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October 20, 2015

VIA HAND DELIVERY

Cressinda E. Bybee, PIR
Senior Insurance Company Licensing Specialist
Bureau of Company Licensing & Financial Analysis
Office of Corporate and Financial Regulation
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

RE: Saucon Mutual Insurance Company ("Saucon Mutual") – Revised Member Information Statement and Proxy Statement Addressing Comments by the Pennsylvania Insurance Department ("Department")

Dear Ms. Bybee:

On October 2, 2015, Saucon Mutual filed a revised Member Information Statement and Proxy Statement ("Statement"). As indicated in the filing cover letter to that October 2, 2015 submission, the purpose of the revisions was to ensure that all Saucon Mutual members have the information contained in Saucon Mutual's Response Letter that was filed on September 11, 2015 and posted on the Department's website to address presentations made by commenters and questions raised by the Department at the September 1, 2015 Public Informational Hearing on the Saucon Mutual Plan of Conversion.

Saucon Mutual is now filing a revised Statement that will be sent to all members upon the Department's approval of the Plan of Conversion to address comments made by the Department to the Statement filed on October 2, 2015. Enclosed for the Department's review and approval are a clean copy of the revised Statement as well as a compare version that shows the revisions to the Statement filed on October 2, 2015.

RECEIVED
Corporate & Financial Regulation
OCT 20 2015
Pennsylvania
Insurance Department

Please feel free to contact me if you have any questions or if I can be of further assistance.

Sincerely,

SAUL EWING LLP

Frances R. Roggenbaum

Enclosures

Cc: Stephen Bajan, Chief Executive Officer, Saucon Mutual Insurance Company
Brian T. Regan, President & Chairman of the Board, Saucon Mutual Insurance Company

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

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

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INTRODUCTION

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

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

As discussed more fully in this statement, the board of directors is recommending that the members approve the Plan of Conversion. As discussed more fully in the "Conflict of Interest" section of this statement, the board of directors has a conflict of interest related to the Plan of Conversion, and members of Saucon Mutual must be fully informed about the conflict before voting on the Plan of Conversion. The directors and management of Saucon Mutual are the only people who were invited to subscribe for stock of Saucon Holding Company, the company that will be the sole shareholder of the converted Saucon Mutual. Accordingly, the board of directors' conflict of interest is one of several factors that members should consider in voting on the Plan of Conversion.

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

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

In order to close the transactions contemplated by the Plan of Conversion, the Plan of Conversion must (i) be approved by the Pennsylvania Insurance Department and (ii) be approved by the vote of at least two-thirds of the Eligible Members that are cast at the Special Meeting. Each Eligible Member is entitled to cast one vote at the Special Meeting, and may vote in person or by properly executed proxy.

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

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

Why has this member information statement been sent to me?

This member information statement has been sent to all Eligible Members of Saucon Mutual. Because Saucon Mutual is a mutual insurance company, every Eligible Member has certain voting rights in his, her or its capacity as a member, including the right to vote on a proposed demutualization of the company.

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

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

What are the transactions contemplated by the Plan of Conversion?

The Plan of Conversion contemplates the following transactions:

- Saucon Mutual would be demutualized. This means that Saucon Mutual would be converted from a mutual insurance company to a stock insurance company that would be called "Saucon Insurance Company."

- A recently formed stock holding company, called "Saucon Holding Company," would purchase the stock of Saucon Insurance Company and become the sole stockholder of Saucon Insurance Company. Eligible Members would no longer be members of Saucon Insurance Company and they would not have any ownership interest in or rights with respect to Saucon Insurance Company except for the coverage rights under their insurance policies with Saucon Insurance Company.

- Saucon Holding Company would issue shares of its capital stock to certain investors by means of a stock offering. This stock offering would be made available only to members of the current Saucon Mutual board of directors and management. Except to the extent that members of the Saucon Mutual board of directors and management are Eligible Members, no other Eligible Members will have the right to purchase any shares of capital stock of Saucon Holding Company. This creates a conflict of interest for the board of directors as is discussed more fully in this statement under the heading "Conflict of Interest."

- An entity reorganization would occur immediately after the demutualization that would cause Saucon Insurance Agency, Inc. (the "Agency"), an insurance agency that is currently a wholly-

owned subsidiary of Saucon Mutual, to become a wholly-owned subsidiary of Saucon Holding Company (and a sister company of Saucon Insurance Company).

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

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

If the Demutualization Transactions occur, Eligible Members will receive consideration, including cash payments, which is described more fully below under the heading "Description of Consideration to Members."

Additionally, because Saucon Mutual would be demutualized, policyholders would no longer have voting rights (such as the right to elect directors of the insurance company) or any other rights with respect to Saucon Insurance Company except for the coverage rights under their insurance policies with Saucon Insurance Company. A description of the changes in the policyholders' rights that would result from the company's demutualization is set forth below under the heading "Description of Changes in Policyholders' Rights."

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

How will my insurance policy be affected?

Policies of insurance issued by Saucon Mutual that are in force at the time of closing of the Demutualization Transactions would remain in full force and effect. However, policyholders of Saucon Insurance Company will no longer be members of the company and will therefore no longer have the rights of members of a mutual insurance company. These changes are described more fully below under the heading "Description of Changes in Policyholders' Rights."

In the case of perpetual policies, upon closing of the Demutualization Transactions, Saucon Insurance Company will return 15% of the member's deposits held by Saucon Mutual, as described more fully below under the heading "Description of Consideration to Eligible Members." The return of these deposits will not affect the policies, which will continue to remain in force. Other than the deposits that are returned to members at closing, the deposits will continue to remain a liability of Saucon Insurance Company, fully refundable upon termination of each policy. The perpetual deposits will not be placed at any additional risk due to the conversion because the assets of Saucon Insurance Company will be at least equal to Saucon Mutual's assets prior to the conversion.

Even after paying the consideration that Eligible Members are to receive on account of the Demutualization Transactions and after expenses related to the transaction, Saucon Insurance Company will continue to maintain a level of surplus in excess of relevant legal requirements. Saucon Mutual does not expect that the Demutualization Transactions will have any negative impact on the company's financial strength ratings nor on its ability to pay claims and policy benefits.

What rights as a member of Saucon Mutual would I lose if Saucon Mutual demutualizes?

If Saucon Mutual demutualizes, the members of Saucon Mutual would cease to be members of a mutual insurance company but would continue to be policyholders of Saucon Insurance Company. The primary rights that members of a mutual insurance company hold are voting rights, such as the right to elect directors and vote on a plan of conversion, and the right to receive any dividends declared by the board of directors. Following demutualization, policyholders of Saucon Insurance Company would not have any voting rights or any right to participate in shareholder dividends. Policyholders would have the right to participate in policyholder dividends, but only if the insurance policies are amended to include a participation provision and the board of directors declares a policyholder dividend. See the discussion below under the heading "Discussion of the Principal Characteristics of Saucon Mutual, and Your Rights as a Policyholder, Before and After Demutualization."

In consideration for the loss of member rights upon the closing of the Demutualization Transactions, the Eligible Members of Saucon Mutual will receive the compensation set forth in the Plan of Conversion. The compensation is described more fully below under the heading "Description of Consideration to Eligible Members." The Eligible Members will not have the right to purchase any shares of the capital stock of Saucon Holding Company.

Why does Saucon Mutual want to demutualize?

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

- rewarding members for their loyalty to the company;
- making a charitable contribution in furtherance of the company's ongoing commitment to the community;
- modernizing the company's governance structure;
- enabling the issuance of stock and other financial instruments in order to raise capital, to facilitate potential acquisitions of other businesses, and to incentivize employees;
- preparing the company to re-enter the insurance underwriting business; and
- maintaining the independence of the company.

These reasons and the benefits of the demutualization to both the company and its members are explained more fully below under the heading "Background to the Proposed Demutualization of Saucon Mutual – Reasons for the Proposed Demutualization."

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

The closing of the Demutualization Transactions will not, in and of itself, affect any of the insurance policies issued by Saucon Mutual. Thus, the terms of your policy with respect to coverage limits and deductibles and all policy documents, with the exception of the change of the company name to Saucon Insurance Company on the declarations page, will remain identical before and after the Demutualization Transactions. If you are a perpetual policyholder, you will not have to make additional deposits unless you elect to increase coverage under the policy. The initial deposit that you made at policy inception plus all subsequent Annual Adjustment of Limits deposits, will be paid to you in full upon termination of your policy – less the portion of your deposit that would be returned to you upon closing of the Demutualization Transactions as explained more fully below under the heading "Description of Consideration to Eligible Members."

If my policy is terminated after August 27, 2014 (the Record Date), will I still receive consideration?

Yes, an Eligible Member would receive the loyalty payment calculated through the termination date of the policy. However, in the case of a perpetual policyholder, no return of deposit would be paid at the closing of the Demutualization Transactions since the deposit would have already been returned when the policy was terminated. Likewise, in the case of a member who is a non-perpetual policyholder whose policy is terminated after August 27, 2014, that Eligible Member would receive the loyalty payment but would not receive the 15% of current premium since that Eligible Member's current premium would be $0 as of the closing of the Demutualization Transactions.

The consideration is described more fully below under the heading "Description of Consideration to Eligible Members."

What are the future plans for Saucon Mutual after the demutualization and what impact will implementation of these plans have on Saucon Insurance Company after it demutualizes?

Saucon Mutual has a conservative business plan for Saucon Insurance Company that provides for it to deliberately and methodically take the steps necessary to re-enter the insurance underwriting business while preserving its surplus. Upon the closing of the Demutualization Transactions, Saucon Insurance Company intends to immediately begin work on developing infrastructure for underwriting insurance, including systems, claims, underwriting staff and structure, documentation, and development of a distribution network. While this infrastructure is being developed, Saucon Insurance Company intends to re-enter insurance underwriting in an indirect and measured way by initially exploring reinsurance opportunities where Saucon Insurance Company would be the quota share reinsurer of compatible products of another insurer.

Who will own the insurance company after it demutualizes?

If the Demutualization Transactions close, Saucon Insurance Company will become a wholly-owned subsidiary of Saucon Holding Company, a newly-organized corporation, upon its purchase of Saucon Insurance Company stock.

Saucon Holding Company, in turn, would be owned by those investors who subscribe for capital stock in a stock offering that would close concurrently with the transactions contemplated by the Plan of Conversion, as described more fully below under the heading "Description of Stock Offering of Saucon Holding Company." The offering of shares of capital stock of Saucon Holding Company has been made only to members of the current board of directors and management of Saucon Mutual, which is a conflict of interest as described more fully below under the heading "Conflict of Interest." Other Eligible Members will not have the right to purchase shares of capital stock of Saucon Holding Company.

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

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

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

The Pennsylvania Insurance Department was required by Pennsylvania law to approve the Plan of Conversion if it found that the Plan of Conversion does not prejudice the interests of Saucon Mutual's members, is fair and equitable, and complies with the applicable statute. Please note, however, that the Pennsylvania Insurance Department's approval of the Plan of Conversion should not be taken as constituting the endorsement of the Demutualization Transactions by the Pennsylvania Insurance Department, and the Department's approval does not impact the right of Eligible Members to vote either for or against the Plan of Conversion.

On September 2, 2014, Saucon Mutual filed the Form A and the original version of the Plan of Conversion with the Pennsylvania Insurance Department for its approval. Upon filing of the original Plan of Conversion, Saucon Mutual delivered a notice to all of its members informing them of the filing and notifying them of their right to file comments on the Plan of Conversion with the Pennsylvania Insurance Department. In addition, the Pennsylvania Insurance Department published notice in the Pennsylvania Bulletin to advise of the filing and invite written comments to the Pennsylvania Insurance Department on the filing, and the Pennsylvania Insurance Department posted on its website at www.insurance.pa.gov all of the nonconfidential documents included in the filing.

By letter dated January 12, 2015, the Pennsylvania Insurance Department provided a list of additional items necessary to the review of the filing of the original Plan of Conversion and the related documents. On February 4, 2015, the board of directors of Saucon Mutual unanimously approved an amended and restated version of the Plan of Conversion to address those items. Subsequently, during April 2015, Saucon Mutual's management and counsel discussed the proposed Demutualization Transactions with the Pennsylvania Insurance Department. On April 27, 2015, the board of directors of Saucon Mutual approved the amendment and the restatement of the amended and restated Plan of Conversion in the form attached to this member information statement. References in this member information statement to the "Plan of Conversion" refer to this amended and restated plan of conversion. The Plan of Conversion and certain related documents were then filed with the Pennsylvania Insurance Department for its approval on May 7, 2015. With each of these subsequent filings, the Pennsylvania Insurance Department posted on its website at www.insurance.pa.gov all of the nonconfidential documents included in the filing and accepted comments from Saucon Mutual members and their representatives.

Each of these comments was forwarded to Saucon Mutual for response and both the comment and Saucon Mutual's response were posted on the Department's website at www.insurance.pa.gov.

By notice in the Pennsylvania Bulletin dated July 25, 2015, the Pennsylvania Insurance Department advised of its scheduling of a Public Informational Hearing (the "Hearing") to be held on September 1, 2015 at which Saucon Mutual members and interested persons would be able to present comments on the Plan of Conversion. Saucon Mutual also mailed a notice of the Hearing to all of its Eligible Members. The Hearing was conducted on September 1, 2015 and the proceeding was recorded by a court reporter. Subsequent to the Hearing, Saucon Mutual filed a response to presentations made by commenters and questions posed by the Pennsylvania Insurance Department at the Hearing (the "Saucon Mutual Response"). Each of the Pennsylvania Insurance Department and Saucon Mutual notices of the Hearing, the written transcript of the Hearing and the Saucon Mutual Response are posted on the Pennsylvania Insurance Department's website at www.insurance.pa.gov.

