

FORM A
STATEMENT REGARDING THE ACQUISITION OF CONTROL
OF DOMESTIC INSURERS

AEGIS SECURITY INSURANCE COMPANY

And

AMERICAN SENTINEL INSURANCE COMPANY

by

ENDEAVOUR CAPITAL V, LLC

and

K2 INSURANCE SERVICES, LLC

Filed with the Insurance Department of the Commonwealth of Pennsylvania

Dated: December 18, 2012

Names, titles, addresses and telephone numbers of individuals to whom notices
and correspondence concerning this Statement should be addressed:

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ITEM 1. DOMESTIC INSURERS AND METHOD OF ACQUISITION

(a) Domestic Insurers

This Form A Statement (the "Form A") seeks the prior approval of the Insurance Commissioner of the Commonwealth of Pennsylvania (the "Commissioner") of the acquisition of control of Aegis Security Insurance Company ("Aegis") and its wholly owned subsidiary American Sentinel Insurance Company ("American Sentinel"), both of which are property and casualty insurers domiciled in the Commonwealth of Pennsylvania (collectively, the "Insurers") by Endeavour Capital V, LLC, a Delaware limited liability company ("Endeavour") and its majority owned indirect subsidiary K2 Insurance Services, LLC, a Delaware limited liability company ("K2," and, collectively with Endeavour, the "Applicants"). Aegis's and American Sentinel's NAIC Company Codes are, respectively, 33898 and 17965. The Insurers' statutory home office address is 2407 Park Drive, Harrisburg, PA 17110. The Insurers are direct and indirect wholly owned subsidiaries of Aegis Security, Inc., a Pennsylvania corporation (the "Seller").

(b) Method of Acquisition

The proposed acquisition of the Insurers (the "Proposed Transactions") would be accomplished through the acquisition by K2 of 100% of the issued and outstanding capital stock of the Seller pursuant to (i) a Stock Purchase Agreement (the "Purchase Agreement") to be entered into by and among K2, the Seller, each of the shareholders of the Seller and Martin G. Lane Jr., as the representative of the Seller and the shareholders of the Seller, and (ii) a Contribution and Subscription Agreement (the "Contribution Agreement") to be entered into by and among Martin G. Lane Jr., as trustee of the Martin G. Lane Jr. Revocable Trust, William J. Wollyung, III, Darleen J. Fritz (collectively, the "Rollover Shareholders") and K2. A current draft of the Purchase Agreement is attached as Exhibit A.

Pursuant to the terms and conditions of the Contribution Agreement, the Rollover Shareholders would contribute a portion of the shares of capital stock of the Seller owned by them (collectively, the "Rollover Shares") to K2 in exchange for common units of K2.

Pursuant to the terms and conditions of the Purchase Agreement, K2 would purchase all of the issued and outstanding shares of capital stock of the Seller (other than the Rollover Shares) from the shareholders of the Seller in exchange for cash in an aggregate amount equal to \$46,100,000 plus the issuance by K2 of a promissory note payable to Martin G. Lane Jr., as trustee of the Martin G. Lane Jr. Revocable Trust, in the original principal amount of \$7,500,000.

Immediately following the consummation of the Proposed Transactions, K2 would own 100% of the issued and outstanding capital stock of the Seller. There would

be no direct change in ownership of either of the Insurers as a result of the Proposed Transactions.

Immediately following the consummation of the Proposed Transactions, K2's outstanding equity interests would consist of common units and non-voting profits interest units.

Immediately following the consummation of the Proposed Transactions, Endeavour Capital Fund V, L.P. ("Endeavour Capital") and Endeavour Associates Fund V, L.P. ("Endeavour Associates"), the two Endeavour entities that have invested directly in K2, would own a majority of K2's issued and outstanding common units. The remainder of K2's issued and outstanding common units (as of immediately following the consummation of the Proposed Transactions) would be owned by Patrick Kilkenny, Robert Kimmel and the Rollover Shareholders. Other than Endeavour, only Patrick Kilkenny and Martin G. Lane Jr., as trustee of the Martin G. Lane Jr. Revocable Trust, would individually own 10% or more of K2's issued and outstanding common units immediately following the consummation of the Proposed Transactions.

Immediately following the consummation of the Proposed Transactions, the designated number of non-voting profits interest units would amount to approximately 20% of the total number of designated common units and non-voting profits interest units of K2, a portion of which non-voting profits interest units would be issued and outstanding and held by Patrick Kilkenny and Robert Kimmel and a portion of which would be reserved for future issuance to employees and other service providers of K2 and/or its subsidiaries.

