

**MUTUAL HOLDING COMPANY PLAN**

**of**

**CHURCH MUTUAL INSURANCE COMPANY**

**Under Chapter 644 of the  
Wisconsin Insurance Code**

**Dated [\_\_\_\_\_]**

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## **PREAMBLE**

CHURCH MUTUAL INSURANCE COMPANY, a Wisconsin mutual insurance company (“CMIC”), intends to restructure into a mutual holding company structure pursuant to Chapter 644 of the Wisconsin Insurance Code (the “Restructuring”).

## **RECITALS**

A. At a meeting duly called and held on [\_\_\_\_\_] <sup>1</sup>, the Board of Directors of CMIC (the “Board of Directors”) passed certain resolutions attached hereto as Exhibit A (the “Adopting Resolutions”) which, among other things, (i) found that the Restructuring is fair and equitable to CMIC’s Policyholders and is expected to benefit CMIC and its Policyholders for the reasons set forth therein, (ii) adopted this Plan, (iii) directed that this Plan be submitted to the Wisconsin Commissioner for approval as provided in Wis. Stat. § 644.07(4), and (iv) subject to approval by the Wisconsin Commissioner, directed that this Plan be submitted for approval by the Members of CMIC, and that the proposed Second Amended and Restated Articles of Incorporation of Converted CMIC (attached hereto as Exhibit B) (the “Second Amended and Restated Articles”) be submitted for approval by the Members of CMIC, as provided by Wis. Stat. § 644.07(8) and/or applicable provisions of the current Amended and Restated Articles of Incorporation of CMIC dated April 14, 2014 (the “Current CMIC Articles”) and the current Bylaws of CMIC (the “Current CMIC Bylaws”);

B. For United States federal income tax purposes, it is intended that the transactions consummated pursuant to the Restructuring will qualify as non-recognition transactions under sections 368(a) and/or 351(a) of the Internal Revenue Code, respectively, and that this Plan will be, and is hereby, adopted as a plan of reorganization for purposes of the Internal Revenue Code.

## **ARTICLE 1 DEFINITIONS**

As used in this Plan, the following words or phrases have the following meanings. The following definitions shall be equally applicable to both the singular and plural forms and to both genders of any of the terms herein defined:

“Adopting Resolutions” has the meaning set forth in the Recitals.

“Second Amended and Restated Articles” means the proposed Second Amended and Restated Articles of Incorporation of Converted CMIC (attached hereto as Exhibit B) that will go into effect on the Effective Date of the Restructuring.

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<sup>1</sup> The date that will be inserted here and in other places in the MHC Plan referring to the board resolution date is the date on which the Board adopts the final resolutions approving the MHC Plan and authorizes further actions by CMIC management and advisors as necessary to obtain the requisite approvals and effectuate the MHC Plan.

“Board of Directors” means the Board of Directors of CMIC.

“CM MHC” means Church Mutual Holding Company, Inc.

“CMIC” means Church Mutual Insurance Company.

“Contract Rights” means a Policyholder’s right to receive the insurance coverage specified in the Policyholder’s Policy in accordance with the terms and provisions thereof.

“Converted CMIC” means Church Mutual Insurance Company, S.I., the converted mutual insurance company.

“Current CMIC Articles” means the Amended and Restated Articles of Incorporation of CMIC dated April 14, 2014 and in effect as of the date hereof.

“Current CMIC Bylaws” means the Amended and Restated Bylaws of CMIC dated October 16, 2013 and in effect as of the date hereof.

“Effective Date” means the date upon which the Restructuring becomes effective, which will be the date upon which the Wisconsin Commissioner issues a certificate of incorporation to CM MHC.

“In Force” means, with respect to a Policy, issued and not cancelled or otherwise terminated. Whether a Policy is In Force is determined based on the records of CMIC.

“Member” means a Policyholder who, by the records of CMIC or CM MHC, and by their respective Articles of Incorporation and Bylaws, is a Member of CMIC or CM MHC, as applicable.