As announced by the Pennsylvania Insurance Department at the Hearing, after its receipt of the Hearing transcript and the Saucon Mutual Response, the Pennsylvania Insurance Department provided an additional public comment period during which no further comments were received.

Subsequently, on [DATE], the Pennsylvania Insurance Department approved the Plan of Conversion and certain related filings and transactions as indicated above.

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

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

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

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

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

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

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

Yes. You can participate in the Special Meeting by proxy, by filling out and returning the attached proxy card to Saucon Mutual. Any properly-executed proxy cards received prior to the Special Meeting,

and not duly and timely revoked, will be voted at the Special Meeting in accordance with the instructions indicated on the proxies.

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

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

Where can I get financial information about Saucon Mutual?

A copy of Saucon Mutual's unaudited, condensed comparative annual statement for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 is attached to this member information statement as Exhibit 3.

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

Saucon Mutual's board of directors recommends that you vote "FOR" the proposal to approve the Plan of Conversion and "FOR" the proposal to amend Saucon Mutual's articles of incorporation. As discussed more fully under the heading "Conflict of Interest," the Saucon Mutual board of directors has a conflict of interest in regard to this recommendation.

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

No. If the Plan of Conversion is duly approved and the Demutualization Transactions close, all Eligible Members will receive consideration whether they voted "FOR" approval of the Plan of Conversion, "AGAINST" approval, or did not vote at all.

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

No. The proposed demutualization of Saucon Mutual has not been structured as a "subscription rights offering," which means that members of Saucon Mutual do not, in their capacity as such, have the right to subscribe for the stock that is being offered in the stock offering by Saucon Holding Company. As more fully described under the heading "Conflict of Interest," only members of the current Saucon Mutual board of directors and management were invited to participate in the stock offering by Saucon Holding Company.

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

You may contact Stephen Bajan, the Chief Executive Officer of Saucon Mutual, at 74 West Broad Street, Suite 300, Bethlehem PA 18018, telephone (610) 868-1832. You also may view copies of all nonconfidential documents filed by Saucon Mutual, Pennsylvania Insurance Department notices in the Pennsylvania Bulletin, comments received by the Pennsylvania Insurance Department and Saucon Mutual's responses to those comments, and information relating to the Public Informational Hearing on the Pennsylvania Insurance Department's website at www.insurance.pa.gov. Additionally, after first scheduling an appointment, consumers may also view the application and supplemental documents at the Pennsylvania Insurance Department's Harrisburg office, which can be reached at (717) 787-0877.

CONFLICT OF INTEREST

Interests of Saucon Mutual's Board of Directors and Management in the Demutualization Transactions

In considering the recommendation by Saucon Mutual's board of directors that the Eligible Members approve the Demutualization Transactions, the Eligible Members should be aware that Saucon Mutual's board of directors and management have interests in the Demutualization Transactions that are different from, or in addition to, the members generally. Saucon Mutual's board of directors was aware of this conflict of interest and considered it, among other matters, in reaching its decision to approve the Demutualization Transactions and to recommend that Saucon Mutual's Eligible Members vote in favor of approving them.

The board of directors has a conflict of interest because they are both "selling" and "buying" Saucon Mutual as described below. As directors of Saucon Mutual, the directors have certain duties to the company, which, in the context of selling the company upon its demutualization would include obtaining the most favorable terms of the "sale" for the company and its stakeholders. As prospective purchasers of the demutualized company through their ownership interests of Saucon Holding Company, the directors want to purchase the company on the best possible terms. Because ownership of the company is not being offered by sale on an open market, it is difficult to determine an open market value for the company. If ownership of the company was offered to others, assuming that the Pennsylvania Insurance Department approved such a transaction, the sale price may be more, the same or less than the proposed amount. In addition, while the board of directors has received a fairness opinion from Boenning & Scattergood (as more fully described below under the heading "Fairness Opinion of Boenning & Scattergood"), there can be no assurance that this fairness opinion is an accurate prediction of the value of Saucon Mutual on the open market.

Having been advised of this conflict of interest, the Eligible Members have the opportunity to vote whether to accept or reject the Demutualization Transactions.

Restricted Participation in the Stock Offering of Saucon Holding Company

As part of the Demutualization Transactions, Saucon Insurance Company will become a wholly-owned subsidiary of Saucon Holding Company, a recently-formed stock holding company, through the purchase of Saucon Insurance Company stock for the amount of $1,425,000. Saucon Holding Company will in turn be owned by investors who subscribe for shares of its stock, as described more fully below under the heading "Description of Stock Offering of Saucon Holding Company."

The proposed demutualization of Saucon Mutual is not a subscription rights demutualization. This means that members of Saucon Mutual, in their capacity as such, are not being offered the right to participate in the stock offering and subscribe for shares of stock of Saucon Holding Company. Instead, the Eligible Members of Saucon Mutual will receive only the consideration described in this member information statement under the heading "Description of Consideration to Eligible Members," and will have no further rights with respect to Saucon Holding Company or Saucon Insurance Company except for the coverage rights under their insurance policies with Saucon Insurance Company.

Nine individuals were invited to, and are expected to, subscribe for stock of Saucon Holding Company in the offering. These individuals are board members and members of management of Saucon Mutual. Saucon Mutual expects that three of these individuals (Brian T. Regan, Michael G. Crofton and Martin C. Gilchrist, all of whom are board members of Saucon Mutual) will acquire, in the aggregate, approximately 91% of the Saucon Holding Company shares that will be offered, and the other six individuals (Susan C. Drabic, Bernard J. Story, Phillip J. Bell, Donna B. Goss and Rick Santee, who are all of the other members of the board of directors, and Stephen Bajan, who is the Chief Executive Officer of Saucon Mutual) will acquire, in the aggregate, the balance of the Saucon Holding Company shares being offered. No other investors were invited to participate in the stock offering. These investors will subscribe for 3,250,000 shares of Saucon Holding Company common stock at a subscription price of $1.00 per share, resulting in Saucon Holding Company receiving $3,250,000 in gross proceeds.

The Saucon Holding Company share price was set to exceed the sum of cash payments to be made by Saucon Insurance Company to Eligible Members, the amount of the charitable contribution (as described more fully below under the heading "Description of Charitable Contribution") and the estimated costs and expenses of the Demutualization Transactions, with the result that, after the closing of the Demutualization Transactions, the total assets of Saucon Holding Company (on a consolidated basis with Saucon Insurance Company) would be greater than the total assets of Saucon Mutual prior to the demutualization.

Shareholders Agreement of Saucon Holding Company

The individuals who participate in the stock offering of Saucon Holding Company will be required, as a condition to their participation, to execute a shareholders agreement of Saucon Holding Company. That shareholders agreement includes various restrictions on the purchasers of stock, including:

- The transfer of stock of Saucon Holding Company is restricted. In general, these restrictions provide that a shareholder of Saucon Holding Company may not transfer any shares unless either (i) the board of directors of Saucon Holding Company approves the transfer, or (ii) the transferring shareholder first gives Saucon Holding Company and the other shareholders a right of first refusal to purchase the shares. However, the agreement permits a shareholder of Saucon Holding Company to make certain transfers of stock to family members and certain other affiliates.
- If Saucon Holding Company proposes to issue new securities, it must first afford the existing shareholders a right of first refusal to purchase those shares in order to maintain their respective proportionate ownership interest.
- A shareholder of Saucon Holding Company may require Saucon Holding Company to purchase that shareholder's shares following that shareholder's death.

A copy of the form of shareholders agreement is posted on the Pennsylvania Insurance Department's website at www.insurance.pa.gov.

Low Likelihood of Subsequent Change of Control

It is expected that the transfer restrictions and share repurchase provisions set forth in the shareholders agreement of Saucon Holding Company, together with the fact that the stock of Saucon Holding Company will not be publicly traded and that Pennsylvania law imposes restrictions and requirements on a change of control of a Pennsylvania insurance company, will in the aggregate have the result that the current board members and members of management of Saucon Mutual, once they purchase the stock of Saucon Holding Company, will own and control Saucon Holding Company and therefore Saucon Insurance Company for the foreseeable future. For these reasons, Saucon Mutual does not believe that after the Demutualization Transactions close, a subsequent change in control of Saucon Holding Company or of Saucon Insurance Company is likely to occur in the foreseeable future.

Fairness Opinion

Each member of the board of directors recognized the conflict of interest that results from board members purchasing the stock of Saucon Holding Company which in turn, will purchase the stock of Saucon Insurance Company, and considered them among other matters, in reaching their respective decision to approve the Plan of Conversion and to recommend that the Eligible Members vote in favor of the proposal. The board of directors has taken steps throughout the process of considering, approving and recommending the Demutualization Transactions to ensure that the conflict is appropriately addressed. The board worked with outside industry experts to determine objectives for the company, as described more fully below under the heading "Background to the Demutualization Transactions – Background to the Proposed Demutualization." The board then reviewed available options against those objectives to determine which option it believed was best for Saucon Mutual and its members as more fully described below under the heading "Background To The Demutualization Transactions." Because the board of directors elected to proceed with the proposed Demutualization Transactions, it engaged the investment banking firm of Boenning & Scattergood to deliver a fairness opinion with respect to the Demutualization Transactions, as described more fully below under the heading "Fairness Opinion of Boenning & Scattergood." It is ultimately up to the Eligible Members, however, to determine if the proposed Demutualization Transactions are in the best interests of Saucon Mutual and, in turn, their best interests. Eligible Members may give whatever weight they feel is appropriate to the fairness opinion in determining how to vote on the Demutualization Transactions.

BACKGROUND TO DEMUTUALIZATION

Description of Demutualization

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

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

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

Membership interests will be exchanged for economic value. Policyholders of Saucon Mutual have membership interests in Saucon Mutual. Membership interests include the right to vote on matters submitted to members (such as the election of directors and the approval of a plan of conversion), the

right to participate in any dividends declared by the board of directors, and the right to receive consideration upon demutualization as provided in an approved plan of conversion.

Upon the demutualization of Saucon Mutual as contemplated under the Plan of Conversion, all of the membership interests of all members will cease to exist and, in exchange, the Eligible Members will receive the compensation set forth in the Plan of Conversion. The compensation is described more fully below under the heading "Description of Consideration to Eligible Members."

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

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

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

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

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

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

BACKGROUND TO THE DEMUTUALIZATION TRANSACTIONS

Description of Saucon Mutual.

Saucon Mutual was incorporated in Pennsylvania on May 3, 1832 as the Farmers Fire Insurance Company of Upper and Lower Saucon Townships. It began business in 1832 and has operated as a property insurance company for over 180 years.

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

In 1991, Saucon Mutual organized the Agency as a wholly-owned subsidiary. The Agency is an independent insurance agency that sells automobile insurance, homeowners insurance, business insurance and other insurance. The Agency also offers employee benefits consulting.

Saucon Mutual has written very few new insurance policies since 2005. Although Saucon Mutual maintains a level of surplus that satisfies relevant legal requirements, it has only 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.

Saucon Mutual's unaudited, condensed comparative annual statement for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 is attached as Exhibit 3 to this member information statement.

Background to the Proposed Demutualization

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

- Rewarding members for their loyalty to the company;
- Making a charitable contribution in furtherance of the company's ongoing commitment to the community;
- Modernizing the company's governance structure;
- Enabling the issuance of stock and other financial instruments in order to raise capital, to facilitate potential acquisitions of other businesses, and to incentivize employees;
- Preparing the company to re-enter the insurance underwriting business; and
- Maintaining the independence of the company.

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

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

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

On February 4, 2015, the board of directors of Saucon Mutual unanimously approved an amended and restated Plan of Conversion to address those items. Subsequently, during April 2015, Saucon Mutual's management and counsel further discussed the proposed Demutualization Transactions with the Pennsylvania Insurance Department. On April 27, 2015, the board of directors of Saucon Mutual approved the amendment and the restatement of the amended and restated Plan of Conversion in the form attached to this member information statement, and references herein after in this member information statement to the "Plan of Conversion" refer to this restated Plan of Conversion. The Plan of Conversion and certain related documents were then filed with the Pennsylvania Insurance Department for its approval on May 7, 2015.

By notice in the Pennsylvania Bulletin dated July 25, 2015, the Pennsylvania Insurance Department advised of its scheduling of a Public Informational Hearing to be held on September 1, 2015 at which Saucon Mutual members and interested persons would be able to present comments on the Plan of Conversion. Saucon Mutual also mailed a notice of the Hearing to all Eligible Members. The Hearing was conducted on September 1, 2015 and the proceeding was recorded by a court reporter. Subsequent to the Hearing, Saucon Mutual filed a response to presentations made by commenters and questions posed by the Pennsylvania Insurance Department at the Hearing (the "Saucon Mutual Response"). Each of the Pennsylvania Insurance Department and Saucon Mutual notices of the Hearing, the written transcript of the Hearing and the Saucon Mutual Response are posted on the Pennsylvania Insurance Department's website at www.insurance.pa.gov.

Subsequently, on [DATE], the Pennsylvania Insurance Department approved the Plan of Conversion and certain related filings and transactions.

