Plan, the primary assets of Saucon Holding will be (i) the capital stock shares of the Converted Insurance Company, (ii) the capital stock shares of the Agency, and (iii) the remaining-any net proceeds of the Stock Offering Saucon Holding Offering that remain after reimbursing the Converted Insurance Company for \$400,000 of the costs and expenses related to this Plan and the transactions contemplated hereby.

The Converted Insurance Company's surplus will continue to be adequate even after the payments to members of Member Compensation in the aggregate amount of approximately \$1,564,839 (assuming a July 31, 2015 closing date 2,131,000 (assuming that none of the Non-Control Group Eligible Members subscribes for shares of Saucon Holding in the Saucon Holding Offering and assuming an Effective Date of July 31, 2017)) as contemplated under the Conversion and discussed in Section V.AVLA, of this Plan, the contribution of \$500,000 to Lehigh Valley Community Foundation at closing

on the Effective Date as discussed in Section ~~V.C~~ VI.C of this Plan, and the payment of those costs and expenses of related to this Plan and the transactions contemplated under this Plan hereby that are not reimbursed by Saucon Holding.

D. ~~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 ~~III.B-IV.B~~ above, it is not anticipated that the Converted Insurance Company will issue any shares of capital stock. Any ~~such future~~ 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 in accordance with regulatory requirements.

VIII. ~~VII.~~ 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',~~ on the Effective Date, all voting rights and other membership rights afforded to policyholders as members of Saucon Mutual under the insurance policies, the Articles of Incorporation and bylaws of Saucon Mutual, and applicable law, will be extinguished. Because of the extinguishment of these membership rights, Saucon Insurance Company will prepare either new policy declarations and/or an amendatory endorsement for its insurance policies and will deliver them to ~~the~~ policyholders following the ~~closing~~ Effective Date.

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.

IX. ~~VIII.~~ SPECIAL MEETING OF ELIGIBLE MEMBERS

Following the Department's approval of the Plan, Saucon Mutual will hold a special meeting ~~to vote on this Plan shall be held by Saucon Mutual of its Eligible Members~~ in accordance with its bylaws and applicable law (the "**Special Meeting**") ~~to vote on this Plan. Notice Saucon Mutual will give notice of the Special Meeting will be given by Saucon Mutual~~ to Eligible Members by mailing ~~to them~~: (i) a notice of the Special Meeting; (ii) a Member Information Statement, Proxy Statement and Offering Document in the form attached to this application, together with its exhibits; (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~~ on the Conversion; ~~and~~ (iv) the form of First Stage Offering Subscription Agreement; (v) the form of the Saucon Holding Shareholder Agreement and (vi) a copy of the Plan filed with the Department (those materials are collectively referred to as the "Member Information Documents Package"). The form of Member ~~Information Documents~~ 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~~ and the deadline to return any subscription documents to participate in the First Stage Offering, as those dates 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. The date of the Special Meeting will be later than the expiration date of the First Stage Offering.

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~~ Amended Articles of Incorporation of Saucon Mutual will be considered for adoption during the ~~special meeting~~ Special Meeting, and shall require the affirmative vote of two-thirds of the votes cast by Eligible Members.

X. ~~IX.~~ 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~~ public hearing on the Plan. If the Department orders a public hearing, the Department 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 public 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~~ Converted Insurance Company.

D. Department Approval of Member Information Package Materials

Saucon Mutual requests that the Department approve the Member ~~Information Documents~~ Package ~~described in Section VIII above~~ so that, as promptly as practicable following the Department’s approval of the Plan, Saucon Mutual may ~~call and hold a special meeting~~; (i) deliver the Member Documents Package and thereby commence the First Stage Offering and, if applicable, the Second Stage Offering; and (ii) call and hold the Special Meeting of the Eligible Members to approve the Plan.

E. Department Approval of Form A

~~As Assuming that Non-Control Group Eligible Members do not collectively subscribe for more than 49% of the shares of Saucon Holding in the First Stage Offering, as part of the proposed conversion~~ Conversion, Saucon Holding ~~Company~~, Brian T. Regan, ~~and~~ Michael G. Crofton, ~~and~~ Martin C. Gilchrist (the “Applicants”) will acquire “control” of the Converted Insurance Company. ~~An A~~ Second Amended and Restated Form A for this change in control ~~was~~ will be submitted to the Department together with the submission of this Plan as part of the application described in Section II. Saucon Mutual requests that the Department approve the Form A.