“Membership Interest” means: (i) prior to the Effective Date, the voting rights of a Member arising under the Wisconsin Insurance Code and the Current CMIC Articles and Current CMIC Bylaws, including the right to vote on the election of directors and the right to vote on any plan of conversion, voluntary dissolution, or amendment of the Articles of Incorporation; and (ii) on and after the Effective Date, the voting rights of a Member arising under the Wisconsin Insurance Code and the Articles of Incorporation and Bylaws of CM MHC, including the right to vote on the election of directors and the right to vote on any plan of conversion, voluntary dissolution, or amendment of the Articles of Incorporation. “Membership Interest” does not include any Members’ Rights in Surplus, if any.

“Person” means a natural person, partnership, firm, association, corporation, joint-stock company, limited liability company, limited liability partnership, trust, government, government agency, state or political subdivision of a state, public or private corporation, board of directors, association, estate, trustee, or fiduciary, or any similar entity.

“Plan” means this Mutual Holding Company Plan, including all Exhibits attached hereto.

“Policy” means an insurance policy or contract (other than a reinsurance contract), or any binder or a renewal certificate issued by CMIC in the course of business and not cancelled or otherwise terminated.

“Policyholder” means a Person identified in the records of CMIC and/or Converted CMIC as the owner of one or more Policies issued by such company.

“Public Hearing” means the public hearing conducted by the Wisconsin Commissioner or a hearing examiner designated by the Wisconsin Commissioner regarding the Plan, pursuant to the provisions of Wis. Stat. § 644.07(6).

“Record Date” means the date established by the Board of Directors to determine which CMIC Members will be eligible to vote for approval of the Plan.

“Record Date Members” means Persons who are Members on the Record Date.

“Resolution Date” means [\_\_\_\_\_], the date the Board of Directors passed the Adopting Resolutions.

“Resolution Date Members” means Record Date Members who were also Members on the Resolution Date.

“Restructuring” has the meaning set forth in the Preamble.

“Rights in Surplus” means: (i) prior to the Effective Date, any rights of a Member arising under the Current CMIC Articles or Chapter 611 of the Wisconsin Insurance Code to a return of the surplus in respect of Policies of CMIC, including rights of Members to a distribution of such surplus in dissolution or conversion proceedings under Chapter 611 of the Wisconsin Insurance Code; and (ii) on and after the Effective Date, any rights of a Member of CM MHC arising under its Articles of Incorporation or Chapter 644 of the Wisconsin Insurance Code to the net worth of CM MHC, including rights of Members of CM MHC to a distribution of any portion of the net worth of CM MHC in dissolution or conversion proceedings under Chapter 644 of the Wisconsin Insurance Code.

“Special Meeting” means the special meeting of Members of CMIC called for the purpose of approving this Plan.

“Wisconsin Commissioner” means the Office of the Commissioner of Insurance for the State of Wisconsin.

“Wisconsin Insurance Code” means the insurance laws of the State of Wisconsin, codified in Chapters 600 to 655 of the Wisconsin Statutes, and all applicable regulations thereunder.

**ARTICLE 2**  
**THE RESTRUCTURING**

**2.1 Formation of CM Companies, Inc.**

On or before the Effective Date, CMIC shall incorporate CM Companies, Inc. as a Wisconsin business corporation under Chapter 180 of the Wisconsin Statutes.

**2.2 Formation of CM MHC.** Pursuant to Wis. Stat. § 644.07(10)(a), on the Effective Date, CM MHC shall be incorporated as a Wisconsin mutual holding company under Chapter 644 of the Wisconsin Insurance Code, as evidenced by the issuance of a certificate of incorporation by the Wisconsin Commissioner.

**2.3 Preservation of Mutuality.** As more particularly described in Section 2.4, on and after the Effective Date, the former Members of CMIC will hold 100% of the Membership Interests and 100% of the Rights in Surplus of CM MHC as provided for under the Articles of Incorporation of CM MHC and Chapter 644 of the Wisconsin Insurance Code, and CM MHC will directly own 100% of the shares of voting stock of Converted CMIC. In this manner, the mutuality of CMIC is preserved.