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

Considerations For and Against the Proposed Demutualization

There are potential risks and benefits with the proposed Demutualization Transactions, just as there are risks and benefits with staying with Saucon Mutual's current course. Saucon Mutual's board of directors believes that the proposed demutualization and the Demutualization Transactions are the most appropriate and effective means of enabling the company to achieve the objectives designated by the board.

- Rewarding members for their loyalty to the company. As described more fully below under the heading "Description of Consideration to Eligible Members," the consideration that Eligible Members of Saucon Mutual would receive upon the closing of the Demutualization Transactions would depend, in part, upon the number of years that the policy had remained in force. This permits Saucon Mutual to reward members for their loyalty to the company by maintaining their policies. The aggregate amount of the payments to members was estimated to be approximately $1,564,839 assuming a July 31, 2015 closing date and will be slightly higher with a later closing date. Further, the aggregate value of consideration to perpetual policyholders, not in the form of cash payments, is approximately $500,000 as described below under the heading "Description of Consideration to Eligible Members."

- Making a charitable contribution in furtherance of the company's ongoing commitment to the community. As described more fully below under the heading "Description of Charitable Contribution," upon the closing of the Demutualization Transactions, the company would make a $500,000 cash contribution to the Lehigh Valley Community Foundation, a public charitable organization operating since 1967 for the purposes of stewarding philanthropic resources from institutional and individual donors to community-based organizations to serve the Lehigh Valley. In addition, the company has committed to making additional charitable contributions to the Foundation of $100,000 per year for 5 consecutive calendar years beginning with the first full calendar year after closing of the Demutualization Transactions. The contribution committee of Saucon Insurance Company's board of directors will make recommendations to the Foundation as to how those funds should be disbursed for charitable purposes. The members of the contribution committee will not be compensated for their service on the committee. The board believes that such a charitable contribution will benefit not only the community in general, but also people in the community who once were, but no longer are, policyholders of Saucon Mutual and, thus, will not receive direct compensation in the Demutualization Transactions.

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

  The authority to elect directors and make certain other decisions with respect to a Pennsylvania mutual insurance company such as Saucon Mutual lies with its members (*i.e.*, its policyholders). But each member is entitled to cast one vote—regardless of the type of policy or the amount of coverage—with respect to a matter that is submitted to the members for approval, which means that there is no particular relationship between a particular member's commercial relationship with the company and the weight of that member's vote. By way of contrast, in the case of a

stock corporation, each stockholder is entitled to cast one vote per share, which means that a stockholder who wishes to enjoy a greater degree of control over the corporation can do so by acquiring more shares. The board of directors believes that it is in the company's interest to adopt a governance structure where the voting power of a constituent of the company is more closely aligned to that constituent's economic interest in the company, as represented by that constituent's investment in the company to acquire shares.

- Enabling the issuance of stock and other financial instruments in order to raise capital, to facilitate potential acquisitions of other businesses, and to incentivize employees. A mutual company cannot issue stock. A stock corporation, on the other hand, can issue shares of its stock and other financial instruments. Among the reasons that a stock corporation may issue shares of stock or other financial instruments are:

    - To sell the shares to investors to raise capital for the company;
    - To acquire another business, by using the stock or other financial instruments that it issues as some or all of the purchase price for the business; and
    - To incentivize employees through the issuance of stock grants, stock options and other similar equity compensation strategies, because those strategies can give the employees who receive those grants the opportunity to share in the economic benefits of the growth of the company. This can help the company attract and retain suitable employees.

- Preparing the company to re-enter the insurance underwriting business. While Saucon Mutual is in a stable position from a financial point of view (see Saucon Mutual's unaudited, condensed comparative annual statement for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012, a copy of which is attached to this member information statement as Exhibit 3), Saucon Mutual has written very few new insurance policies since 2005. Saucon Mutual's personnel and business systems are adequate to continue to maintain the existing insurance policies and their renewals in full force and effect, but Saucon Mutual does not presently have sufficient personnel and infrastructure to enable it to issue new insurance policies. Saucon Mutual's board of directors believes that demutualizing the company would permit the company to implement steps to attract and retain suitable personnel and to develop appropriate infrastructure to assist the company in re-entering the business of underwriting new insurance.

  As described below, upon closing of the Demutualization Transactions, Saucon Insurance Company intends to immediately begin work on developing infrastructure for underwriting insurance, including systems, claims, underwriting staff and structure, documentation, and development of a distribution network. While this infrastructure is being developed, Saucon Insurance Company intends to re-enter insurance underwriting in an indirect and measured way by initially exploring reinsurance opportunities where Saucon Insurance Company would be the quota share reinsurer of compatible products of another insurer.

- Maintaining the independence of the company. Upon the closing of the Demutualization Transactions, Saucon Insurance Company will become a wholly-owned subsidiary of Saucon Holding Company. The stock of Saucon Holding Company in turn will be owned by the investors in a concurrent stock offering. The investors in that stock offering are individuals who

are board members or members of management of Saucon Mutual. *See* "Conflict of Interest" and "Description of Stock Offering of Saucon Holding Company."

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

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

In considering the Demutualization Transactions, the board considered Saucon Mutual's current financial condition and future prospects, and considered the advice of its legal and financial advisors. The board also examined other mutual-to-stock conversions in Pennsylvania under the various alternatives for mutual insurer conversions in Pennsylvania law, including:

- Subscription rights conversions (where, in exchange for the extinguishment of their membership rights in the mutual insurer, members of the mutual insurer (*i.e.,* its policyholders) are given the right to purchase stock in the converted insurer and, if there is insufficient member interest in the purchase of such stock, the right to purchase is opened to others);

- Mutual holding company conversions (where a mutual holding company is formed with members of the mutual insurer obtaining "mutual rights" in the mutual holding company and their rights under the insurance contract remaining with the converted insurance company; and, in some mutual holding company conversions, where a stock holding company is formed in between the mutual holding company and the converted insurance company, and capital is raised for the stock holding company directly and the converting insurer indirectly by giving members and others the right to purchase stock in the stock holding company); and

- Alternative conversions (where, typically, members receive consideration for the extinguishment of their membership rights in the form of cash or coverage benefits, e.g. a specified amount of coverage at no cost for a specified period of time).

In its examination and evaluation of prior conversions, the board observed that, in subscription rights conversions and mutual holding company conversions by other mutual insurance companies that

provided subscription rights in a stock holding company, very few policyholders of the converting mutual insurers chose to purchase stock in the converting insurer or the stock holding company (possibly because of a lack of ability or desire to invest in such stock, or because, while the purchase of stock allows for the acquisition of an asset, it may be illiquid to the member and of no immediate value). Historically, subscription rights conversions benefit the sophisticated few with the vast majority of policyholders receiving nothing. The board concluded that a subscription rights conversion would not be compatible with the goal of rewarding all Eligible Members for their loyalty to the company.

For mutual holding company conversions where the sole consideration is membership rights in the mutual holding company, there is nothing of immediate value given to the mutual insurer's members in consideration for extinguishment of their membership rights in the converting insurer. The board also observed that mutual holding company conversions raise no capital unless the "second step," a stock holding company, is formed; that prior mutual holding company conversions resulted in subsequent conversion of the mutual holding company; and that few mutual holding company conversions have been pursued in recent years due to adverse litigation in prior conversions, the significant cost and timeframe for the two-step process, and the resulting policyholder confusion. The board concluded that such a mutual holding company conversion would not be compatible with the goal of rewarding members for their loyalty to the company.

After thoroughly reviewing its available strategic alternatives, the board concluded that the approach outlined in the Plan of Conversion was the most attractive alternative from a strategic, financial and operational point of view.

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

Risks of Re-Entering the Insurance Underwriting Business

A.M. Best, the rating agency that rates Saucon Mutual, was informed of the proposed Demutualization Transactions when Saucon Mutual filed the Plan of Conversion with the Pennsylvania Insurance Department in September of 2014. A.M. Best was satisfied that the company's financial strength would not be compromised by the Demutualization Transactions, hence the continuation of the company's "A" rating. However, the unknowns surrounding the risk involved in re-entering the insurance underwriting business after closing of the Demutualization Transactions led it to assign a negative outlook.

In light of A.M. Best's concern about the unknown risks involved in re-entering the insurance underwriting business, the company has a conservative business plan for Saucon Insurance Company that provides for it to deliberately and methodically take the steps necessary to re-enter the insurance underwriting business while preserving its surplus. Upon the closing of the Demutualization Transactions, Saucon Insurance Company intends to immediately begin work on developing infrastructure for underwriting insurance, including systems, claims, underwriting staff and structure, documentation, and development of a distribution network. While this infrastructure is being developed, Saucon Insurance Company intends to re-enter insurance underwriting in an indirect and measured way

by initially exploring reinsurance opportunities where Saucon Insurance Company would be the quota share reinsurer of compatible products of another insurer.

The company will begin to engage in direct underwriting only when the necessary infrastructure and personnel are in place. Saucon Mutual has already conducted research of the market and believes there is an unmet need for additional capacity for property insurance for churches, which is a market to which the company feels a certain affiliation because of its Moravian roots.

DESCRIPTION OF CONSIDERATION TO ELIGIBLE MEMBERS

Description of Consideration to Eligible Members

Saucon Mutual's outstanding policies are either perpetual policies or non-perpetual policies. Perpetual policies are written to have no term, or date, and continue until terminated. Saucon Mutual also issues policies that do have a set date when the policy expires, that are referred to as non-perpetual policies. The consideration that a particular Eligible Member will receive will depend upon whether that Eligible Member holds a perpetual policy or a non-perpetual policy.

Compensation for Eligible Members Who Hold Perpetual Policies

A. *Cash Payment*. A cash payment computed by multiplying (i) the actual number of calendar days that the policy had been in effect from its issuance until the closing date of the Demutualization Transactions, by (ii) $0.2787 per day, then rounding that amount to the nearest whole dollar. For example, a member who is a perpetual policyholder whose policy had been in effect for 10 years (i.e., 3650 days) would receive a cash payment of $1,017; and a member who is a perpetual policyholder whose policy had been in effect for 10 years plus 120 days (i.e., 3770 days) would receive a cash payment of $1,051. The aggregate amount of cash payments to all Eligible Members who are perpetual policyholders under this paragraph was estimated to be approximately $1,197,061 assuming a closing date of July 31, 2015 and will be slightly higher with a later closing date.

B. *Return of Deposits*. A return of 15% of the member's deposits held by Saucon Mutual, if any. The aggregate amount of deposits to be returned to members who are perpetual policyholders under this paragraph will be approximately $334,000, less any deposits that are returned before the closing in accordance with policy terms. The balance of a member's deposit (the remaining 85%) will be returnable in accordance with policy terms.

C. *Removal of Charges for Increases in Policy Limits Under Inflation Adjustment Endorsements*. Many of the perpetual insurance policies issued by Saucon Mutual have inflation adjustment endorsements, which are either "Annual Adjustment of Limits" endorsements or "Automatic Increase in Insurance" endorsements. Those endorsements generally cause the policy limit of the perpetual policy to be increased each year due to inflation, but they generally require the perpetual policyholder to pay an additional annual deposit to Saucon Mutual because of that increase in the policy limit. After the closing of the Demutualization Transactions, the increases in policy limits under the inflation adjustment endorsements will continue, but Saucon Insurance Company will discontinue its practice of requiring holders of those perpetual policies to pay those additional annual deposits, commencing on the annual anniversary of the date of issuance of that perpetual policy that follows the closing date of the Demutualization Transactions. The estimated aggregate value of the removal of charges for increases in policy limits under the inflation adjustment endorsements is approximately $500,000.

Compensation for Eligible Members Who Hold Non-Perpetual Policies

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

- A cash payment computed by multiplying (i) the actual number of calendar days that the policy had been in effect (including all renewals) from its issuance until the closing date of the Demutualization Transactions, by (ii) $0.2787 per day, then rounding that amount to the nearest whole dollar. For example, a member who is a non-perpetual policyholder whose policy had been issued and then renewed from time to time for a total period of 10 years (i.e., 3650 days) as of the closing date would receive a cash payment of $1,017; and a member who is a non-perpetual policyholder whose policy had been issued and then renewed from time to time for a period of 10 years plus 120 days (i.e., 3770 days) as of the closing date would receive a cash payment of $1,051. The aggregate amount of cash payments to all members who are non-perpetual policyholders under this paragraph was estimated to be approximately $31,978 assuming a closing date of July 31, 2015 and will be slightly higher with a later closing date; plus

- An additional one-time cash payment equal to 15% of the current premium of the policy. The aggregate amount of cash payments to be made to members who are non-perpetual policyholders under this paragraph is estimated to be approximately $1,800.

Certain Tax Considerations

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

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

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

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

will report cash payments to the IRS and to the Eligible Members and withhold any applicable tax payments to the extent required by law.