As described in Section VII.A.1.1 above, subscriptions by any Non-Control Group Eligible Member for ten percent or more of the shares of Saucon Holding in the First Stage Offering will require additional Form A(s) be submitted to the Department for approval.

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 shares~~ of the Agency as described in Section ~~III.B.6~~ IV.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 shares~~ of the Agency ~~is are~~ booked on Saucon ~~Holding’s Mutual’s~~ balance sheet at ~~\$1.00~~ one dollar in the aggregate. 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~~ one dollar) is less than ten percent (~~10%~~) of Converted Insurance Company’s surplus as shown on its last (~~2016~~) annual statement (~~\$16,733,610~~ \$16,464,898) or its net income as shown on such statement (~~\$168,458~~ Saucon Mutual had a net loss of \$51,240 on its 2016 annual statement). 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 that is to be paid by~~ the Converted Insurance Company to Saucon Holding.

Additionally, participants in the First Stage Offering and the Second Stage Offering who tender their respective subscription amounts before the Effective Date will tender them to a deposit account

opened by Saucon Mutual for the special purpose of receiving and holding such tendered subscription amounts pending the Effective Date. This is because Saucon Holding, which will not have directors, officers or shareholders prior to the Effective Date, cannot open its own deposit account to receive those funds. Upon the Effective Date, all tendered subscription amounts (net of any interest or rejected subscription amounts that are to be returned to the relevant Eligible Members) will be paid to Saucon Holding in fulfillment of the obligations of those Eligible Members to pay their respective subscription amounts to Saucon Holding in the Saucon Holding Offering. To the extent that this payment of those unreturned subscription amounts constitutes a distribution by the Converted Insurance Company to Saucon Holding, Saucon Mutual hereby provides notice thereof to the Department.

XI. ~~X.~~ 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.

XII. ~~XI.~~ AMENDED ARTICLES OF INCORPORATION & BYLAWS OF THE CONVERTED INSURANCE COMPANY

Concurrently with the closing of the Conversion on the Effective Date, the Articles of Incorporation of Saucon Mutual will be amended and restated in the form of the Amended Articles of Incorporation attached hereto as **Exhibit C** in order to bring about the Conversion and 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~~ 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~~ Amended Articles of Incorporation will be submitted to Saucon Mutual’s ~~members~~ Eligible Members for approval in accordance with 40 P.S. § 913-A(h), as described in Section ~~VIII~~ IX above.

The Amended 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 on the Effective Date 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~~ shares 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 of insurance will have been satisfied.

Concurrently with the closing of the Conversion on the Effective Date, the ~~Bylaws~~ bylaws of Saucon Mutual will be amended and restated in the form attached hereto as **Exhibit E** and will thereafter be the ~~Bylaws~~ bylaws of the Converted Insurance Company unless and until amended, restated or superseded in accordance with applicable law. The ~~Bylaws~~ 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~~ 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~~ bylaws of the Converted Insurance Company establish a contribution committee of the ~~board of directors~~ 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~~ three to two directors.

XIII. ~~XII~~. 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~~ Conversion not taken place. ~~Effective as~~ As of the Effective Date, the membership of committees of the Converted Insurance Company’s ~~board of directors~~ 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 current independent directors of the Converted Insurance Company’s ~~board of directors~~ Board of Directors, and the members of its Audit Committee and its Nominating and Compensation Committee, as of the ~~Effective Date~~ date of adoption of the Plan.

XIV. ~~XIII~~. CONTINUED OPERATIONS OF THE CONVERTED INSURANCE COMPANY

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

XV. ~~XIV~~. INTERPRETATION, AMENDMENT, AND TERMINATION OF THE PLAN

A. Amendment and Restatement of the ~~Interim Amended Plan~~ Prior Proposed Plans

Upon the adoption of this Plan by the Board of Directors of Saucon Mutual, the ~~Interim Amended Plan is~~ Prior Proposed Plans are hereby deemed to have been amended and restated in ~~its~~ their 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 ~~XIV~~XV.

IN WITNESS WHEREOF, Saucon Mutual Insurance Company has caused this Plan to be executed as of this ~~27th~~22nd day of ~~April~~March, ~~2015~~2017.

By: _____
Stephen Bajan, Chief Executive Officer

By: _____
Phillip Bell, Secretary

CERTIFICATION OF CORPORATE SECRETARY

I, Phillip Bell, Secretary for Saucon Mutual Insurance Company, certify that on the ~~27th~~22nd day of ~~April~~March, ~~2015~~2017, the Board of Directors for Saucon Mutual, by the consent of more than two-thirds of the directors in office, 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. The Board shall have the power to authorize the Company to accept and insure risks under any form of policy permitted by law.