**2.4 The Restructuring.** Effective as of 12:01 a.m. on the Effective Date, and in accordance with the terms of this Plan and Chapter 644 of the Wisconsin Insurance Code, the following will occur:

- (a) CMIC will become a Wisconsin stock insurance company;
- (b) All Membership Interests and Rights in Surplus of CMIC will be extinguished and the Members of CMIC will become Members of CM MHC, with Membership Interests and Rights in Surplus of CM MHC as provided pursuant to the Wisconsin Insurance Code and the Articles of Incorporation and Bylaws of CM MHC.
- (c) CM MHC will be issued 100% of the initial shares of voting stock of Converted CMIC and will be capitalized by CMIC at Two Million Dollars (\$2,000,000);
- (d) CMIC will transfer 100% of its shares in CM Vantage Specialty Insurance Company, CM Regent Insurance Company, CM Select Insurance Company and American Sterling Insurance Company to CM MHC.
- (e) CMIC will transfer 100% of its shares in CM Specialty Services, Inc. and 100% of its membership interests in CM Regent, LLC to CM Companies, Inc., and CM Companies, Inc. shall assume, all of CMIC's rights and obligations under the Operating Agreement of CM Regent, LLC, and any related agreements or undertakings.
- (f) CM MHC will make a distribution to CM Companies, Inc. in the amount of One Million Dollars (\$1,000,000) in exchange for 100% of CM Companies, Inc.'s shares.

**2.5 Corporate Existence of Converted CMIC.** On the Effective Date, CMIC shall change its name to "Church Mutual Insurance Company, S.I.". Converted CMIC shall be

considered to have been organized at the time that CMIC was organized. The Board of Directors of CMIC will be deemed removed and replaced, without further action, by the initial Board of Directors of Converted CMIC identified in Exhibit H. Except as otherwise provided herein, the officers, agents, and employees of Converted CMIC shall continue in like capacity without regard to the Restructuring, subject to any and all existing rights and obligations of such parties and Converted CMIC pursuant to existing contracts and applicable law.

**2.6 Continuation of Rights and Obligations.** The Restructuring of CMIC into a stock insurance company subsidiary of CM MHC shall in no way annul, modify or change any of CMIC's existing suits, rights, property interests, contracts or liabilities. Converted CMIC shall exercise all of the rights and powers and perform all of the duties conferred or imposed by law upon insurers writing the classes of insurance written by CMIC before the Effective Date, and shall retain the rights and contracts existing prior to the Effective Date, except with respect to the Membership Interests and Rights in Surplus that are extinguished and replaced by Membership Interests and Rights in Surplus of CM MHC, as provided in Paragraph 2.4(b).

**2.7 Continuation of Policies.** On and after the Effective Date, every Policy of CMIC which is In Force shall continue as a Policy of Converted CMIC, and all Contract Rights of all such Policies shall be and remain as they existed immediately prior to the Effective Date as Contract Rights of Policies of Converted CMIC, except with respect to the Membership Interests and Rights in Surplus that are extinguished and replaced by Membership Interests and Rights in Surplus of CM MHC, as provided in Paragraph 2.4(b).

**2.8 Members of CM MHC.**

(a) Each person who, and each entity which, is a member of CMIC, as provided in the records of CMIC and in accordance with the Current CMIC Articles and the Current CMIC Bylaws, immediately prior to the Effective Date, shall be a Member of CM MHC without further act, and shall remain a Member so long as at least one (1) policy of insurance by virtue of which such Member status in CM MHC is derived remains in force.

(b) Each person who, and each entity which, is the owner of one (1) or more in-force policies of insurance issued or assumed by Converted CMIC shall become a Member of CM MHC in accordance with the Articles of Incorporation and Bylaws of CM MHC without further act, commencing with the later of the Effective Date or the date any such policy is first in force.

(c) Any person who, or entity which, has become a Member of CM MHC as described in Section 2.8(a) or (b) shall cease to be a Member, and all associated rights and privileges, including without limitation the Membership Interest and Rights in Surplus, if any, of such Member, shall cease, as of the date no policy of insurance by virtue of which such Member status is derived remains in force, whether as a result of lapse, expiration, nonrenewal, cancellation, termination, or novation of such policy.

**2.9 Articles of Incorporation and Bylaws of Converted CMIC.** On the Effective Date, the Current CMIC Articles shall, without further act or deed, be amended and restated as set forth in the Second Amended and Restated Articles attached hereto as Exhibit B. On the

Effective Date, the Current CMIC Bylaws shall, without further act or deed, be amended and restated as set forth in the Second Amended and Restated Bylaws attached hereto as Exhibit C.