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

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

DESCRIPTION OF DEMUTUALIZATION TRANSACTIONS

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

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

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

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

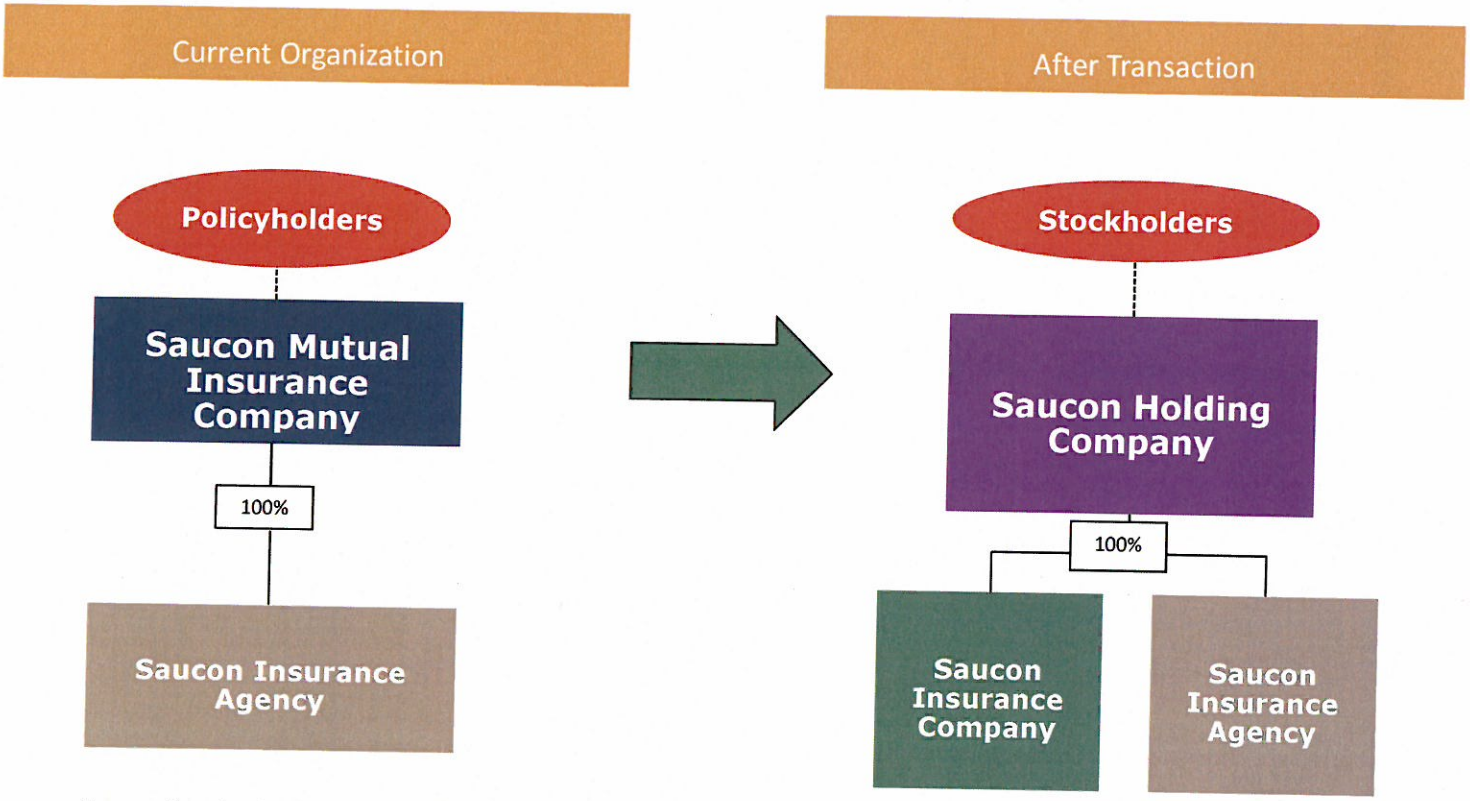
The directors and officers of Saucon Mutual who are in office immediately prior to closing will remain in office as directors and officers of Saucon Insurance Company.

Charitable Contribution
The converted company will make a $500,000 charitable contribution to the Lehigh Valley Community Foundation, to be held and applied as described in this member information statement under the heading "Description of Charitable Contribution." In addition, the company has committed to making additional charitable contributions to the Foundation of $100,000 per year for 5 consecutive calendar years beginning with the first full calendar year after closing of the Demutualization Transactions. The board believes that such a charitable contribution will benefit not only the community in general, but also people in the community who once were, but no longer are, policyholders of Saucon Mutual and, thus, will not receive direct compensation in the Demutualization Transactions.

No Public Company
The Demutualization Transactions will not result in Saucon Insurance Company (or its parent company, Saucon Holding Company) becoming a public company, and there are no plans to cause either of them

to become a public company in the foreseeable future. The board of directors of Saucon Mutual does not believe that it would be appropriate to incur the transactional fees and expenses, or to require management to devote the requisite attention, in connection with going public or maintaining itself as a public company.

The following diagram illustrates the effect of the transactions:



Immediately following the closing of the Demutualization Transactions, the following transactions will occur:

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

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

Payment of Consideration to Eligible Members
Saucon Insurance Company will pay to each of the Eligible Members their respective consideration as described in this member information statement under the heading "Description of Consideration to Eligible Members."

Distribution of Amended Insurance Policy Declarations
As soon as reasonably possible following the closing of the Demutualization Transactions, Saucon Insurance Company will prepare and deliver to Eligible Members amended insurance policy declarations that will: (1) indicate the new name of the company; (2) no longer include mutual policy conditions; and (3) for perpetual policyholders who receive a return of deposit as part of the consideration to Eligible Members, the revised amount of the remaining perpetual deposit.

DESCRIPTION OF CHANGES IN POLICYHOLDERS' RIGHTS

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

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

Dividends.
The board of directors of a mutual insurance company has the right to cause the company to declare and pay dividends (subject to restrictions under applicable law), which are then paid to the policyholders in their capacity as members. Once the company demutualizes and becomes a stock corporation, dividends may be payable to stockholders and/or policyholders if and as declared by the board of directors, and subject to restrictions as provided by law.

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

Excess of liquidation proceeds over liabilities.
Pennsylvania law provides that upon the dissolution of a mutual fire insurance company, after discharging or making adequate provision for the company's liabilities for the payment of claims and return of unearned premium, all remaining assets are escheated to the Commonwealth of Pennsylvania. This contrasts with the right of stockholders of a stock corporation, who generally have the right to share in the distribution of the assets of a liquidating corporation that remain after discharging or making adequate provision for the discharge of all of the corporation's liabilities.

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

DESCRIPTION OF CHANGES IN GOVERNANCE

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

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

DESCRIPTION OF CHARITABLE CONTRIBUTION

Upon the closing of the Demutualization Transactions, Saucon Insurance Company will make a $500,000 contribution to the Lehigh Valley Community Foundation, which is to be used to establish the "Saucon Insurance Company Foundation Fund." In addition, the company has committed to making additional charitable contributions to the Foundation of $100,000 per year for 5 consecutive calendar years beginning with the first full calendar year after closing of the Demutualization Transactions. The board believes that such charitable contributions will benefit not only the community in general, but also people in the community who once were, but no longer are, policyholders of Saucon Mutual and, thus, will not receive direct compensation in the Demutualization Transactions.

The Lehigh Valley Community Foundation is a philanthropic foundation established in 1967 that promotes and encourages philanthropy in the Lehigh Valley region, which is the region in which Saucon Mutual's operations are conducted and where most of its members are located. Its website is http://www.lehighvalleyfoundation.org/. Saucon Mutual determined that the contributions to the Lehigh Valley Community Foundation would be more cost-effective and straightforward than establishing a separate, new foundation.

The Lehigh Valley Community Foundation will make disbursements from that fund from time to time for charitable purposes in accordance with recommendations made by the contribution committee of Saucon Insurance Company's board of directors. The members of that contribution committee will not receive compensation for serving on that committee or attending its gift recommendation meetings.

The Lehigh Valley Community Foundation will be entitled to receive a fee for maintaining the Saucon Insurance Company Foundation Fund. Bernard J. Story, the President and CEO of the Lehigh Valley Community Foundation, is a member of the board of directors of Saucon Mutual, but will receive no compensation directly tied to Saucon Insurance Company's contribution to the Foundation.

DESCRIPTION OF STOCK OFFERING OF SAUCON HOLDING COMPANY

Stock Offering

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

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

Description of Saucon Holding Company

Saucon Holding Company was organized for the purpose of the transactions contemplated by the Plan of Conversion. It has not issued any shares of capital stock and it has not engaged in any business activities. Upon the closing of the Demutualization Transactions, Saucon Holding Company will purchase the stock of Saucon Insurance Company, thereby becoming its sole stockholder and parent company. Immediately after the closing, by virtue of the entity reorganization described under the heading "Description of Demutualization Transactions – Entity Reorganization of the Agency," Saucon Holding Company will also become the sole stockholder and parent company of the Agency. The articles of incorporation and bylaws of Saucon Holding Company are attached as exhibits to the Plan of Conversion.

Participants in Stock Offering

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

Nine individuals were invited to, and are expected to, subscribe for stock of Saucon Holding Company in the offering. These individuals are board members and members of management of Saucon Mutual. Saucon Mutual expects that three of these individuals (Brian T. Regan, Michael G. Crofton and Martin C. Gilchrist, all of whom are board members of Saucon Mutual) will acquire, in the aggregate, approximately 91% of the Saucon Holding Company shares that will be offered, and the other six individuals (Susan C. Drabic, Bernard J. Story, Phillip J. Bell, Donna B. Goss and Rick Santee, who are all of the other members of the board of directors, and Stephen Bajan, who is the Chief Executive Officer of Saucon Mutual company) will acquire, in the aggregate, the balance of the Saucon Holding Company shares being offered.

The investors are deeply committed to the company, have worked for many years to ensure the company's financial viability, and believe in its future. Because the process of rebuilding insurance operations for continued financial viability is likely to take a number of years to fully implement, the company wanted investors who are fully committed to the direction of the company and who accept and understand both that the possibility for any return on that investment is long-term in nature and that the company is subject to oversight by the Pennsylvania Insurance Department to assure the well-being of the insurance company and the protection of its policyholders.

In order to ensure that the stock offering would be treated as an offering exempt from the registration requirements under federal and state securities laws to minimize the costs and expenses of the stock offering, and in order to assure a continuity of control of the company, no other investors were invited to participate in the stock offering. Legally, an offering of securities such as the Saucon Holding Company stock may be made only if the offering either complies with the registration requirements under federal and state securities laws, or an exemption from registration is available. The board of directors of

Saucon Mutual determined that taking into consideration Saucon Mutual's policyholder base, the amount of capital to be raised through the sale of stock of Saucon Holding Company, the costs, expenses and time commitment that a registration of the Saucon Holding Company stock under federal and state securities laws would involve, and the requirements of available exemptions from registration, the most practical alternative was to limit the stock offering of Saucon Holding Company to members of the board of directors and members of management of Saucon Mutual.

Shareholders Agreement of Saucon Holding Company

The individuals who participate in the stock offering of Saucon Holding Company will be required, as a condition to their participation, to execute a shareholders agreement of Saucon Holding Company. That shareholders agreement will provide that:

- The transfer of stock of Saucon Holding Company is restricted. In general, these restrictions provide that a shareholder of Saucon Holding Company may not transfer any shares unless either (i) the board of directors of Saucon Holding Company approves the transfer, or (ii) the transferring shareholder first gives Saucon Holding Company and the other shareholders a right of first refusal to purchase the shares. However, the agreement permits a shareholder of Saucon Holding Company to make certain transfers of stock to family members and certain other affiliates.
- If Saucon Holding Company proposes to issue new securities, it must first afford the existing shareholders a right of first refusal to purchase those shares in order to maintain their respective proportionate ownership interest.
- A shareholder of Saucon Holding Company may require Saucon Holding Company to purchase that shareholder's shares following that shareholder's death.

It is expected that the transfer restrictions and share repurchase provisions set forth in the shareholder agreement of Saucon Holding Company, together with the facts that the stock of Saucon Holding Company will not be publicly traded and that Pennsylvania law imposes restrictions and requirements on a change of control of a Pennsylvania insurance company, will in the aggregate have the result that the current board members and members of management of Saucon Mutual, once they purchase the stock of Saucon Holding Company, will own and control Saucon Holding Company and therefore Saucon Insurance Company for the foreseeable future. For these reasons, Saucon Mutual does not believe that after the closing of the Demutualization Transactions, a subsequent change in control of Saucon Holding Company or of Saucon Insurance Company is likely to occur in the foreseeable future.

Use of Proceeds of Stock Offering

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

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

The proceeds of the stock offering are expected to exceed the sum of the cash payments to be made to the Eligible Members, the amount of the charitable contributions to be made by Saucon Insurance Company, and the estimated costs and expenses of the Demutualization Transactions. This means that after the closing of the Demutualization Transactions, the total assets of Saucon Holding Company (on a consolidated basis with Saucon Insurance Company) will be greater than the total assets of Saucon Mutual before the closing.

FAIRNESS OPINION OF BOENNING & SCATTERGOOD

Saucon Mutual engaged the firm of Boenning & Scattergood as its advisor in connection with the Demutualization Transactions and to provide to the board of directors its opinion as to whether those transactions prejudice the interests of the members of Saucon Mutual, are fair and equitable to the company, and are consistent with the purposes and intent of Pennsylvania's Insurance Company Mutual-to-Stock Conversion Act, from a financial point of view. Boenning & Scattergood is an investment banking firm that specializes, among other things, in representing financial institutions such as mutual insurance companies. A fairness opinion is not required under Pennsylvania's Insurance Company Mutual-to-Stock Conversion Act but the board of directors of Saucon Mutual nonetheless determined that it was appropriate to obtain one.