The various rights and obligations of the holders of K2's common units would be as set forth in an Amended and Restated Limited Liability Agreement of K2 to be entered into by and among Endeavour Capital, Endeavour Associates, Patrick Kilkenny, Robert Kimmel and each of the Rollover Shareholders (the "LLC Agreement") concurrently with the consummation of the Proposed Transactions. The various rights and obligations of the holders of K2's non-voting profits interest units would be as set forth in the LLC Agreement, the K2 profits interest award plan and any award agreement issued thereunder applicable to such non-voting profits interest units.

The LLC Agreement would provide that, subject to certain exceptions, each holder of a common unit would be entitled to cast one vote per each common unit held on all matters upon which the members of K2 have the right to vote. The principal exceptions to this one-vote rule relate to the election of members of K2's board of managers.

Immediately following the consummation of the Proposed Transactions, the board of managers of K2 would consist of five persons. The LLC Agreement would provide that:

- for so long as Endeavour Capital, Endeavour Associates and/or their respective successors or permitted assigns own collectively at least 10% of the issued and outstanding common units, they shall collectively be entitled to designate two members of the board of managers (the “Endeavour Designees”);
- for so long as Patrick Kilkenny is a member of K2 he would be entitled to serve as a member of the board of managers;
- for so long as Robert Kimmel is a senior executive officer of K2, he would be entitled to serve as a member of the board of managers; and
- for so long as Martin G. Lane Jr., as trustee of the Martin G. Lane Jr. Revocable Trust, is a member of K2, he would be entitled to serve as a member of the board of managers.

Notwithstanding the foregoing, the LLC Agreement would also provide that the holders of a majority of the common units outstanding at any time would have the right to:

- designate a replacement to the board of managers of K2 for (i) Patrick Kilkenny and/or Martin G. Lane if either of them should cease to be a member of K2 and/or (ii) Robert Kimmel if he should cease to be a senior executive officer of K2; and
- increase the size of the board of managers of K2 and appoint such additional persons thereto to fill the vacancies created by any such increase, such that, following any such increase and appointment(s), the total number of persons so appointed would, together with the Endeavour Designees, equal the minimum number of members of the board of managers necessary to constitute a majority of the board of managers.

Given that the Applicant would, through its role as the general partner of Endeavour Capital and Endeavour Associates, control a majority of the aggregate membership voting rights of K2 following the consummation of the Proposed Transactions, and given that Endeavour Capital and Endeavour Associates would have, through their ownership of a majority of the common units of K2, the right to increase at any time the size of K2’s board of managers and fill any such newly created board positions with their own designees in a sufficient number to control the board of managers of K2, Applicant has concluded that it would be deemed to be the ultimate controlling person of the Insurers as a result of the Proposed Transactions.

It should also be noted that Patrick Kilkenny and Martin G. Lane Jr., as trustee of the Martin G. Lane Jr. Revocable Trust, would each own 10% or more of the aggregate membership voting rights of K2 following the consummation of the Proposed Transactions. Although such voting interest would exceed the statutory threshold of

10%, each of Patrick Kilkenny and Martin G. Lane Jr., as trustee of the Martin G. Lane Jr. Revocable Trust, has taken the position that he would not be able to exercise effective control of K2 (or, indirectly, of the Insurers) given that, among other reasons, the Applicant would have a significantly higher total voting interest.

It is anticipated that immediately following the consummation of the Proposed Transactions, the common units of K2 would be owned as follows:

Endeavour Capital	72.7%
Endeavour Associates	1.3%
Martin G. Lane Jr., as trustee of the Martin G. Lane Jr. Revocable Trust	10.2%
Patrick Kilkenny	10.2%
Robert Kimmel	0.9%
Other Rollover Shareholders*	4.7%
Total	100.0%

*Other Rollover Shareholders are current shareholders of the Seller and senior managers of the Insurers.