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

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

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

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

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

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

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

III. OFFICERS OF THE BOARD AND THEIR DUTIES

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

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

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

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

IV. OFFICERS OF THE COMPANY AND THEIR DUTIES

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

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

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

C. **Secretary.** The Secretary shall keep complete and accurate records of the Company. The Secretary shall attest all to all policies and endorsements of insurance of the Company as may be required by applicable law. Such attestation may be in facsimile. The Secretary shall make a complete and accurate report of the year's business at each annual meeting of the Company and shall perform such other duties as the Board may assign.

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

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

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

V. COMMITTEES OF THE BOARD OF DIRECTORS.

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

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

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

Section 2. **Audit Committee.** The Board shall establish and appoint members to an Audit Committee, which shall consist of two (2) or more Directors to be appointed at the annual meeting of the Board, provided that all such Directors shall be Independent Directors. The Audit Committee shall recommend to the Board the selection, retention and/or termination of external financial auditors for the Company; review the Company's financial condition and the scope and results of the annual financial audit, including the external auditor's management letter and management's responses thereto; review the scope and results of internal audits and the response of the Company's management; and report all relevant matters to the Board on a timely basis.

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

VI. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 1. **General Rule.** The Company shall indemnify each Indemnitee against all

Liabilities to the fullest extent permitted by Pennsylvania law.

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

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

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

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

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

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

Section 5. **Insurance.** The Company shall purchase and maintain insurance, at its expense, for the benefit of any person on behalf of whom insurance is permitted to be purchased

by Pennsylvania law against any Liability, whether or not the Company would have the power to indemnify such person under Pennsylvania or other law. The Company may also purchase and maintain insurance to insure its indemnification obligations whether arising hereunder or otherwise.

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

Section 7. Amendment. The provisions of this Article VI relating to indemnification and to the advancement of expenses shall constitute a contract between the Company and each Indemnitee that may be modified as to any Indemnitee only with that person's consent or as specifically provided in this Section. Notwithstanding any other provision of these bylaws relating to their amendment generally, any repeal or amendment of this Article VI that is adverse to any Indemnitee shall apply to such Indemnitee only on a prospective basis, and shall not reduce any limitation on the personal liability of a Director of the Company, or limit the rights of an Indemnitee to indemnification or to the advancement of expenses with respect to any action or failure to act occurring prior to the time of such repeal or amendment. Notwithstanding any other provision of these bylaws, no repeal or amendment of these bylaws shall affect any or all of this Article VI so as either to reduce the limitation of Directors' liability or limit indemnification or the advancement of expenses in any manner unless adopted by the unanimous vote of the Directors of the Company then serving, provided that no such amendment shall have retroactive effect inconsistent with the preceding sentence.

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

VII. STOCK

Section 1. Certificates of Stock. Every holder of stock in the Company shall be entitled to have a certificate signed in the name of the Company by the president or a vice president and by the treasurer or an assistant treasurer or the secretary or an assistant secretary of the Company, certifying the number of shares owned by such shareholder in the Company; provided however that where such certificate is signed (1) by a transfer agent or an assistant transfer agent or (2) by a transfer clerk acting on behalf of the Company and a registrar, the signature of the president, vice president, treasurer, assistant treasurer secretary or assistant secretary may be facsimile. In case any officer who has signed or whose facsimile signature has

been placed on such certificate or certificates shall have ceased to be such officer before such certificate or certificates are issued, they may be issued by the Company with the same effect as if such officer had not ceased to be such at the time of their issue. Certificates of stock shall be in such form as shall, in conformity to law, be prescribed from time to time by the board of directors.

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

Section 3. **Transfer of Shares of Stock; Shareholder Agreement.**

~~Section 3. Transfer of Shares of Stock~~A. Subject to the restrictions, if any, imposed by the Articles and these bylaws, 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.

B. If at any time there is in force an agreement to which the Company is a party of the type described in Section 1529(b) of the Pennsylvania Business Corporation Law, 15 Pa.C.S.A. § 1529(b) or any successor statute (such an agreement, a "Shareholder Agreement", then no sale, transfer or other disposition of any shares of capital stock of the Company may be made, nor will the same be valid as against the Company, if the same would:

(i) result in any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 or any successor statute) becoming a beneficial holder of 5% or more of the outstanding shares of the Company's stock unless, as a condition to the effectiveness of such sale, transfer or other disposition, each person who becomes a shareholder by reason thereof joins and becomes a party to the Shareholder Agreement; or

(ii) contravene the Shareholder Agreement.