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

RECOMMENDATION OF THE BOARD OF DIRECTORS

On April 27, 2015, the board of directors of Saucon Mutual approved and adopted the Plan of Conversion by the requisite majority and without opposition. **The board of directors of Saucon Mutual recommends that you vote:**

"FOR" the adoption of the Plan of Conversion; and

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

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

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

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INTRODUCTION

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

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

As discussed more fully in this statement, the board of directors is recommending that the members approve the Plan of Conversion. As discussed more fully in the "Conflict of Interest" section of this statement, the board of directors has a conflict of interest related to the Plan of Conversion, and members of Saucon Mutual must be fully informed about the conflict before voting on the Plan of Conversion. The directors and management of Saucon Mutual~~, however,~~ are the only people ~~to whom ownership~~ who were invited to subscribe for stock of Saucon Holding Company, the company that will be the sole shareholder of the converted Saucon Mutual~~, will be offered~~. Accordingly, the board of directors' conflict of interest is one of several factors that members should consider in voting on the Plan of Conversion.

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

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

In order to close the transactions contemplated by the Plan of Conversion, the Plan of Conversion must (i) be approved by the Pennsylvania Insurance Department and (ii) be approved by the vote of at least two-thirds of the ~~Qualified~~ Eligible Members that are cast at the Special Meeting. Each ~~Qualified~~ Eligible Member is entitled to cast one vote at the Special Meeting, and may vote in person or by properly executed proxy.

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

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

Why has this member information statement been sent to me?

This member information statement has been sent to all ~~Qualified~~ Eligible Members of Saucon Mutual. Because Saucon Mutual is a mutual insurance company, every ~~Qualified~~ Eligible Member has certain voting rights in his, her or its capacity as a member, including the right to vote on a proposed demutualization of the company.

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

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

What are the transactions contemplated by the Plan of Conversion?

The Plan of Conversion contemplates the following transactions:

- Saucon Mutual would be demutualized. This means that Saucon Mutual would be converted from a mutual insurance company to a stock insurance company that would be called "Saucon Insurance Company."

- A recently formed stock holding company, called "Saucon Holding Company," would purchase the stock of Saucon Insurance Company and become the sole stockholder of Saucon Insurance Company. ~~Qualified~~ Eligible Members would no longer be members of Saucon Insurance Company and they would not have any ownership interest in or rights with respect to Saucon Insurance Company except for the coverage rights under their insurance policies with Saucon Insurance Company.

- Saucon Holding Company would issue shares of its capital stock to certain investors by means of a stock offering. This stock offering would be made available only to members of the current Saucon Mutual board of directors and management. Except to the extent that members of the Saucon Mutual board of directors and management are ~~Qualified~~ Eligible Members, no other ~~Qualified~~ Eligible Members will have the right to purchase any shares of capital stock of Saucon Holding Company. This creates a conflict of interest for the board of directors as is discussed more fully in this statement under the heading "Conflict of Interest."

- An entity reorganization would occur immediately after the demutualization that would cause Saucon Insurance Agency, Inc. (the "Agency"), an insurance agency that is currently a wholly-

owned subsidiary of Saucon Mutual, to become a wholly-owned subsidiary of Saucon Holding Company (and a sister company of Saucon Insurance Company).

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

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

If the Demutualization Transactions occur, ~~Qualified~~ Eligible Members will receive consideration, including cash payments, which is described more fully below under the heading "Description of Consideration to Members."

Additionally, because Saucon Mutual would be demutualized, policyholders would no longer have voting rights (such as the right to elect directors of the insurance company) or any other rights with respect to Saucon Insurance Company except for the coverage rights under their insurance policies with Saucon Insurance Company. A description of the changes in the policyholders' rights that would result from the company's demutualization is set forth below under the heading "Description of Changes in Policyholders' Rights."

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

How will my insurance policy be affected?

Policies of insurance issued by Saucon Mutual that are in force at the time of closing of the Demutualization Transactions would remain in full force and effect. However, policyholders of Saucon Insurance Company will no longer be members of the company and will therefore no longer have the rights of members of a mutual insurance company. These changes are described more fully below under the heading "Description of Changes in Policyholders' Rights."

In the case of perpetual policies, upon closing of the Demutualization Transactions, Saucon Insurance Company will return 15% of the member's deposits held by Saucon Mutual, as described more fully below under the heading "Description of Consideration to ~~Qualified~~ Eligible Members." The return of these deposits will not affect the policies, which will continue to remain in force. Other than the deposits that are returned to members at closing, the deposits will continue to remain a liability of Saucon Insurance Company, fully refundable upon ~~cancellation~~ termination of each policy. The perpetual deposits will not be placed at any additional risk due to the conversion because the assets of Saucon Insurance Company will be at least equal to Saucon Mutual's assets prior to the conversion.

Even after paying the consideration that ~~Qualified~~ Eligible Members are to receive on account of the Demutualization Transactions and after expenses related to the transaction, Saucon Insurance Company will continue to maintain a level of surplus in excess of relevant legal requirements. Saucon Mutual does not expect that the Demutualization Transactions will have any negative impact on the company's financial strength ratings nor on its ability to pay claims and policy benefits.

What rights as a member of Saucon Mutual would I lose if Saucon Mutual demutualizes?

If Saucon Mutual demutualizes, the members of Saucon Mutual would cease to be members of a mutual insurance company but would continue to be policyholders of Saucon Insurance Company. The primary rights that members of a mutual insurance company hold are voting rights, such as the right to elect directors and vote on a plan of conversion, and the right to receive any dividends declared by the board of directors. Following demutualization, policyholders of Saucon Insurance Company would not have any voting rights or any right to participate in shareholder dividends. Policyholders would have the right to participate in policyholder dividends, but only if the insurance policies are amended to include a participation provision and the board of directors declares a policyholder dividend. See the discussion below under the heading "Discussion of the Principal Characteristics of Saucon Mutual, and Your Rights as a Policyholder, Before and After Demutualization."

In consideration for the loss of member rights upon the closing of the Demutualization Transactions~~,~~ the ~~Qualified~~ Eligible Members of Saucon Mutual will receive the compensation set forth in the Plan of Conversion. The compensation is described more fully below under the heading "Description of Consideration to ~~Qualified~~ Eligible Members." The ~~Qualified~~ Eligible Members will not have the right to purchase any shares of the capital stock of Saucon Holding Company.

Why does Saucon Mutual want to demutualize?

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

- rewarding members for their loyalty to the company;
- making a charitable contribution in furtherance of the company's ongoing commitment to the community;
- modernizing the company's governance structure;
- enabling the issuance of stock and other financial instruments in order to raise capital, to facilitate potential acquisitions of other businesses, and to incentivize employees;
- preparing the company to re-enter the insurance underwriting business; and
- maintaining the independence of the company.

These reasons and the benefits of the demutualization to both the company and its members are explained more fully below under the heading "Background to the Proposed Demutualization of Saucon Mutual – Reasons for the Proposed Demutualization."

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

The closing of the Demutualization Transactions will not, in and of itself, affect any of the insurance policies issued by Saucon Mutual. Thus, the terms of your policy with respect to coverage limits and deductibles and all policy documents, with the exception of the change of the company name to Saucon Insurance Company on the declarations page, will remain identical before and after the Demutualization Transactions. If you are a perpetual policyholder, you will not have to make additional deposits unless you elect to increase coverage under the policy. The initial deposit that you made at policy inception plus all subsequent Annual Adjustment of Limits deposits, will be paid to you in full upon termination of your policy – less the portion of your deposit that would be returned to you upon closing of the Demutualization Transactions as explained more fully below under the heading "Description of Consideration to ~~Qualified~~ Eligible Members."

If ~~I cancelled~~ my policy is terminated after August 27, 2014 (the Record Date), will I still receive consideration?

Yes, ~~a Qualified~~ an Eligible Member would receive the loyalty payment calculated through the termination date of the policy. However, in the case of a perpetual policyholder, no return of deposit would be paid at the closing of the Demutualization Transactions since the deposit would have already been returned when the policy was ~~cancelled~~terminated. Likewise, in the case of a member who is a non-perpetual policyholder ~~who cancelled his or her~~ whose policy is terminated after August 27, 2014, that ~~Qualified~~ Eligible Member would receive the loyalty payment but would not receive the 15% of current premium since that ~~Qualified~~ Eligible Member's current premium would be $0 as of the closing of the Demutualization Transactions.

The consideration is described more fully below under the heading "Description of Consideration to ~~Qualified~~ Eligible Members."

What are the future plans for Saucon Mutual after the demutualization and what impact will implementation of these plans have on Saucon Insurance Company after it demutualizes?

Saucon Mutual has a conservative business plan for Saucon Insurance Company that provides for it to deliberately and methodically take the steps necessary to re-enter the insurance underwriting business while preserving its surplus. Upon the closing of the Demutualization Transactions, Saucon Insurance Company intends to immediately begin work on developing infrastructure for underwriting insurance, including systems, claims, underwriting staff and structure, documentation, and development of a distribution network. While this infrastructure is being developed, Saucon Insurance Company intends to re-enter insurance underwriting in an indirect and measured way by initially exploring reinsurance opportunities where Saucon Insurance Company would be the quota share reinsurer of compatible products of another insurer.

Who will own the insurance company after it demutualizes?

If the Demutualization Transactions close, Saucon Insurance Company will become a wholly-owned subsidiary of Saucon Holding Company, a newly-organized corporation, upon its purchase of Saucon Insurance Company stock.

Saucon Holding Company, in turn, would be owned by those investors who subscribe for capital stock in a stock offering that would close concurrently with the transactions contemplated by the Plan of Conversion, as described more fully below under the heading "Description of Stock Offering of Saucon Holding Company." The offering of shares of capital stock of Saucon Holding Company has been made only to members of the current board of directors and management of Saucon Mutual, which is a conflict of interest as described more fully below under the heading "Conflict of Interest." Other ~~Qualified members~~ Eligible Members will not have the right to purchase shares of capital stock of Saucon Holding Company.

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

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

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

The Pennsylvania Insurance Department was required by Pennsylvania law to approve the Plan of Conversion if it found that the Plan of Conversion does not prejudice the interests of ~~the~~ Saucon Mutual's members, is fair and equitable, and complies with the applicable statute. Please note, however, that the Pennsylvania Insurance Department's approval of the Plan of Conversion should not be taken as constituting the endorsement of the Demutualization Transactions by the Pennsylvania Insurance Department, and the Department's approval does not impact the right of ~~Qualified~~ Eligible Members to vote either for or against the Plan of Conversion.

On September 2, 2014, Saucon Mutual filed the Form A and the original version of the Plan of Conversion with the Pennsylvania Insurance Department for its approval. Upon filing of the original Plan of Conversion, Saucon Mutual delivered a notice to all of its members informing them of the filing and notifying them of their right to file comments on the Plan of Conversion with the Pennsylvania Insurance Department. In addition, the Pennsylvania Insurance Department published notice in the Pennsylvania Bulletin to advise of the filing and invite written comments to the Pennsylvania Insurance Department on the filing, and the Pennsylvania Insurance Department posted on its website at www.insurance.pa.gov all of the nonconfidential documents included in the filing.

By letter dated January 12, 2015, the Pennsylvania Insurance Department provided a list of additional items necessary to the review of the filing of the original Plan of Conversion and the related documents. On February 4, 2015, the board of directors of Saucon Mutual unanimously approved an amended and restated version of the Plan of Conversion to address those items. Subsequently, during April 2015, Saucon Mutual's management and counsel discussed the proposed Demutualization Transactions with the Pennsylvania Insurance Department. On April 27, 2015, the board of directors of Saucon Mutual approved the amendment and the restatement of the amended and restated Plan of Conversion in the form attached to this member information statement. References in this member information statement to the "Plan of Conversion" refer to this amended and restated plan of conversion. The Plan of Conversion and certain related documents were then filed with the Pennsylvania Insurance Department for its approval on May 7, 2015. With each of these subsequent filings, the Pennsylvania Insurance

Department posted on its website at www.insurance.pa.gov all of the nonconfidential documents included in the filing and accepted comments from Saucon Mutual members and their representatives. Each of these comments was forwarded to Saucon Mutual for response and both the comment and Saucon Mutual's response were posted on the Department's website at www.insurance.pa.gov.

By notice in the Pennsylvania Bulletin dated July 25, 2015, the Pennsylvania Insurance Department advised of its scheduling of a Public Informational Hearing (the "Hearing") to be held on September 1, 2015 at which Saucon Mutual members and interested persons would be able to present comments on the Plan of Conversion. Saucon Mutual also mailed a notice of the Hearing to all of its Eligible Members. The Hearing was conducted on September 1, 2015 and the proceeding was recorded by a court reporter. Subsequent to the Hearing, Saucon Mutual filed a response to presentations made by commenters and questions posed by the Pennsylvania Insurance Department at the Hearing (the "Saucon Mutual Response"). Each of the Pennsylvania Insurance Department and Saucon Mutual notices of the Hearing, the written transcript of the Hearing and the Saucon Mutual Response are posted on the Pennsylvania Insurance Department's website at www.insurance.pa.gov.

As announced by the Pennsylvania Insurance Department at the Hearing, after its receipt of the Hearing transcript and the Saucon Mutual Response, the Pennsylvania Insurance Department provided an additional public comment period during which no further comments were received.

Subsequently, on [DATE], the Pennsylvania Insurance Department approved the Plan of Conversion and certain related filings and transactions as indicated above.

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

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

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

The board of directors has called the Special Meeting to occur on [DATE], 2015 to consider and vote on the Plan of Conversion. Only ~~Qualified~~ Eligible Members will be entitled to notice of, and to vote at, the Special Meeting.