**2.10 Articles of Incorporation and Bylaws of CM MHC.** On the Effective Date, the Articles of Incorporation of CM MHC shall be as set forth in the Articles of Incorporation attached hereto as Exhibit D. On the Effective Date, the Bylaws of CM MHC shall be as set forth in the Bylaws attached hereto as Exhibit E.

**2.11 Articles of Incorporation and Bylaws of CM Companies, Inc.** On the Effective Date, the Articles of Incorporation of CM Companies, Inc. shall be as set forth in the Articles of Incorporation attached hereto as Exhibit F. On the Effective Date, the Bylaws of CM Companies, Inc. shall be as set forth in the Bylaws attached hereto as Exhibit G.

**2.12 Sale of Voting Stock.** The Board of Directors has no current plans for the sale of voting stock of Converted CMIC, CM Companies, Inc., or any other affiliated company to third parties.

### **ARTICLE 3 ADOPTION BY THE BOARD OF DIRECTORS**

**3.1 Adoption by the Board of Directors.** The Adopting Resolutions were approved by the Board of Directors at a meeting duly called and held on [\_\_\_\_\_].

### **ARTICLE 4 SUBMISSION TO, AND APPROVAL BY, THE WISCONSIN COMMISSIONER**

**4.1 Submission of the Plan.** This Plan shall be submitted to the Wisconsin Commissioner for formal Public Hearing and approval. In addition to the Plan, CMIC will submit to the Wisconsin Commissioner, among other things, the following documents:

(a) The proposed Articles of Incorporation and proposed Bylaws of CM MHC;

(b) The proposed Articles of Incorporation and proposed Bylaws of CM Companies, Inc.;

(c) The proposed Second Amended and Restated Articles and proposed Second Amended and Restated Bylaws of Converted CMIC;

(d) So much of the following information relative to CM MHC as the Wisconsin Commissioner reasonably requires:

(1) The names and, for the preceding 10 years, all addresses and occupations of all proposed directors and officers;

- (2) All agreements relating to CM MHC to which any proposed director or officer is a party;
- (3) The amount and sources of the funds available for organization expenses and initial operating expenses;
- (4) The proposed compensation of directors and officers;
- (5) The proposed capital of CM MHC; and
- (6) A business plan of CM MHC for the first five (5) years of operation.

**4.2 Public Hearing.** This Plan is subject to the approval of the Wisconsin Commissioner who, pursuant to Wis. Stat. § 644.07(6), must hold a Public Hearing on the Plan after receipt thereof.

**4.3 Notice to Policyholders of Public Hearing.** CMIC shall mail notice of the Public Hearing to the last-known address of each person who was a Policyholder of CMIC on the Resolution Date as such appears on the records of CMIC. The notice shall be mailed not more than sixty (60) days and not less than ten (10) days before the scheduled date of the Public Hearing. The notice shall be accompanied by a copy of this Plan, and any comment that the Wisconsin Commissioner considers necessary for the adequate information of Policyholders. CMIC's failure to mail notice to a Policyholder as required by this Paragraph 4.3 will not invalidate a Public Hearing if the Wisconsin Commissioner determines that CMIC substantially complied with this Paragraph 4.3 and attempted in good faith to mail notice to all Policyholders entitled thereto.

**4.4 Notice to Other Insurance Commissioners of Public Hearing.** The notice, documents and/or comment(s) described in Paragraph 4.3 shall also be mailed to the insurance commissioner of every jurisdiction in which CMIC is authorized to do any business. The notice shall be mailed not more than sixty (60) days and not less than ten (10) days before the scheduled date of the Public Hearing.

**4.5 Statements by Policyholders and Other Insurance Commissioners.** In accordance with such hearing procedures as the Wisconsin Commissioner or the designated hearing examiner may prescribe, any Policyholder identified in Paragraph 4.3 and any insurance commissioner identified in Paragraph 4.4 may present written or oral statements at the Public Hearing and may present written statements within a period after the Public Hearing specified by the Wisconsin Commissioner or the hearing examiner. The Wisconsin Commissioner shall take statements so presented into consideration in making the determination to approve the Plan.

