

AGREEMENT AND PLAN OF MERGER
BETWEEN
FARMERS TOWN MUTUAL INSURANCE COMPANY
AND
ARLINGTON MUTUAL INSURANCE COMPANY

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into as of the 29th day of September, 2022, by and between **FARMERS TOWN MUTUAL INSURANCE COMPANY**, a Wisconsin town mutual insurance corporation with its place of business at 400 East Street, Suite 105, Wilton, Monroe County, Wisconsin 54670 ("Farmers Town"), and **ARLINGTON MUTUAL INSURANCE COMPANY**, a Wisconsin town mutual insurance corporation with its place of business at 203 Main Street, Arlington, Columbia County, Wisconsin 53911 ("Arlington"), together with Farmers Town is collectively referred to herein as the "Constituent Corporations" and each a "Constituent Corporation").

RECITALS

A. The Constituent Corporations are both town mutual insurance companies organized and existing under Wis. Stat. Ch. 612 (the "Wisconsin Insurance Law") and are duly authorized and licensed to transact the business of insurance within the State of Wisconsin.

B. The Constituent Corporations are authorized to do insurance business in all or part of the same counties or contiguous counties, with Farmers Town authorized in Adams, Clark, Jackson, Juneau, La Crosse, Monroe, Richland, Sauk, and Vernon Counties; and Arlington authorized in Columbia, Dane, Dodge, Fond du Lac, Grant, Green Lake, Iowa, Lafayette, Marquette and Sauk Counties.

C. On July 20, 2022, the State of Wisconsin Office of the Commissioner of Insurance (the "Commissioner" or the "OCI"), issued an order limiting the operations of Farmers Town based on the expiration of Farmers Town's statutorily mandated reinsurance coverage, in effect forcing Farmers Town to either procure a new reinsurance policy, pursue a merger, or dissolve.

D. Each of the Constituent Corporations is fully informed as to the financial operations and conditions of the other as reflected in each corporation's most recent financial statements.

E. The Boards of Directors of each Constituent Corporation, at duly convened meetings, have each adopted a resolution approving the Merger (as defined herein) and have determined that it is advisable and in the best interests of their respective corporations and members to consummate the Merger on the terms and conditions set forth in this Agreement, the Wisconsin Insurance Law, and in a manner approved by the Commissioner and, unless otherwise directed by the Commissioner, by the respective members of each Constituent Corporation.

F. Arlington and Farmers Town desire to proceed with the Merger and to jointly submit this Agreement to the Commissioner for the Commissioner's approval and, unless

otherwise directed by the Commissioner, to the respective members of each Constituent Corporation for their approval.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and the mutual agreements and covenants set forth herein, the Constituent Corporations agree to the following terms, conditions and agreements for the Merger and the procedure for carrying the same into force and effect as follows:

1. **Merger.** In accordance with the provisions of this Agreement and the Wisconsin Insurance Law, on the Effective Date (as defined herein) Farmers Town shall merge with and into Arlington (the "Merger") and the separate existence of Farmers Town shall thereupon cease and Arlington shall continue as the surviving company (at times herein referred to as the "Surviving Corporation").

2. **Closing.** The closing of the Merger (the "Closing") shall take place as soon as possible after all required approvals have been received but, in any event, no later than December 31, 2022, or as soon as practicable after satisfaction or, to the extent permitted hereunder, waiver of all applicable conditions set forth in herein or at such other time and place as the Constituent Corporations shall mutually agree. The date upon which the Closing occurs is referred to herein as the "Closing Date".

3. **Effective Time.**

(a) On the Closing Date, the Constituent Corporations shall make all filings or recordings with the Commissioner as required under the Wisconsin Insurance Law.

(b) The effective time and date of the Merger shall be 12:01 a.m., January 1, 2023 (the "Effective Date").

4. **Principal Office of the Surviving Corporation.** The Surviving Corporation shall have its principal place of business at 203 Main Street, Arlington, Columbia County, Wisconsin 53911. The Surviving Corporation shall continue to transact such business as is now authorized by the Commissioner for each of the Constituent Corporations in the Counties of Adams, Clark, Columbia, Dane, Dodge, Fond du Lac, Grant, Green Lake, Iowa, Jackson, Juneau, Lafayette, La Crosse, Marquette, Monroe, Richland, Sauk, Vernon, or as may hereafter be authorized for the Surviving Corporation.