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

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

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

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

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

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

Where can I get financial information about Saucon Mutual?

A copy of Saucon Mutual's unaudited, condensed comparative annual statement for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 is attached to this member information statement as Exhibit 3.

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

Saucon Mutual's board of directors recommends that you vote "FOR" the proposal to approve the Plan of Conversion and "FOR" the proposal to amend Saucon Mutual's articles of incorporation. As discussed more fully under the heading "Conflict of Interest," the Saucon Mutual board of directors has a conflict of interest in regard to this recommendation.

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

No. If the Plan of Conversion is duly approved and the Demutualization Transactions close, all ~~Qualified~~ Eligible Members will receive consideration whether they voted "FOR" approval of the Plan of Conversion, "AGAINST" approval, or did not vote at all.

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

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

Mutual board of directors and management were invited to participate in the stock offering by Saucon Holding Company.

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

You may contact Stephen Bajan, the Chief Executive Officer of Saucon Mutual, at 74 West Broad Street, Suite 300, Bethlehem PA 18018, telephone (610) 868-1832. You also may view copies of all nonconfidential documents filed by Saucon Mutual, Pennsylvania Insurance Department notices in the Pennsylvania Bulletin, comments received by the Pennsylvania Insurance Department and Saucon Mutual's responses to those comments, and information relating to the Public Informational Hearing on the Pennsylvania Insurance Department's website at www.insurance.pa.gov. Additionally, after first scheduling an appointment, consumers may also view the application and supplemental documents at the Pennsylvania Insurance Department's Harrisburg office, which can be reached at (717) 787-0877.

CONFLICT OF INTEREST

Interests of Saucon Mutual's Board of Directors and Management in the Demutualization Transactions

In considering the recommendation by Saucon Mutual's board of directors that the ~~Qualified~~ Eligible Members approve the Demutualization Transactions, the ~~Qualified~~ Eligible Members should be aware that Saucon Mutual's board of directors and management have interests in the Demutualization Transactions that are different from, or in addition to, the members generally. Saucon Mutual's board of directors was aware of this conflict of interest and considered it, among other matters, in reaching its decision to approve the Demutualization Transactions and to recommend that Saucon Mutual's ~~Qualified~~ Eligible Members vote in favor of approving them.

The board of directors has a conflict of interest because they are both "selling" and "buying" Saucon Mutual as described below. As directors of Saucon Mutual, the directors have certain duties to the company, which, in the context of selling the company upon its demutualization would include obtaining the most favorable terms of the "sale" for the company and its stakeholders. As prospective purchasers of the demutualized company through their ownership interests of Saucon Holding Company, the directors want to purchase the company on the best possible terms. Because ownership of the company is not being offered by sale on an open market, it is difficult to determine an open market value for the company. If ownership of the company was offered to others, assuming that the Pennsylvania Insurance Department approved such a transaction, the sale price may be more, the same or less than the proposed amount. In addition, while the board of directors has received a fairness opinion from Boenning & Scattergood (as more fully described below under the heading "Fairness Opinion of Boenning & Scattergood"), there can be no assurance that this fairness opinion is an accurate prediction of the value of Saucon Mutual on the open market.

Having been advised of this conflict of interest, the ~~Qualified~~ Eligible Members have the opportunity to vote whether to accept or reject the Demutualization Transactions.

Restricted Participation in the Stock Offering of Saucon Holding Company

As part of the Demutualization Transactions, Saucon Insurance Company will become a wholly-owned subsidiary of Saucon Holding Company, a recently-formed stock holding company, through the purchase of Saucon Insurance Company stock for the amount of $1,425,000. Saucon Holding Company will in turn be owned by investors who subscribe for shares of its stock, as described more fully below under the heading "Description of Stock Offering of Saucon Holding Company."

The proposed demutualization of Saucon Mutual is not a subscription rights demutualization. This means that members of Saucon Mutual, in their capacity as such, are not being offered the right to participate in the stock offering and subscribe for shares of stock of Saucon Holding Company. Instead, the ~~Qualified~~ Eligible Members of Saucon Mutual will receive only the consideration described in this member information statement under the heading "Description of Consideration to ~~Qualified~~ Eligible Members," and will have no further rights with respect to Saucon Holding Company or Saucon Insurance Company except for the coverage rights under their insurance policies with Saucon Insurance Company.

Nine individuals were invited to, and are expected to, subscribe for stock of Saucon Holding Company in the offering. These individuals are board members and members of management of Saucon Mutual. Saucon Mutual expects that three of these individuals (Brian T. Regan, Michael G. Crofton and Martin C. Gilchrist, all of whom are board members of Saucon Mutual) will acquire, in the aggregate, approximately 91% of the Saucon Holding Company shares that will be offered, and the other six individuals (Susan C. Drabic, Bernard J. Story, Phillip J. Bell, Donna B. Goss and Rick Santee, who are all of the other members of the board of directors, and Stephen Bajan, who is the Chief Executive Officer of Saucon Mutual) will acquire, in the aggregate, the balance of the Saucon Holding Company shares being offered. No other investors were invited to participate in the stock offering. These investors will subscribe for 3,250,000 shares of Saucon Holding Company common stock at a subscription price of $1.00 per share, resulting in Saucon Holding Company receiving $3,250,000 in gross proceeds.

The Saucon Holding Company share price was set to exceed the sum of cash payments to be made by Saucon Insurance Company to ~~Qualified~~ Eligible Members, the amount of the charitable contribution (as described more fully below under the heading "Description of Charitable Contribution") and the estimated costs and expenses of the Demutualization Transactions, with the result that, after the closing of the Demutualization Transactions, the total assets of Saucon Holding Company (on a consolidated basis with Saucon Insurance Company) would be greater than the total assets of Saucon Mutual prior to the demutualization.

Shareholders Agreement of Saucon Holding Company

The individuals who participate in the stock offering of Saucon Holding Company will be required, as a condition to their participation, to execute a shareholders agreement of Saucon Holding Company. That shareholders agreement includes various restrictions on the purchasers of stock, including:

- The transfer of stock of Saucon Holding Company is restricted. In general, these restrictions provide that a shareholder of Saucon Holding Company may not transfer any shares unless either (i) the board of directors of Saucon Holding Company approves the transfer, or (ii) the transferring shareholder first gives Saucon Holding Company and the other shareholders a right of first refusal to purchase the shares. However, the agreement permits a shareholder of Saucon Holding Company to make certain transfers of stock to family members and certain other affiliates.
- If Saucon Holding Company proposes to issue new securities, it must first afford the existing shareholders a right of first refusal to purchase those shares in order to maintain their respective proportionate ownership interest.
- A shareholder of Saucon Holding Company may require Saucon Holding Company to purchase that shareholder's shares following that shareholder's death.

A copy of the form of shareholders agreement is posted on the Pennsylvania Insurance Department's website at www.insurance.pa.gov.

Low Likelihood of Subsequent Change of Control

It is expected that the transfer restrictions and share repurchase provisions set forth in the shareholders agreement of Saucon Holding Company, together with the fact that the stock of Saucon Holding Company will not be publicly traded and that Pennsylvania law imposes restrictions and requirements on a change of control of a Pennsylvania insurance company, will in the aggregate have the result that the current board members and members of management of Saucon Mutual, once they purchase the stock of Saucon Holding Company, will own and control Saucon Holding Company and therefore Saucon Insurance Company for the foreseeable future. For these reasons, Saucon Mutual does not believe that after the Demutualization Transactions close, a subsequent change in control of Saucon Holding Company or of Saucon Insurance Company is likely to occur in the foreseeable future.

Fairness Opinion

Each member of the board of directors recognized the conflict of interest that results from board members purchasing the stock of Saucon Holding Company which in turn, will purchase the stock of Saucon Insurance Company, and considered them among other matters, in reaching their respective decision to approve the Plan of Conversion and to recommend that the ~~Qualified~~ Eligible Members vote in favor of the proposal. The board of directors has taken steps throughout the process of considering, approving and recommending the Demutualization Transactions to ensure that the conflict is appropriately addressed. The board worked with outside industry experts to determine objectives for the company, as described more fully below under the heading "Background to the Demutualization Transactions – Background to the Proposed Demutualization." The board then reviewed available options against those objectives to determine which option it believed was best for Saucon Mutual and its members as more fully described below under the heading "Background To The Demutualization Transactions." Because the board of directors elected to proceed with the proposed Demutualization Transactions, it engaged the investment banking firm of Boenning & Scattergood to deliver a fairness opinion with respect to the Demutualization Transactions, as described more fully below under the heading "Fairness Opinion of Boenning & Scattergood." It is ultimately up to the ~~Qualified~~ Eligible Members, however, to determine if the proposed Demutualization Transactions are in the best interests of Saucon Mutual and, in turn, their best interests. ~~Qualified~~ Eligible Members may give whatever weight they feel is appropriate to the fairness opinion in determining how to vote on the Demutualization Transactions.

BACKGROUND TO DEMUTUALIZATION

Description of Demutualization

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

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

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

Membership interests will be exchanged for economic value. Policyholders of Saucon Mutual have membership interests in Saucon Mutual. Membership interests include the right to vote on matters submitted to members (such as the election of directors and the approval of a plan of conversion), the

right to participate in any dividends declared by the board of directors, and the right to receive consideration upon demutualization as provided in an approved plan of conversion.

Upon the demutualization of Saucon Mutual as contemplated under the Plan of Conversion, all of the membership interests of all members will cease to exist and, in exchange, the ~~Qualified~~ Eligible Members will receive the compensation set forth in the Plan of Conversion. The compensation is described more fully below under the heading "Description of Consideration to ~~Qualified~~ Eligible Members."

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

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

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

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

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

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

BACKGROUND TO THE DEMUTUALIZATION TRANSACTIONS

Description of Saucon Mutual.

Saucon Mutual was incorporated in Pennsylvania on May 3, 1832 as the Farmers Fire Insurance Company of Upper and Lower Saucon Townships. It began business in 1832 and has operated as a property insurance company for over 180 years.

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

In 1991, Saucon Mutual organized the Agency as a wholly-owned subsidiary. The Agency is an independent insurance agency that sells automobile insurance, homeowners insurance, business insurance and other insurance. The Agency also offers employee benefits consulting.

Saucon Mutual has written very few new insurance policies since 2005. Although Saucon Mutual maintains a level of surplus that satisfies relevant legal requirements, it has only 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.

Saucon Mutual's unaudited, condensed comparative annual statement for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 is attached as Exhibit 3 to this member information statement.

Background to the Proposed Demutualization

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

- Rewarding members for their loyalty to the company;
- Making a charitable contribution in furtherance of the company's ongoing commitment to the community;
- Modernizing the company's governance structure;
- Enabling the issuance of stock and other financial instruments in order to raise capital, to facilitate potential acquisitions of other businesses, and to incentivize employees;
- ~~Re-entering~~ Preparing the company to re-enter the insurance underwriting business; and
- Maintaining the independence of the company.

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

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

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

On February 4, 2015, the board of directors of Saucon Mutual unanimously approved an amended and restated Plan of Conversion to address those items. Subsequently, during April 2015, Saucon Mutual's management and counsel further discussed the proposed Demutualization Transactions with the Pennsylvania Insurance Department. On April 27, 2015, the board of directors of Saucon Mutual approved the amendment and the restatement of the amended and restated Plan of Conversion in the form attached to this member information statement, and references herein after in this member information statement to the "Plan of Conversion" refer to this restated Plan of Conversion. The Plan of Conversion and certain related documents were then filed with the Pennsylvania Insurance Department for its approval on May 7, 2015.

By notice in the Pennsylvania Bulletin dated July 25, 2015, the Pennsylvania Insurance Department advised of its scheduling of a Public Informational Hearing to be held on September 1, 2015 at which Saucon Mutual members and interested persons would be able to present comments on the Plan of Conversion. Saucon Mutual also mailed a notice of the Hearing to all Eligible Members. The Hearing was conducted on September 1, 2015 and the proceeding was recorded by a court reporter. Subsequent to the Hearing, Saucon Mutual filed a response to presentations made by commenters and questions posed by the Pennsylvania Insurance Department at the Hearing (the "Saucon Mutual Response"). Each of the Pennsylvania Insurance Department and Saucon Mutual notices of the Hearing, the written transcript of the Hearing and the Saucon Mutual Response are posted on the Pennsylvania Insurance Department's website at www.insurance.pa.gov.

Subsequently, on [DATE], the Pennsylvania Insurance Department approved the Plan of Conversion and certain related filings and transactions.

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

Considerations For and Against the Proposed Demutualization

There are potential risks and benefits with the proposed Demutualization Transactions, just as there are risks and benefits with staying with Saucon Mutual's current course. Saucon Mutual's board of directors believes that the proposed demutualization and the Demutualization Transactions are the most appropriate and effective means of enabling the company to achieve the objectives designated by the board.

- Rewarding members for their loyalty to the company. As described more fully below under the heading "Description of Consideration to ~~Qualified~~ Eligible Members," the consideration that ~~Qualified~~ Eligible Members of Saucon Mutual would receive upon the closing of the Demutualization Transactions would depend, in part, upon the number of years that the policy had remained in force. This permits Saucon Mutual to reward members for their loyalty to the company by maintaining their policies. The aggregate amount of the payments to members was estimated to be approximately $1,564,839 assuming a July 31, 2015 closing date and will be slightly higher with a later closing date. Further, the aggregate value of consideration to perpetual policyholders, not in the form of cash payments, is approximately $500,000 as described below under the heading "Description of Consideration to ~~Qualified~~ Eligible Members."