**4.6 Approval by the Wisconsin Commissioner.** The Wisconsin Commissioner shall approve the Plan unless he or she finds that the Plan violates the law, is not fair and equitable to Policyholders, or is contrary to the interests of Policyholders or the public.

**4.7 Potential Stipulation and Order.** The Wisconsin Commissioner may request that CMIC, Converted CMIC, CM MHC, and/or CM Companies, Inc., among others, enter into a

Stipulation and Order or other form of agreement(s) with the Wisconsin Commissioner containing various covenants and/or undertakings binding upon such parties as a condition of the approval contemplated in Paragraph 4.6. The Board of Directors has authorized the officers of CMIC to represent CMIC in all negotiations with the Wisconsin Commissioner related to his or her review and approval of the Plan and has further authorized the officers of CMIC to negotiate and execute, on behalf of CMIC and, if necessary, Converted CMIC, CM MHC, and/or CM Companies, Inc. or any other affiliated company, any such Stipulation and Order or other form of agreement(s) with the Wisconsin Commissioner which, in the officers' sole judgment and discretion, are reasonable and necessary to secure regulatory approval of the Plan.

## **ARTICLE 5 APPROVAL BY MEMBERS**

**5.1 Member Vote.** After approval of this Plan by the Wisconsin Commissioner, the Plan shall be submitted at the Special Meeting to a vote of those persons who are Members of CMIC on the Record Date. Voting on the Plan shall be in accordance with: (i) Wis. Stat. § 644.07(8); and (ii) the Current CMIC Articles and Current CMIC Bylaws. Wis. Stat. § 644.07(8) provides that voting on the Plan shall be in accordance with the Current CMIC Articles and Current CMIC Bylaws, but in no event shall the required vote to approve the Plan be less than a majority of those Resolution Date Members voting. The Current CMIC Articles provide that an amendment to such Articles (which amendment is a component element of the Plan) must be approved by a vote of three-fourths of those Record Date Members voting at the Special Meeting. Therefore, the Plan will be deemed approved if: (i) not less than a majority of Resolution Date Members; and (ii) not less than three-fourths of Record Date Members, present and voting in person or by proxy at the Special Meeting, approve the Plan. Only proxies specifically related to this Plan may be used for a vote on approval of the Plan.

**5.2 Notice of Meeting of Policyholders.** Notice of the Special Meeting must be mailed to each Record Date Member not less than 30 days in advance of the Special Meeting. Notice of the Special Meeting shall be sent to the last-known address of each Record Date Member and may be included with any notice sent under Paragraph 4.3.

## **ARTICLE 6 CONDITIONS PRECEDENT TO RESTRUCTURING**

**6.1 Approval of Wisconsin Commissioner and Members.** This Plan shall not become effective, and the Restructuring shall not be consummated, until the Plan has been approved as follows:

(a) This Plan (including the proposed Second Amended and Restated Articles of Incorporation and the Second Amended and Restated Bylaws of Converted CMIC, the proposed Articles of Incorporation and Bylaws of CM Companies, Inc., and the proposed Articles of Incorporation and Bylaws of CM MHC) is approved by the Wisconsin Commissioner as set forth in Article 4;

(b) This Plan is approved by the Members as set forth in Article 5.

**6.2 Private Letter Ruling.** This Plan shall not become effective, and the Restructuring shall not be consummated, until CMIC receives the opinion of Godfrey & Kahn S.C. or other independent tax counsel to CMIC, in either case or in combination, substantially to the effect that:

(a) The Members will not recognize taxable gain or loss in connection with the Restructuring, and

(b) Neither CM MHC, CM Companies, Inc., nor CMIC will recognize taxable gain or loss in connection with the Restructuring.

**6.3 Securities Law Opinion.** This Plan shall not become effective, and the Restructuring shall not be consummated, until CMIC receives either a “no action” letter from the Securities and Exchange Commission, or an opinion from Godfrey & Kahn SC or other independent legal counsel in form and substance satisfactory to the Board of Directors with respect to federal and state securities law matters.