The parties' respective obligations to complete the Proposed Transactions are subject to the prior satisfaction of certain conditions, including the receipt of all necessary regulatory approvals, including from the Pennsylvania Department of Insurance.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANTS

(a) **Name and Address of the Applicants** The names and principal business addresses of the Applicants are as follows:

(b) Endeavour Capital V, LLC
920 SW Sixth Avenue
Suite 1400
Portland, OR 97204

K2 Insurance Services, LLC
3333 Camino Del Rio South, #340
San Diego, CA 92108

(c) **The Applicants' Business Operations**

(i) **Endeavour**

Endeavour is a Delaware limited liability company that was created in August, 2007 to manage investments in middle market companies in the Western United States operating in a variety of industry sectors. Endeavour is one of six private equity funds organized by the principals of Endeavour. Endeavour is controlled by seven individual voting members, all of whom have equal voting rights (thus, roughly equating to a 14.3%

voting percentage for each voting member). The seven voting members of Endeavour are Managing Directors of DVSM, LLC, dba Endeavour Capital, an Oregon limited liability company, which was founded in 1991 and has offices in Los Angeles, Portland, Denver and Seattle.

Endeavour is the general partner of Endeavour Capital and Endeavour Associates, the two entities that have directly invested in K2. Endeavour Capital and Endeavour Associates were organized in August 2007 and September 2007, respectively. The limited partners of Endeavour Capital are primarily institutional investors, such as foundations, endowments and state employee pension funds, and the limited partners of Endeavour Associates are primarily individuals. In common with other limited partnerships, the limited partners in both Endeavour Capital and Endeavour Associates will be passive investors with no management or voting rights associated with their equity participations in these limited partnerships. As general partner of Endeavour Capital and Endeavour Associates, Endeavour will manage and exercise sole voting control of these limited partnerships.

Funds organized by principals of Endeavour currently manage over \$1.6 billion in committed capital. Portfolio companies comprising funds under management are drawn from transportation and logistics, food and consumer, education and training, niche manufacturing, business services and insurance. Endeavour's typical approach is to partner with the management of its portfolio companies to provide additional financial, management and strategic support to enable such companies to accomplish their growth objectives.

(ii) K2

K2 is a Delaware limited liability company that was formed in May 2011 by Endeavour Capital, Endeavour Associates, Patrick Kilkenny and Robert Kimmel (constituting all of the existing members of K2) for the purpose of investing in companies involved in specialty insurance services.

In connection with the consummation of the Proposed Transactions, the existing members of K2 would exchange existing units of K2 for common units of K2 and the existing members of K2 would purchase additional common units of K2 in exchange for cash. The cash received by K2 from such sale of additional common units to the existing members of K2 would be utilized by K2 to, among other things, fund the cash portion of the purchase price to be paid to the shareholders of the Seller for the purchase of the shares of capital stock of the Seller (other than the Rollover Shares) pursuant to the Purchase Agreement.

(c) Organizational Charts.

For the current organizational structure of the Applicants, please refer to the pre-acquisition organizational chart of the Applicants attached hereto as Exhibit B. The chart presents the identities of and interrelationships among the Applicants and their affiliates.

Currently, no court proceedings are pending involving a reorganization or liquidation of either Applicant.

For an overview of the current organizational structure of the Insurers, please refer to the pre-acquisition organizational chart of the Insurers attached hereto as Exhibit C.

Attached hereto as Exhibit D is a chart that depicts the organizational structure of the Applicants and the Insurers immediately following completion of the Proposed Transactions.

All of the foregoing organizational charts indicate the percentage of voting interests of each such person that is controlled by or under common control with Applicants and/or the Insurers. Unless otherwise indicated, control of all persons is maintained by the ownership or control of voting securities or membership or partnership interests, as appropriate. The charts indicate the type of organization and the jurisdiction of domicile of each person specified therein.

**ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS
ASSOCIATED WITH THE APPLICANTS**

Attached hereto as Exhibit E is a list of the managers and voting members of Endeavour, both currently and effective as of the closing of the Proposed Transactions (the "Closing"). Attached hereto as Exhibit F is a list of the managers and voting members of K2, both currently and effective as of the Closing. Attached as Exhibit G is a list of the proposed directors and executive officers of the Insurers effective as of the Closing.

Exhibit H (to be provided under separate cover) contains the Biographical Affidavits executed by the individuals listed on Exhibits E through G, or copies of biographical affidavits filed by such individuals with the chief insurance regulatory officials of other US jurisdictions within the three years preceding the date of this Form A (biographical affidavits filed with the Department within the last three years are not included). To the best knowledge, information and belief of the Applicants, none of the identified individuals has a criminal conviction (excluding minor traffic violations) within the past 10 years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Nature, Source and Amount of Consideration.