- Making a charitable contribution in furtherance of the company's ongoing commitment to the community. As described more fully below under the heading "Description of Charitable Contribution," upon the closing of the Demutualization Transactions, the company would make a $500,000 cash contribution to the Lehigh Valley Community Foundation, a public charitable organization operating since 1967 for the purposes of stewarding philanthropic resources from institutional and individual donors to community-based organizations to serve the Lehigh Valley. In addition, the company has committed to making additional charitable contributions to the Foundation of $100,000 per year for 5 consecutive calendar years beginning with the first full calendar year after closing of the Demutualization Transactions. The ~~contributions~~ contribution committee of Saucon Insurance Company's board of directors will make recommendations to the Foundation as to how those funds should be disbursed for charitable purposes. The members of the contribution committee will not be compensated for their service on the committee. The board believes that such a charitable contribution will benefit not only the community in general, but also people in the community who once were, but no longer are, policyholders of Saucon Mutual and, thus, will not receive direct compensation in the Demutualization Transactions.

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

  The authority to elect directors and make certain other decisions with respect to a Pennsylvania mutual insurance company such as Saucon Mutual lies with its members (*i.e.*, its policyholders). But each member is entitled to cast one vote—regardless of the type of policy or the amount of coverage—with respect to a matter that is submitted to the members for approval, which means that there is no particular relationship between a particular member's commercial relationship

with the company and the weight of that member's vote. By way of contrast, in the case of a stock corporation, each stockholder is entitled to cast one vote per share, which means that a stockholder who wishes to enjoy a greater degree of control over the corporation can do so by acquiring more shares. The board of directors believes that it is in the company's interest to adopt a governance structure where the voting power of a constituent of the company is more closely aligned to that constituent's economic interest in the company, as represented by that constituent's investment in the company to acquire shares.

- Enabling the issuance of stock and other financial instruments in order to raise capital, to facilitate potential acquisitions of other businesses, and to incentivize employees. A mutual company cannot issue stock. A stock corporation, on the other hand, can issue shares of its stock and other financial instruments. Among the reasons that a stock corporation may issue shares of stock or other financial instruments are:

    - To sell the shares to investors to raise capital for the company;
    - To acquire another business, by using the stock or other financial instruments that it issues as some or all of the purchase price for the business; and
    - To incentivize employees through the issuance of stock grants, stock options and other similar equity compensation strategies, because those strategies can give the employees who receive those grants the opportunity to share in the economic benefits of the growth of the company. This can help the company attract and retain suitable employees.

- ~~Re-entering~~ Preparing the company to re-enter the insurance underwriting business. While Saucon Mutual is in a stable position from a financial point of view (see Saucon Mutual's unaudited, condensed comparative annual statement for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012, a copy of which is attached to this member information statement as Exhibit 3), Saucon Mutual has written very few new insurance policies since 2005. Saucon Mutual's personnel and business systems are adequate to continue to maintain the existing insurance policies and their renewals in full force and effect, but Saucon Mutual does not presently have sufficient personnel and infrastructure to enable it to issue new insurance policies. Saucon Mutual's board of directors believes that demutualizing the company would permit the company to implement steps to attract and retain suitable personnel and to develop appropriate infrastructure to assist the company in re-entering the business of underwriting new insurance.

  As described below, upon closing of the Demutualization Transactions, Saucon Insurance Company intends to immediately begin work on developing infrastructure for underwriting insurance, including systems, claims, underwriting staff and structure, documentation, and development of a distribution network. While this infrastructure is being developed, Saucon Insurance Company intends to re-enter insurance underwriting in an indirect and measured way by initially exploring reinsurance opportunities where Saucon Insurance Company would be the quota share reinsurer of compatible products of another insurer.

- Maintaining the independence of the company. Upon the closing of the Demutualization Transactions, Saucon Insurance Company will become a wholly-owned subsidiary of Saucon Holding Company. The stock of Saucon Holding Company in turn will be owned by the

investors in a concurrent stock offering. The investors in that stock offering are individuals who are board members or members of management of Saucon Mutual. *See* "Conflict of Interest" and "Description of Stock Offering of Saucon Holding Company."

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

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

In considering the Demutualization Transactions, the board considered Saucon Mutual's current financial condition and future prospects, and considered the advice of its legal and financial advisors. The board also examined other mutual-to-stock conversions in Pennsylvania under the various alternatives for mutual insurer conversions in Pennsylvania law, including:

- Subscription rights conversions (where, in exchange for the extinguishment of their membership rights in the mutual insurer, members of the mutual insurer (*i.e.,* its policyholders) are given the right to purchase stock in the converted insurer and, if there is insufficient member interest in the purchase of such stock, the right to purchase is opened to others);

- Mutual holding company conversions (where a mutual holding company is formed with members of the mutual insurer obtaining "mutual rights" in the mutual holding company and their rights under the insurance contract remaining with the converted insurance company; and, in some mutual holding company conversions, where a stock holding company is formed in between the mutual holding company and the converted insurance company, and capital is raised for the stock holding company directly and the converting insurer indirectly by giving members and others the right to purchase stock in the stock holding company); and

- Alternative conversions (where, typically, members receive consideration for the extinguishment of their membership rights in the form of cash or coverage benefits, e.g. a specified amount of coverage at no cost for a specified period of time).

In its examination and evaluation of prior conversions, the board observed that, in subscription rights conversions and mutual holding company conversions by other mutual insurance companies that provided subscription rights in a stock holding company, very few policyholders of the converting mutual insurers chose to purchase stock in the converting insurer or the stock holding company (possibly because of a lack of ability or desire to invest in such stock, or because, while the purchase of stock allows for the acquisition of an asset, it may be illiquid to the member and of no immediate value). Historically, subscription rights conversions benefit the sophisticated few with the vast majority of policyholders receiving nothing. The board concluded that a subscription rights conversion would not be compatible with the goal of rewarding all ~~Qualified~~ Eligible Members for their loyalty to the company.

For mutual holding company conversions where the sole consideration is membership rights in the mutual holding company, there is nothing of immediate value given to the mutual insurer's members in consideration for extinguishment of their membership rights in the converting insurer. The board also observed that mutual holding company conversions raise no capital unless the "second step," a stock holding company, is formed; that prior mutual holding company conversions resulted in subsequent conversion of the mutual holding company; and that few mutual holding company conversions have been pursued in recent years due to adverse litigation in prior conversions, the significant cost and timeframe for the two-step process, and the resulting policyholder confusion. The board concluded that such a mutual holding company conversion would not be compatible with the goal of rewarding members for their loyalty to the company.

After thoroughly reviewing its available strategic alternatives, the board concluded that the approach outlined in the Plan of Conversion was the most attractive alternative from a strategic, financial and operational point of view.

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

Risks of Re-Entering the Insurance Underwriting Business

A.M. Best, the rating agency that rates Saucon Mutual, was informed of the proposed Demutualization Transactions when Saucon Mutual filed the Plan of Conversion with the Pennsylvania Insurance Department in September of 2014. A.M. Best was satisfied that the company's financial strength would not be compromised by the Demutualization Transactions, hence the continuation of the company's "A" rating. However, the unknowns surrounding the risk involved in re-entering the insurance underwriting business after closing of the Demutualization Transactions led it to assign a negative outlook.

In light of ~~the~~ A.M. Best's concern about the unknown risks involved in re-entering the insurance underwriting business, the company has a conservative business plan for Saucon Insurance Company that provides for it to deliberately and methodically take the steps necessary to re-enter the insurance underwriting business while preserving its surplus. Upon the closing of the Demutualization Transactions, Saucon Insurance Company intends to immediately begin work on developing

infrastructure for underwriting insurance, including systems, claims, underwriting staff and structure, documentation, and development of a distribution network. While this infrastructure is being developed, Saucon Insurance Company intends to re-enter insurance underwriting in an indirect and measured way by initially exploring reinsurance opportunities where Saucon Insurance Company would be the quota share reinsurer of compatible products of another insurer.

The company will begin to engage in direct underwriting only when the necessary infrastructure and personnel are in place. Saucon Mutual has already conducted research of the market and believes there is an unmet need for additional capacity for property insurance for churches, which is a market to which the company feels a certain affiliation because of its Moravian roots.

DESCRIPTION OF CONSIDERATION TO ~~QUALIFIED~~ ELIGIBLE MEMBERS

Description of Consideration to ~~Qualified~~ Eligible Members

Saucon Mutual's outstanding policies are either perpetual policies or non-perpetual policies. Perpetual policies are written to have no term, or date, and continue until terminated. Saucon Mutual also issues policies that do have a set date when the policy expires, that are referred to as non-perpetual policies. The consideration that a particular ~~Qualified~~ Eligible Member will receive will depend upon whether that ~~Qualified~~ Eligible Member holds a perpetual policy or a non-perpetual policy.

Compensation for ~~Qualified~~ Eligible Members Who Hold Perpetual Policies

A. *Cash Payment*. A cash payment computed by multiplying (i) the actual number of calendar days that the policy had been in effect from its issuance until the closing date of the Demutualization Transactions, by (ii) $0.2787 per day, then rounding that amount to the nearest whole dollar. For example, a member who is a perpetual policyholder whose policy had been in effect for 10 years (i.e., 3650 days) would receive a cash payment of $1,017; and a member who is a perpetual policyholder whose policy had been in effect for 10 years plus 120 days (i.e., 3770 days) would receive a cash payment of $1,051. The aggregate amount of cash payments to all ~~Qualified~~ Eligible Members who are perpetual policyholders under this paragraph was estimated to be approximately $1,197,061 assuming a closing date of July 31, 2015 and will be slightly higher with a later closing date.

B. *Return of Deposits*. A return of 15% of the member's deposits held by Saucon Mutual, if any. The aggregate amount of deposits to be returned to members who are perpetual policyholders under this paragraph will be approximately $334,000, less any deposits that are returned before the closing in accordance with policy terms. The balance of a member's deposit (the remaining 85%) will be returnable in accordance with policy terms.

C. *Removal of Charges for Increases in Policy Limits Under Inflation Adjustment Endorsements*. Many of the perpetual insurance policies issued by Saucon Mutual have inflation adjustment endorsements, which are either "Annual Adjustment of Limits" endorsements or "Automatic Increase in Insurance" endorsements. Those endorsements generally cause the policy limit of the perpetual policy to be increased each year due to inflation, but they generally require the perpetual policyholder to pay an additional annual deposit to Saucon Mutual because of that increase in the policy limit. After the closing of the Demutualization Transactions, the increases in policy limits under the inflation adjustment endorsements will continue, but Saucon Insurance Company will discontinue its practice of requiring holders of those perpetual policies to pay those additional annual deposits, commencing on the annual anniversary of the date of issuance of that perpetual policy that follows the closing date of the Demutualization Transactions. The estimated aggregate value of the removal of charges for increases in policy limits under the inflation adjustment endorsements is approximately $500,000.

Compensation for ~~Qualified~~ Eligible Members Who Hold Non-Perpetual Policies

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

- A cash payment computed by multiplying (i) the actual number of calendar days that the policy had been in effect (including all renewals) from its issuance until the closing date of the Demutualization Transactions, by (ii) $0.2787 per day, then rounding that amount to the nearest whole dollar. For example, a member who is a non-perpetual policyholder whose policy had been issued and then renewed from time to time for a total period of 10 years (i.e., 3650 days) as of the closing date would receive a cash payment of $1,017; and a member who is a non-perpetual policyholder whose policy had been issued and then renewed from time to time for a period of 10 years plus 120 days (i.e., 3770 days) as of the closing date would receive a cash payment of $1,051. The aggregate amount of cash payments to all members who are non-perpetual policyholders under this paragraph was estimated to be approximately $31,978 assuming a closing date of July 31, 2015 and will be slightly higher with a later closing date; plus

- An additional one-time cash payment equal to 15% of the current premium of the policy. The aggregate amount of cash payments to be made to members who are non-perpetual policyholders under this paragraph is estimated to be approximately $1,800.

Certain Tax Considerations

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

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

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

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

Insurance Company will report cash payments to the IRS and to the ~~Qualified~~ Eligible Members and withhold any applicable tax payments to the extent required by law.