**6.4 Other Regulatory Approvals.** This Plan shall not become effective, and the Restructuring shall not be consummated, until CMIC has received all other regulatory approvals that the Board of Directors deems to be necessary or appropriate.

**6.5 Issuance of Certificates.** This Plan shall not become effective, and the Restructuring shall not be consummated, until the issuance by the Wisconsin Commissioner of a new certificate of authority for Converted CMIC and a certificate of incorporation for CM MHC and the filing with the Wisconsin Department of Financial Institutions of a certificate of incorporation for CM Companies, Inc.

## ARTICLE 7 ADDITIONAL PROVISIONS

**7.1 Directors and Officers.** Upon Restructuring, the directors and officers of CM MHC, CM Companies, Inc., and Converted CMIC shall be those individuals identified in Exhibit H hereto. The directors and officers of all other affiliated companies shall be the directors and officers of such companies serving immediately prior to the Effective Date, in each case until their successors have been duly elected and qualified.

**7.2 Liability of Member.** A Member of CM MHC shall not, by virtue of being a Member, be personally liable for the acts, debts, liabilities, or obligations of CM MHC.

**7.3 Expenses.** CMIC shall not pay compensation of any kind to any Person in connection with this Plan other than regular salaries to CMIC personnel. This Paragraph does not prohibit the payment of reasonable fees and compensation to attorneys at law, accountants, financial advisors, actuaries or other consultants for services performed in the independent practice of their professions. All expenses of the Restructuring, including any expenses incurred by the Wisconsin Commissioner and the prorated salaries of any involved office staff members of the Wisconsin Commissioner and payable by CMIC, shall be borne by CMIC.

**7.4 Amendment or Withdrawal of Plan.** At any time before the Effective Date, CMIC may, by resolution of the Board of Directors, amend or withdraw this Plan. The Wisconsin Commissioner shall determine whether any amendment made after the Public Hearing identified in Paragraph 4.2 changes this Plan in a manner that is materially disadvantageous to the Policyholders of CMIC and, in such case, may require a further Public Hearing on the Plan as amended. If an amendment that the Wisconsin Commissioner determines is materially disadvantageous to any of the Policyholders is made after the Plan has been approved by the Members, the Plan as amended shall be submitted for reconsideration by the Members.

**7.5 Agreements Among Affiliates.** CM MHC or any of its subsidiaries or affiliates may enter into tax sharing agreements, management agreements, administrative or other service contracts, other cost-sharing arrangements, and similar agreements with another affiliate, subject to any required regulatory approval by the Wisconsin Commissioner pursuant to the Wisconsin Insurance Code.

**7.6 Governing Law.** The terms of this Plan shall be governed by and construed in accordance with the laws of the State of Wisconsin, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

**7.7 Headings.** Article and Paragraph headings contained in this Plan are used for convenience only, and shall not be considered in construing or interpreting any of the provisions hereof.

IN WITNESS WHEREOF, Church Mutual Insurance Company, by authority of its Board of Directors, has caused this Plan to be signed by its Chief Executive Officer and attested to by its Secretary on [\_\_\_\_\_].

CHURCH MUTUAL INSURANCE COMPANY

By: \_\_\_\_\_  
Richard V. Poirier, CEO and President

ATTEST:

By: \_\_\_\_\_  
Michael M. Smith, Secretary

**EXHIBIT A  
ADOPTING RESOLUTIONS**

**EXHIBIT B**  
**SECOND AMENDED AND RESTATED**  
**ARTICLES OF INCORPORATION OF CONVERTED CMIC**

**EXHIBIT C**  
**SECOND AMENDED AND RESTATED**  
**BYLAWS OF CONVERTED CMIC**

**EXHIBIT D**  
**ARTICLES OF INCORPORATION OF CM MHC**

**EXHIBIT E**  
**BYLAWS OF CM MHC**

**EXHIBIT F**  
**ARTICLES OF INCORPORATION**  
**OF CM COMPANIES, INC.**

**EXHIBIT G**  
**BYLAWS OF CM COMPANIES, INC.**

**EXHIBIT H**  
**DIRECTORS AND OFFICERS OF CM MHC,**  
**CONVERTED CMIC, AND CM COMPANIES, INC.**