Pursuant to the Purchase Agreement, K2 would acquire all of the issued and outstanding capital stock of the Seller (other than the Rollover Shares) in exchange for cash in an aggregate amount of \$46,100,000 and the issuance by K2 of a promissory note to Martin G. Lane Jr., as trustee of the Martin G. Lane Jr. Revocable Trust, in the original principal amount of \$7,500,000. The cash portion of the purchase price to be paid by K2

pursuant to the Purchase Agreement would be funded with the proceeds received by K2 from the sale of additional common units to the existing members of K2 concurrently with the consummation of the Proposed Transactions. The purchase price to be paid by the existing members of K2 for additional common units of K2 would be funded from cash on hand or cash callable on 10 days' notice to Endeavour Capital's and Endeavour Associates' limited partners and would not require any borrowing by the existing members of K2; provided, that Endeavour Capital and Endeavour Associates may initially fund their respective portions of the purchase price for the additional common units by drawing on their available line of credit, which short-term borrowings would be repaid from cash callable from Endeavour Capital's and Endeavour Associates' limited partners.

The consideration for the Rollover Shares to be acquired by K2 would be the common units of K2 issued to the Rollover Shareholders pursuant to the Contribution Agreement.

(b) Criteria Used in Determining Consideration

The basis and terms of the Purchase Agreement and Contribution Agreement, including the purchase price to be paid for the issued and outstanding shares of capital stock of the Seller in connection with the Proposed Transactions, resulted from arm's length negotiations among the Seller and its management and representatives, the shareholders of Seller (including, with respect to the Contribution Agreement, the Rollover Shareholders) and their representatives and K2 and its management and representatives. Prior to the consummation of the Proposed Transactions, the parties to the Purchase Agreement and the Contribution Agreement would, after having conducted their own due diligence review and financial analysis and determined that the Purchase Agreement and Contribution Agreement and the Proposed Transactions were advisable and fair from a financial perspective, approve the Proposed Transactions.

ITEM 5. FUTURE PLANS FOR INSURER

Other than as disclosed in this Form A and subject to the decisions of the Applicants' management and directors in the ordinary course of business following the Closing, the Applicants have no present plans or proposals to: (i) cause the Insurers to declare an extraordinary dividend or make other distributions; (ii) liquidate the Insurers; (iii) sell the Insurers' assets (other than such sales of assets as may be contemplated in the ordinary course of such Insurer's business); (iv) merge or consolidate the Insurers with any person or persons; (v) make any other material change in the Insurers' business operations or corporate structure or management; or (vi) cause the Insurers to enter into material contracts. In addition, other than as set forth in this Form A, the Applicants currently have no plans or proposals (including change of ownership or control proposals) which may have a material effect on the Insurers.

The Applicants intend that the Insurers day-to-day operations will be conducted by current staff. These arrangements are discussed in detail in the business plan and financial projections attached at Exhibit I.

Appropriate Form D filings will be made prior to entering into any agreements between the Insurers and the Applicants or the Applicants' affiliates.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

A total of 3,000,000 shares of the Aegis's common stock is currently issued and outstanding, all such shares being held by the Seller. A total of 300,000 shares of the American Sentinel's common stock is currently issued and outstanding, all such shares being held by Aegis. As described above, as a result of the Proposed Transactions, K2 will acquire 100% of the issued and outstanding shares of the Seller, which will continue to own all of the shares of common stock of Aegis.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Neither of the Applicants, their affiliates or any person referenced in Item 3 has any interest in any voting securities of the Insurers, or in any securities which may be converted into voting securities of the Insurers.

ITEM 8. CONTRACTS, AGREEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Other than as described in this Form A, there are no contracts, arrangements or understandings, whether oral or in writing relating, directly or indirectly, to any voting securities of the Insurers or any securities convertible into or evidencing a right to acquire any such voting securities, whether or not such right of conversion or acquisition is exercisable immediately or at some future time involving the Applicants, any person controlling, controlled by or under common control with the Applicants or any person referenced in Item 3, including but not limited to the transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

During the past 12 calendar months preceding the filing of this Form A, there have been no purchases, directly or indirectly of any voting securities of the Insurers by the Applicants, any person controlling, controlled by or under common control with, the Applicants or any person referenced in Item 3.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

There have been no recommendations to purchase, directly or indirectly, any voting security of the Insurers made by the Applicants, any person controlling, controlled

by or under common control with the Applicants or any person referenced in Item 3, or by anyone based upon interviews or at the suggestion of the Applicants, any person controlling, controlled by or under common control with the Applicants or any person referenced in Item 3 during the 12 calendar months preceding the filing of the Form A.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

There is no agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the Insurers for tender.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) Exhibits

The financial statements and exhibits attached to the Form A are as follows:

- | | |
|------------------|---|
| <u>Exhibit A</u> | Draft Stock Purchase Agreement to be entered into by and among K2 Insurance Services, LLC, Aegis Security, Inc., the Shareholders of Aegis Security, Inc., and Martin G. Lane, Jr., as Shareholder Representative |
| <u>Exhibit B</u> | Current Organizational Chart of the Applicants and their Affiliates |
| <u>Exhibit C</u> | Current Organizational Chart of the Insurers and their Affiliates |
| <u>Exhibit D</u> | Post-Closing Organizational Chart of the Applicants and their Affiliates, including the Insurers |
| <u>Exhibit E</u> | Managers and Voting Members of Endeavour, Current and Post Closing |
| <u>Exhibit F</u> | Managers and Voting Members of K2, Current and Post Closing |
| <u>Exhibit G</u> | Proposed Directors and Executive Officers of the Insurers Post Closing |
| <u>Exhibit H</u> | Biographical Affidavits for Persons listed in Exhibits E through G (to be submitted under separate cover) |
| <u>Exhibit I</u> | Plan of Operation and Financial Projections for Insurers |
| <u>Exhibit J</u> | Audited Financial Statements of Endeavour Capital Fund VI, L.P. and Endeavour Associates Fund VI, L.P. for calendar years 2007-2011. |
| <u>Exhibit K</u> | Interim 2012 Quarterly Financial Statements of Endeavour Capital Fund VI, L.P. and Endeavour Associates Fund VI, L.P. |

(b)-(d) Financial Statements and Other Information

There are no tender offers for, requests or invitations for, tenders of, exchange offers for or agreements to acquire or exchange any voting security of the Insurers, or additional soliciting materials relating thereto other than as disclosed herein. Other than those agreements identified in Item 5 of this Form A, there are no proposed employment, consultation, advisory or management contracts concerning the Insurers being entered into in connection with the Proposed Transactions.

The Audited Financial Statements of Endeavour Capital and Endeavour Associates for calendar years 2007 – 2011 are attached as Exhibit J, and the Interim 2012 Quarterly Financial Statements of Endeavour Capital and Endeavour Associates are attached at Exhibit K. As the general partner of Endeavour Capital and Endeavour Associates, Endeavour prepares no separate financial statements. Moreover, K2 prepares no separate financial statements. Its financial results are consolidated with the Endeavour Capital and Endeavour Associates financial statements that are being provided.

ITEM 13. OTHER INFORMATION

(a) Regulatory Filings

There are no regulatory filings, other than this Form A, that are required to be filed in connection with the Proposed Transactions.

(b) Compliance with 40 PS 991.1405(c)(3) & (4)

Applicants acknowledge the requirements imposed by 40 PS 991.1405(c)(3) &(4) with respect to minimum numbers of independent directors and board committee members of Pennsylvania domestic insurers, and will cause the Insurer to comply with these requirements.

(c) Competitive Impact Analysis

Since neither of the Applicants owns or controls, directly or indirectly, any other insurers, the Proposed Transactions would have no effect on competition in Pennsylvania and, as a consequence, the Proposed Transactions would not substantially lessen competition in the State of Pennsylvania or tend to create a monopoly therein.

ITEM 14: SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 1402 of the act, Endeavour Capital V, LLC has caused this Form A to be duly signed on its behalf in the City of Harrisburg, State of PA, on the 18th day of December, 2012.

(SEAL)

ENDEAVOUR CAPITAL V, LLC

By: 

Name: Leland M. Jones
Title: Managing Member

Attest:

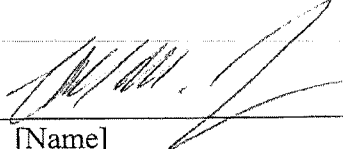
By: 

Name: Nathan Hunter
Title: Associate

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Form A dated December 18, 2012, for and on behalf of Endeavour Capital V, LLC; that he is the Managing Member of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Signature


[Name]

Leland M. Jones

ITEM 14: SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 1402 of the act, K2 Insurance Services, LLC has caused this Form A to be duly signed on its behalf in the City of Harrisburg, State of PA on the 18th day of December, 2012.

(SEAL)

K2 INSURANCE SERVICES, LLC

By: [Signature]
Name: Robert J. Kimmel
Title: President

Attest: [Signature]
By: [Signature]
Name: Nathan Hunter
Title: Associate

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Form A dated December 18, 2012, for and on behalf of K2 Insurance Services, LLC; that he is the President of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Signature [Signature]
[Name]

Robert Kimmel