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

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

DESCRIPTION OF DEMUTUALIZATION TRANSACTIONS

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

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

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

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

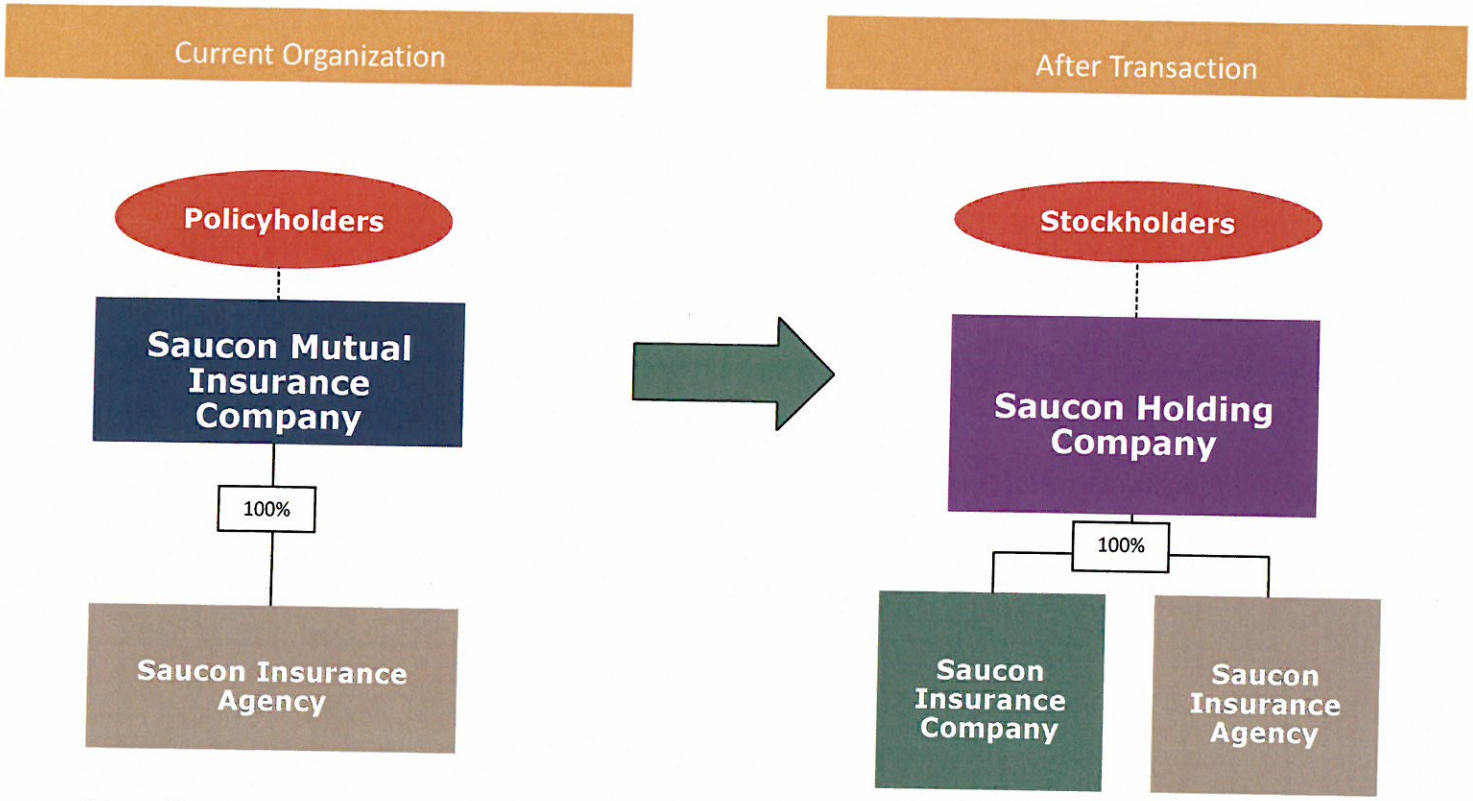
The directors and officers of Saucon Mutual who are in office immediately prior to closing will remain in office as directors and officers of Saucon Insurance Company.

Charitable Contribution
The converted company will make a $500,000 charitable contribution to the Lehigh Valley Community Foundation, to be held and applied as described in this member information statement under the heading "Description of Charitable Contribution." In addition, the company has committed to making additional charitable contributions to the Foundation of $100,000 per year for 5 consecutive calendar years beginning with the first full calendar year after closing of the Demutualization Transactions. The board believes that such a charitable contribution will benefit not only the community in general, but also people in the community who once were, but no longer are, policyholders of Saucon Mutual and, thus, will not receive direct compensation in the Demutualization Transactions.

No Public Company
The Demutualization Transactions will not result in Saucon Insurance Company (or its parent company, Saucon Holding Company) becoming a public company, and there are no plans to cause either of them

to become a public company in the foreseeable future. The board of directors of Saucon Mutual does not believe that it would be appropriate to incur the transactional fees and expenses, or to require management to devote the requisite attention, in connection with going public or maintaining itself as a public company.

The following diagram illustrates the effect of the transactions:



Immediately following the closing of the Demutualization Transactions, the following transactions will occur:

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

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

Payment of Consideration to ~~Qualified~~ Eligible Members
Saucon Insurance Company will pay to each of the ~~Qualified~~ Eligible Members their respective consideration as described in this member information statement under the heading "Description of Consideration to ~~Qualified~~ Eligible Members."

Distribution of ~~New~~ Amended Insurance Policy Declarations ~~and/or Amendatory Endorsement~~
~~Because Saucon Mutual will change its name to "Saucon Insurance Company" upon~~ As soon as reasonably possible following the closing of the Demutualization Transactions, Saucon Insurance Company will prepare ~~either new declarations and/or an amendatory endorsement for its insurance policies and will deliver them to the policyholders following the closing~~and deliver to Eligible Members amended insurance policy declarations that will: (1) indicate the new name of the company; (2) no longer include mutual policy conditions; and (3) for perpetual policyholders who receive a return of deposit as part of the consideration to Eligible Members, the revised amount of the remaining perpetual deposit.

DESCRIPTION OF CHANGES IN POLICYHOLDERS' RIGHTS

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

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

Dividends.
The board of directors of a mutual insurance company has the right to cause the company to declare and pay dividends (subject to restrictions under applicable law), which are then paid to the policyholders in their capacity as members. Once the company demutualizes and becomes a stock corporation, dividends may be payable to stockholders and/or policyholders if and as declared by the board of directors, and subject to restrictions as provided by law.

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

Excess of liquidation proceeds over liabilities.
Pennsylvania law provides that upon the dissolution of a mutual fire insurance company, after discharging or making adequate provision for the company's liabilities for the payment of claims and return of unearned premium, all remaining assets are escheated to the Commonwealth of Pennsylvania. This contrasts with the right of stockholders of a stock corporation, who generally have the right to share in the distribution of the assets of a liquidating corporation that remain after discharging or making adequate provision for the discharge of all of the corporation's liabilities.

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

DESCRIPTION OF CHANGES IN GOVERNANCE

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

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

DESCRIPTION OF CHARITABLE CONTRIBUTION

Upon the closing of the Demutualization Transactions, Saucon Insurance Company will make a $500,000 contribution to the Lehigh Valley Community Foundation, which is to be used to establish the "Saucon Insurance Company Foundation Fund." In addition, the company has committed to making additional charitable contributions to the Foundation of $100,000 per year for 5 consecutive calendar years beginning with the first full calendar year after closing of the Demutualization Transactions. The board believes that such charitable contributions will benefit not only the community in general, but also people in the community who once were, but no longer are, policyholders of Saucon Mutual and, thus, will not receive direct compensation in the Demutualization Transactions.

The Lehigh Valley Community Foundation is a philanthropic foundation established in 1967 that promotes and encourages philanthropy in the Lehigh Valley region, which is the region in which Saucon Mutual's operations are conducted and where most of its members are located. Its website is http://www.lehighvalleyfoundation.org/. Saucon Mutual determined that the contributions to the Lehigh Valley Community Foundation would be more cost-effective and straightforward than establishing a separate, new foundation.

The Lehigh Valley Community Foundation will make disbursements from that fund from time to time for charitable purposes in accordance with recommendations made by the contribution committee of Saucon Insurance Company's board of directors. The members of that contribution committee will not receive compensation for serving on that committee or attending its gift recommendation meetings.

The Lehigh Valley Community Foundation will be entitled to receive a fee for maintaining the Saucon Insurance Company Foundation Fund. Bernard J. Story, the President and CEO of the Lehigh Valley Community Foundation, is a member of the board of directors of Saucon Mutual, but will receive no compensation directly tied to Saucon Insurance Company's contribution to the Foundation.

DESCRIPTION OF STOCK OFFERING OF SAUCON HOLDING COMPANY

Stock Offering

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

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

Description of Saucon Holding Company

Saucon Holding Company was organized for the purpose of the transactions contemplated by the Plan of Conversion. It has not issued any shares of capital stock and it has not engaged in any business activities. Upon the closing of the Demutualization Transactions, Saucon Holding Company will purchase the stock of Saucon Insurance Company, thereby becoming its sole stockholder and parent company. Immediately after the closing, by virtue of the entity reorganization described under the heading "Description of Demutualization Transactions – Entity Reorganization of the Agency," Saucon Holding Company will also become the sole stockholder and parent company of the Agency. The articles of incorporation and bylaws of Saucon Holding Company are attached as exhibits to the Plan of Conversion.

Participants in Stock Offering

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

Nine individuals were invited to, and are expected to, subscribe for stock of Saucon Holding Company in the offering. These individuals are board members and members of management of Saucon Mutual. Saucon Mutual expects that three of these individuals (Brian T. Regan, Michael G. Crofton and Martin C. Gilchrist, all of whom are board members of Saucon Mutual) will acquire, in the aggregate, approximately 91% of the Saucon Holding Company shares that will be offered, and the other six individuals (Susan C. Drabic, Bernard J. Story, Phillip J. Bell, Donna B. Goss and Rick Santee, who are all of the other members of the board of directors, and Stephen Bajan, who is the Chief Executive Officer of Saucon Mutual company) will acquire, in the aggregate, the balance of the Saucon Holding Company shares being offered.

~~Each of the~~ The investors ~~is~~ are deeply committed to the company, ~~has~~ have worked for many years to ensure the company's financial viability, and ~~believes~~ believe in its future. Because the process of rebuilding insurance operations for continued financial viability is likely to take a number of years to fully implement, the company wanted investors who are fully committed to the direction of the company and who accept and understand both that the possibility for any return on that investment is long-term in nature and that the company is subject to oversight by the Pennsylvania Insurance Department to assure the well-being of the insurance company and the protection of its policyholders.

In order to ensure that the stock offering would be treated as an offering exempt from the registration requirements under federal and state securities laws to minimize the costs and expenses of the stock offering, and in order to assure a continuity of control of the company, no other investors were invited to participate in the stock offering. Legally, an offering of securities such as the Saucon Holding Company stock may be made only if the offering either complies with the registration requirements under federal and state securities laws, or an exemption from registration is available. The board of directors of

Saucon Mutual determined that taking into consideration Saucon Mutual's policyholder base, the amount of capital to be raised through the sale of stock of Saucon Holding Company, the costs, expenses and time commitment that a registration of the Saucon Holding Company stock under federal and state securities laws would involve, and the requirements of available exemptions from registration, the most practical alternative was to limit the stock offering of Saucon Holding Company to members of the board of directors and members of management of Saucon Mutual.

Shareholders Agreement of Saucon Holding Company

The individuals who participate in the stock offering of Saucon Holding Company will be required, as a condition to their participation, to execute a shareholders agreement of Saucon Holding Company. That shareholders agreement will provide that:

- The transfer of stock of Saucon Holding Company is restricted. In general, these restrictions provide that a shareholder of Saucon Holding Company may not transfer any shares unless either (i) the board of directors of Saucon Holding Company approves the transfer, or (ii) the transferring shareholder first gives Saucon Holding Company and the other shareholders a right of first refusal to purchase the shares. However, the agreement permits a shareholder of Saucon Holding Company to make certain transfers of stock to family members and certain other affiliates.
- If Saucon Holding Company proposes to issue new securities, it must first afford the existing shareholders a right of first refusal to purchase those shares in order to maintain their respective proportionate ownership interest.
- A shareholder of Saucon Holding Company may require Saucon Holding Company to purchase that shareholder's shares following that shareholder's death.

It is expected that the transfer restrictions and share repurchase provisions set forth in the shareholder agreement of Saucon Holding Company, together with the facts that the stock of Saucon Holding Company will not be publicly traded and that Pennsylvania law imposes restrictions and requirements on a change of control of a Pennsylvania insurance company, will in the aggregate have the result that the current board members and members of management of Saucon Mutual, once they purchase the stock of Saucon Holding Company, will own and control Saucon Holding Company and therefore Saucon Insurance Company for the foreseeable future. For these reasons, Saucon Mutual does not believe that after the closing of the Demutualization Transactions, a subsequent change in control of Saucon Holding Company or of Saucon Insurance Company is likely to occur in the foreseeable future.

Use of Proceeds of Stock Offering

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

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

The proceeds of the stock offering are expected to exceed the sum of the cash payments to be made to the ~~Qualified~~ Eligible Members, the amount of the charitable contributions to be made by Saucon Insurance Company, and the estimated costs and expenses of the Demutualization Transactions. This means that after the closing of the Demutualization Transactions, the total assets of Saucon Holding Company (on a consolidated basis with Saucon Insurance Company) will be greater than the total assets of Saucon Mutual before the closing.

FAIRNESS OPINION OF BOENNING & SCATTERGOOD

Saucon Mutual engaged the firm of Boenning & Scattergood as its advisor in connection with the Demutualization Transactions and to provide to the board of directors its opinion as to whether those transactions prejudice the interests of the members of Saucon Mutual, are fair and equitable to the company, and are consistent with the purposes and intent of Pennsylvania's Insurance Company Mutual-to-Stock Conversion Act, from a financial point of view. Boenning & Scattergood is an investment banking firm that specializes, among other things, in representing financial institutions such as mutual insurance companies. A fairness opinion is not required under Pennsylvania's Insurance Company Mutual-to-Stock Conversion Act but the board of directors of Saucon Mutual nonetheless determined that it was appropriate to obtain one.

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

RECOMMENDATION OF THE BOARD OF DIRECTORS

On April 27, 2015, the board of directors of Saucon Mutual approved and adopted the Plan of Conversion by the requisite majority and without opposition. **The board of directors of Saucon Mutual recommends that you vote:**

"FOR" the adoption of the Plan of Conversion; and

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