5. **Effect of Merger.**

(a) On the Effective Date, title to all property owned by Farmers Town shall be vested in the Surviving Corporation without reversion or impairment. All of the assets, rights, privileges, immunities, and franchises, whether of public or private nature, interests, properties, and business of Farmers Town, of every character and description, including all real property, all policies of insurance, all debts due on whatever account, premiums and assessments payable from members, all rights to bring any suit or action and all and every

other interest of, or belonging to or due to Farmers Town, shall accrue to, be merged into and become the absolute property of the Surviving Corporation.

(b) The officers of Farmers Town shall, as of the Effective Date, execute and deliver any deeds, titles, bills of sale or other instruments in writing as may otherwise be necessary to transfer, assign and convey to the Surviving Corporation all of Farmers Town's assets, rights, interests and properties, including contracts of insurance, reinsurance agreements and agency contracts.

(c) On the Effective Date, the members of Farmers Town shall automatically become members of the Surviving Corporation. All premiums and assessments paid by the members of Farmers Town shall be deemed to have been paid to the Surviving Corporation for the purpose of determining the value of each member's equitable share of the value of the Surviving Corporation.

(d) On the Effective Date, the Surviving Corporation shall assume all liabilities and obligations of Farmers Town, including all policies of insurance. The Surviving Corporation shall thenceforth be responsible and liable for all of the liabilities and obligations of each of the Constituent Corporations hereto, and any claim existing or action pending by or against either of the Constituent Corporations may be prosecuted to judgment as if the Merger had not taken place or, if the claim or action is against Farmers Town, the Surviving Corporation may be substituted in Farmers Town's place. Neither the rights of creditors nor liens upon the property of either of the Constituent Corporations shall be impaired by the Merger, but such liens shall be limited to the property upon which there were liens immediately prior to the Effective Date.

6. **Articles of Incorporation and Bylaws.**

(a) The articles of incorporation of the Surviving Corporation shall be the articles of incorporation of Arlington, as amended and restated and attached to and made part of this Agreement as Exhibit A (the "A&R Articles").

(b) The bylaws of the Surviving Corporation shall be the bylaws of Arlington, as amended and restated and attached to and made part of this Agreement as Exhibit B.

7. **Certificate of Assumption.** As soon after the Effective Date as is practicable, the Surviving Corporation shall send to each of Farmers Town's members notice of the Merger and the Surviving Corporation's assumption of Farmers Town's policies in the form of a Certificate of Assumption and Endorsement which shall be substantially the same as Exhibit C attached to and made a part of this Agreement.

8. **Assessments for Losses and Expenses Incurred Prior to Merger.** Assessments, if any are necessary, levied for losses and expenses incurred prior to the Effective Date on policies issued by the Constituent Corporations shall be levied only against the members of the respective Constituent Corporation.

9. **Directors.** The current directors of Arlington will continue to serve as the directors of the Surviving Corporation. The directors of the Surviving Corporation and their terms of office

as of the Effective Date are listed in Exhibit D attached hereto and made a part of this Agreement. As of the Effective Date, the number of directors shall be nine (9) directors from Arlington divided into three (3) classes. If on the Effective Date a vacancy shall exist on the Board of Directors of the Surviving Corporation, such vacancy may thereafter be filled in the manner provided by the A&R Articles.

10. **Officers.** The officers of the Surviving Corporation and their terms of office shall be those persons named in Exhibit D attached hereto and made a part of this Agreement, who shall serve until the next annual meeting of the Board of Directors of the Surviving Corporation or until their successors shall have been elected and shall qualify for office. If on the Effective Date a vacancy shall exist in any of the offices of the Surviving Corporation, such vacancy may thereafter be filled in the manner provided by the A&R Articles.