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

entitled to receive payment of any such dividend, or to any such allotment of rights or to exercise the rights in respect of any such change, conversion or exchange of capital stock or to give such consent, and in such case such shareholders and only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Company after such record date fixed as aforesaid.

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

VIII. AUDIT.

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

IX. MISCELLANEOUS PROVISIONS.

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

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

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

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

Section 5. **Voting of Securities.** Powers of attorney, proxies, waivers of notice of

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

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

D

~~SHAREHOLDERS~~ SHAREHOLDER AGREEMENT

This ~~Shareholders~~ Shareholder 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~~]EFFECTIVE DATE] (the “**Effective 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 joinder~~ 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~~ joinder to this 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.~~

A. The Company was incorporated to acquire and hold all of the capital stock of Saucon Insurance Company pursuant to the Third Amended and Restated Alternative Plan of Conversion of Saucon Mutual Insurance Company (the “**Insurance Company Demutualization Plan**”).

B. The Original Shareholders consist of (i) persons who acquired at least 5% of the shares of capital stock of the Company in the First Stage Offer (as that term is defined in the Insurance Company Demutualization Plan), and (ii) all of those individuals who were members of the “Control Group” as that term is defined in the Insurance Company Demutualization Plan (i.e., individuals who were members of the board of directors or executive officers of Saucon Mutual Insurance Company at the time that the Insurance Company Demutualization Plan was adopted), all of whom acquired shares of capital stock of the Company in the Second Stage Offer (as that term is defined in the Insurance Company Demutualization Plan). The Original Shareholders were required to enter into this Agreement as a condition precedent to their acquisition of the shares of the Company.

~~BC.~~ 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~~ at any time on or prior to June 30, 2017, \$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~~ 2016, as set forth in the Company’s audited consolidated financial statements for all of the completed fiscal years from December 31, ~~2015-2016~~ 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.~~ **Section 4.02(a)**.

"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.

“Insurance Company Demutualization Plan” has the meaning set forth in Paragraph A of the Background.

“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 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~~ were a director or an officer of the Company on the Effective Date 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**. The parties agree that this Section 3.02 will not apply with respect to any shares of capital stock of the Company held by a person who was not a director or an officer of the Company on the Effective Date.

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~~ joinder in the form attached to this Agreement pursuant to which the Transferee joins and becomes a party to this Agreement as a Shareholder.

(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~~ joinder to this 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~~ joinder to this 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)-number~~ (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 5.3—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, except that the Company may amend Schedule A from time to time to reflect the joinder of parties to this Agreement pursuant to an issuance or transfer of capital stock of the Company that is not in contravention of this Agreement, in which case such amendment of Schedule A will not require any action on the part of any of the Shareholders. 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~~ SHAREHOLDER 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~~ SHAREHOLDER 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]

JOINDER TO SAUCON HOLDING SHAREHOLDER AGREEMENT

Reference is made to that certain Shareholder Agreement dated as of [EFFECTIVE DATE] (the “**Saucon Holding Shareholder Agreement**”) among Saucon Holding Company, a Pennsylvania corporation (the “**Company**”) and each Person identified on Schedule A thereto. Capitalized terms used in this Joinder to Saucon Holding Shareholder Agreement that are not defined herein have the respective meanings given them in the Saucon Holding Shareholder Agreement.

The undersigned person, being a holder of shares of capital stock of Saucon Holding Company, hereby joins and becomes a party to the Saucon Holding Shareholder Agreement as a Shareholder, with respect to any shares of capital stock now held or hereafter acquired by the undersigned, and hereby becomes bound by all of the terms, conditions and covenants therein as a Shareholder. The undersigned acknowledges that he, she or it has received a copy of the Saucon Holding Shareholder Agreement and has reviewed it.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Joinder to Saucon Holding Shareholder Agreement as of the date written below.

(signature of Shareholder)

(signature of Shareholder, if shares are held jointly)

(print name of Shareholder)

(print name of Shareholder, if shares are held jointly)

Date

Address for notices:

Acknowledged and accepted:

SAUCON HOLDING COMPANY

By: _____

Name: _____

Title: _____

Date: _____