11. **Prohibited Transactions.**

(a) Between the date hereof and the Effective Date (the “Interim Period”), the Constituent Corporations agree that except as otherwise expressly contemplated by any other provision of this Agreement or the prior written consent of the other (such consent not to be unreasonably withheld, conditioned or delayed), both Constituent Corporations shall (i) use commercially reasonable efforts to conduct its operations only in the ordinary course of business consistent with past practice, and (ii) not take any action (or omit to take any action) that would have a material adverse effect on such Constituent Corporation. By way of example and not in limitation of the foregoing, neither of the Constituent Corporations will during the Interim Period:

- i. Fail to (A) keep in full force and effect all insurance policies covering the Constituent Corporation and (B) notify its insurance carrier of any claims made or asserted, or threatened to be made or asserted if such notice is required to ensure coverage by such insurance carrier;
- ii. Amend its respective articles of incorporation or bylaws, except as provided in this Agreement;
- iii. Form any subsidiary or acquire any equity interest or other interest in any other entity;
- iv. Materially change any of its methods of accounting or accounting practices in any respect;
- v. Amend or terminate any material contract;
- vi. Fail to keep in full force and effect, and without restriction, all permits, including all state certificates of authority necessary to conduct its business in the ordinary course;

- vii. Incur any obligation or liability (absolute or contingent), except current liabilities incurred, and obligations under contracts entered into, in the ordinary course of business;
- viii. Discharge or satisfy any lien or encumbrance or pay any obligation or liability other than current liabilities in the ordinary course of business;
- ix. Make any dividend or other payment or distribution to its members, except for dividends required under policies of insurance in the ordinary course of business;
- x. Mortgage, pledge, create a security interest in, or subject to a lien or other encumbrance, any of its assets, tangible or intangible;
- xi. Sell or transfer any of its tangible assets or cancel any debts or claims except in the ordinary course of business;
- xii. Sell, assign, or transfer any trademark, trade name, patent or other intangible assets;
- xiii. Waive any right of any substantial value; or
- xiv. Enter into any transaction other than in the ordinary course of business.

(b) Farmers Town agree that except as otherwise expressly contemplated by any other provision of this Agreement or the prior written consent of Arlington (such consent not to be unreasonably withheld, conditioned or delayed), Farmers Town shall not do any of the following during the Interim Period: (i) adjust any claims, (ii) pay claims, (iii) issue any disbursements, (iv) underwrite any new policies, (v) renew any existing policies or (vi) sale any of its stock or investments.

12. **Representations and Warranties.** Each of the Constituent Corporations hereby represent and warrant to the other Constituent Corporation as of the Closing Date and the Effective Date as follows:

(a) That it is a town mutual insurance corporation duly authorized and validly existing under the laws of the State of Wisconsin and has the corporate power to own or lease its properties and to carry on its business as now being conducted;

(b) The copies of its articles of incorporation and bylaws made available to the other corporation are the true, correct and complete copies of such documents in effect as of the Closing Date and it is not in violation of any of the provisions of its articles of incorporation or bylaws;

(c) That the balance sheet and statements of income and surplus delivered to the other corporation fairly present, in accordance with Wisconsin Statutes governing town

mutual accounting, the financial condition and results of its operations as of the dates and for the periods indicated;

(d) That there has been no material adverse change in its financial condition from the date the balance sheet and statements of income and surplus were delivered to the other corporation until the Effective Date;

(e) That such Constituent Corporation has heretofore delivered to the other corporation all employment contracts, contracts for the purchase or lease of tangible property, real or personal, and any other contracts creating executory obligations on its part beyond the Effective Date which may not be canceled on notice of thirty (30) days or less, and that it will not incur any new executory obligations, without the approval of the other corporation during the Interim Period;

(f) That there is no action, suit, or proceeding pending against it involving the possibility of any judgment, order, injunction, or decree which might result in any material adverse change in its business, operations, properties or assets or the condition, financial or otherwise, except the Order Limiting Operations issued by the Wisconsin OCI on July 20, 2022, relating to the expiration of Farmers Town's statutorily required reinsurance on December 31, 2022, and the Amended Order Limiting Operations issued by the Wisconsin OCI on September 7, 2022;

(g) That its Board of Directors has adopted resolutions approving this Agreement and the transactions contemplated hereby and has authorized the execution and delivery of this Agreement and has directed by resolution that this Agreement be submitted to a vote of its members taken separately at a duly held meeting called for the purpose of considering and acting upon this Agreement;

(h) That it has the full power and authority to enter into this Agreement and, upon appropriate consent of its members in accordance with law, subject to obtaining all required regulatory approvals, to consummate the transactions contemplated hereby;

(i) That this Agreement has been duly executed by such Constituent Corporation and constitutes the valid and legally binding obligation of such Constituent Corporation, enforceable against such Constituent Corporation in accordance with its terms, subject to bankruptcy, receivership, insolvency, reorganization, moratorium or similar laws affecting or relating to creditors' rights generally and subject to general principles of equity;

(j) That it is not, and immediately prior to the Effective Date will not be in default under its articles of incorporation or bylaws, or in default under any indenture or under any material agreement or other material instrument to which it is a party or by which it or any of its properties is bound or to which it is subject;

(k) That, subject to the receipt of all consents and approvals contemplated by this Agreement, the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or the fulfillment of and compliance with the terms and provisions hereof, will not (i) violate any judicial, administrative or arbitral order, writ,

award, judgment, injunction or decree involving such Constituent Corporation, (ii) conflict with the terms, conditions or provisions of the articles of incorporation or bylaws of such Constituent Corporation, (iii) conflict with the terms, conditions or provisions of the articles of incorporation or bylaws, (iv) conflict with, result in a breach of, constitute a default under or accelerate or permit the acceleration of the performance required by, any indenture or any material agreement or other material instrument to which such Constituent Corporation is bound, (v) result in the creation of any lien, charge or encumbrance upon any of the assets of either company under any such agreement or instrument, or (vi) terminate or give any party thereto the right to terminate any such indenture, agreement or instrument; and

(l) That no consent of any third party to any indenture of any material agreement or other material instrument to which such Constituent Corporation is a party is required in connection with this Agreement and the transactions contemplated hereby.

13. **Continuing Authority of Farmers Town Officers.** On the Effective Date, the separate existence of Farmers Town shall cease. However, the authority of the present officers of Farmers Town shall continue for the limited purpose of executing and delivering all necessary documents to affect the terms of this Agreement.

14. **Approvals.** Unless otherwise directed by the Commissioner, upon approval of this Agreement by the Commissioner, this Agreement shall be submitted to a vote at a joint meeting of the members of the Constituent Corporations to be held on a date and at a time and place to be determined by the Constituent Corporations. Notice of such meeting, if such notice is required by law or either of the Constituent Corporations' articles of incorporation or bylaws, stating the place, day and hour of the meeting and the purpose for which it is called, shall be given by each Constituent Corporation to its members in a manner acceptable pursuant to law and to each Constituent Corporation's articles of incorporation and bylaws. Each Constituent Corporation agrees to use its good faith effort to obtain all necessary approvals.

15. **Termination of this Agreement.**

(a) This Agreement may be terminated and the Merger abandoned at any time prior to the Effective Date:

- i. By mutual consent of the Boards of Directors of each of the Constituent Corporations;
- ii. By the Board of Directors of either Constituent Corporation if:
 1. the Merger is not approved by the Commissioner and, unless otherwise directed by the commissioner, by the requisite number of members of both Constituent Corporations prior to January 1, 2023, or such later date as the Boards of Directors of the Constituent Corporations shall mutually agree;
 2. the other corporation shall have engaged in any of the prohibited actions described under Section 11 of this

Agreement, or shall have materially violated any of the representations or warranties contained herein, or if there shall have taken place any event or development after the date hereof which materially and adversely affects the business, operations, or properties of such other corporation.

(b) In the event of the termination of this Agreement as provided in Section 15(a)(ii), written notice thereof shall be given by the terminating corporation to the other corporation specifying the provision hereof under which such termination is made. In the event of the termination of this Agreement pursuant to Section 15(a)(ii), this Agreement shall be terminated and become void and have no effect, without any liability or obligation on the part of either corporation; provided, however, that nothing herein shall relieve either party hereto of any liability for material breach of this Agreement or fraud, as the case may be, prior to termination of this Agreement.

16. **Additional Agreements.**

(a) **Farmers Town Agents.** The parties agree that Arlington will offer its current agency agreement to each agent who has an appointment with Farmers Town as of the date of this Agreement and who does not already have an agency agreement in force with Arlington.

(b) **Employee Matters.** The current manager of Farmers Town, Michael Haight, will be offered full-time employment with the Surviving Corporation as of the Effective Date. All employees of the Surviving Corporation will be considered employees hired "at will" and nothing in this Agreement is intended to be, nor shall be interpreted as, an employment contract for any employee.

(c) **Rating and Underwriting In-Force Farmers Town Business.** In accordance with Section 7 of this Agreement, Arlington will, as soon as practicable following the Effective Date, send all holders of Farmers Town policies that are in force on the Effective Date a Certificate of Assumption on a form approved by the Wisconsin Office of the Commissioner of Insurance. All Farmers Town policies will be rewritten using Arlington forms, rates and underwriting rules on the first renewal date of each such policy following the Effective Date. The Surviving Corporation will adopt all current Arlington underwriting guidelines for all policies. The Surviving Corporation will adopt Arlington rates for all policies initially written by Farmers Town.

17. **General Provisions.**

(a) **Expenses of Merger.** The estimated expenses of implementing the Merger are approximately **Twenty Thousand Dollars (\$20,000.00)** which shall be borne by the Surviving Corporation. In the event, the Merger is not successfully completed, any cost of the Merger shall be borne equally between Arlington and Farmers Town.

(b) **Authority to Effect Merger.** The officers and directors of each Constituent Corporation are hereby authorized to take such other action as may be necessary and

required to comply with the requirements of the Wisconsin Insurance Law, or as may be required by the Commissioner to effect the Merger.

(c) **Entire Agreement.** This Agreement, including any exhibits referred to herein and attached hereto, shall constitute the entire agreement between the Constituent Corporations and supersedes all previous agreements and understandings, oral or written, with respect thereto.

(d) **Severability.** If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(e) **Modifications, Amendments and Waivers.** At any time prior to the Effective Date, the parties hereto may, by written agreement, (i) extend the time for the performance of any of the obligations or other acts of the parties hereto, (ii) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant hereto, (iii) waive compliance with any of the covenants or agreements contained in this Agreement, or (vi) make any other modification of this Agreement approved by the respective Boards of Directors of the parties hereto. This Agreement shall not be altered or otherwise amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto.

(f) **Notices.** All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All notices to a party shall be sent to the party's address set forth below or at such other address(es) as such party may designate in writing to the other party hereto.

If to:

**Farmers Town Mutual
Insurance Company:**

400 East Street, Suite 105
Wilton, WI 54670
Attn: Michael Haight
Email: farmers005@centurytel.net

Fax: [_____]

If to:

**Arlington Mutual
Insurance Company:**

203 Main Street
Arlington, WI 53911
Attn: Teri Krysa
Email:
teri@arlingtonmutualinsurance.com

Fax: [_____]

(g) **Governing Law.** This Agreement is governed by and construed in accordance with the laws of the State of Wisconsin.

(h) **Counterparts; Electronic Delivery.** This Agreement may be executed and delivered by facsimile, portable document form (.pdf) or other electronic signature pages, which shall be deemed originals, and in any number of counterparts, which shall have the same effect as if the signatures on the counterparts were a single copy of this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the parties to this Agreement have caused it to be executed as of the date and year first above written.

FARMERS TOWN MUTUAL INSURANCE COMPANY

Date: _____

By: _____

Name: _____

Title: _____

Attest:

Date: _____

By: _____

Name: _____

Title: Secretary of Farmers Town Mutual Insurance
Company

ARLINGTON MUTUAL INSURANCE COMPANY

Date: 9/29/2022

By: Kurt J. Breunig

Name: Kurt J. Breunig

Title: President of Arlington Mutual Insurance Company

Attest:

Date: 9/29/2022

By: Stephen Elmer

Name: Stephen Elmer

Title: Secretary/Treasurer of Arlington Mutual Insurance
Company

IN WITNESS WHEREOF, the parties to this Agreement have caused it to be executed as of the date and year first above written.

FARMERS TOWN MUTUAL INSURANCE COMPANY

Date: 9-29-22

By: Philip A. Flock
Name: Philip Flock
Title: President
Farmers Town Mutual Insurance Company

Attest:

Date: 9-29-22

By: Darlene Wedemeier
Name: Darlene Wedemeier
Title: Secretary/Treasurer
Farmers Town Mutual Insurance Company

ARLINGTON MUTUAL INSURANCE COMPANY

Date: _____

By: _____
Name: Kurt Breunig
Title: President of Arlington Mutual Insurance Company

Attest:

Date: _____

By: _____
Name: Stephen Elmer
Title: Secretary/Treasurer of Arlington Mutual Insurance Company