

**MUTUAL HOLDING COMPANY PLAN**

**of**

**SENTRY INSURANCE A MUTUAL COMPANY**

**Under Chapter 644 of the**

**Wisconsin Insurance Code**

**Dated \_\_\_\_\_**

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## **PREAMBLE**

Sentry Insurance a Mutual Company, a Wisconsin mutual insurance company (“SIAMCO”) intends to restructure into a mutual insurance holding company structure pursuant to Chapter 644 of the Wisconsin Insurance Code (the “Restructuring”).

## **RECITALS**

A. At a meeting duly called and held on [\_\_\_\_\_], the Board of Directors of SIAMCO (the “Board of Directors”) adopted certain resolutions attached hereto as Exhibit A (the “Adopting Resolutions”) which, among other things, (i) found that the Restructuring is fair and equitable to SIAMCO’s Policyholders and is expected to benefit SIAMCO and its Policyholders for the reasons set forth therein, (ii) adopted this Mutual Holding Company Plan, including all Exhibits attached hereto (“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 SIAMCO, and that the proposed Second and Amended Restated Articles of Incorporation of Sentry Insurance Company (attached hereto as Exhibit B) (the “SIC Articles”) be submitted for approval by the Members of SIAMCO, as provided by Wis. Stat. § 644.07(8) and/or applicable provisions of the current Restated Articles of Incorporation of SIAMCO dated April 17, 1991, including any amendments thereto (the “SIAMCO Articles”), and the Bylaws of SIAMCO dated November 8, 2018 (the “SIAMCO 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.

“Board of Directors” has the meaning set forth in the Recitals.

“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.

“DIC” means Dairyland Insurance Company.

“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 SMHC.

“Foley & Lardner LLP” means the law firm of Foley & Lardner LLP.

“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 the company that issued the Policy.

“Member” means a Policyholder who, by the records of SIAMCO or SMHC, and by their respective Articles of Incorporation and Bylaws, is a Member of SIAMCO or SMHC, 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 SIAMCO Articles and SIAMCO 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 SMHC, 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.

“MIC” means Middlesex Insurance Company.

“PGIC” means Patriot General Insurance Company.

“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” has the meaning set forth in the Recitals.

“Policy” means an insurance policy or contract (other than a reinsurance contract), or any binder or a renewal certificate, but excluding certificates issued under a master or group policy, issued by SIAMCO (or, on and after the Effective Date, any Sentry Member Company) in the course of business.

“Policyholder” means a Person identified in the records of SIAMCO, SIC, and/or any other Sentry Member Company as the owner of one or more Policies issued by such company.

“PPCIC” means Peak Property and Casualty Insurance Corporation.

“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 SIAMCO Members will be eligible to vote for approval of the Plan.

“Record Date Members” means Persons who are Members of SIAMCO 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 of SIAMCO 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 SIAMCO Articles or Chapter 611 of the Wisconsin Insurance Code to a return of the surplus in respect of Policies of SIAMCO, 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 SMHC arising under its Articles of Incorporation or Chapter 644 of the Wisconsin Insurance Code to the net worth of SMHC, including rights of Members of SMHC to a distribution of any portion of the net worth of SMHC in dissolution or conversion proceedings under Chapter 644 of the Wisconsin Insurance Code.

“SCC” means Sentry Casualty Company.

“Sentry Member Company” initially means the following companies: SIC, DIC, MIC, PGIC, PPIC, SCC, SSIC, and VIC. After the Effective Date, “Sentry Member Company” means such wholly owned subsidiaries of SMHC as may be designated from time to time by the Board of Directors of SMHC; provided, however, that SIC shall always be a Sentry Member Company.

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

“SIAMCO Articles” has the meaning set forth in the Recitals.

“SIAMCO Bylaws” has the meaning set forth in the Recitals.

“SIC” means Sentry Insurance Company.

“SIC Articles” has the meaning set forth in the Recitals.

“SIC Bylaws” means the proposed Amended and Restated Bylaws of SIC (attached hereto as Exhibit C) that will go into effect on the Effective Date of the Restructuring.

“SHI” means Sentry Holdings, Inc.

“SMHC” means Sentry Mutual Holding Company.

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

“SSIC” means Sentry Select Insurance Company.

“VIC” means Viking Insurance Company of Wisconsin.

“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 SHI.** On or before the Effective Date, SIAMCO shall incorporate SHI as a Wisconsin business corporation under Chapter 180 of the Wisconsin Statutes.

**2.2 Formation of SMHC.** Pursuant to Wis. Stat. § 644.07(10)(a), on the Effective Date, SMHC shall be incorporated as a Wisconsin mutual insurance 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 SIAMCO, together with the Policyholders of other Sentry Member Companies who or which have become Members as provided for herein and in the Articles of Incorporation of SMHC, will constitute 100% of the Members of SMHC, and SMHC will indirectly own 100% of the shares of voting stock of SIC. In this manner, the mutuality of SIAMCO 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) SIAMCO will become a Wisconsin stock insurance company;

(b) All Membership Interests and Rights in Surplus of SIAMCO will be extinguished and the Members of SIAMCO will become Members of SMHC, with such rights and privileges, including Membership Interests and Rights in Surplus of SMHC, as are provided for pursuant to the Wisconsin Insurance Code and the Articles of Incorporation and Bylaws of SMHC;

(c) SHI will be issued 100% of the initial shares of voting stock of SIC;

(d) SMHC will be issued 100% of the initial shares of voting stock of SHI;

and

(e) SIAMCO will transfer 100% of the limited liability company membership interests or shares of voting stock (as applicable) of the following SIAMCO subsidiaries to SHI: John Parker Development, LLC; Sentry Services, L.L.C.; Productivity Advantage, Inc.; Sentry Aviation Services, Inc.; WAULECO, Inc.

**2.5 Corporate Existence of SIC.** On the Effective Date, SIAMCO shall change its name to “Sentry Insurance Company.” SIC shall be considered to have been organized at the time that SIAMCO was organized. The Board of Directors will be deemed removed and replaced, without further action, by the initial Board of Directors of SIC identified in Exhibit H. Except as otherwise provided herein, the officers, agents, and employees of SIC shall continue in like capacity without regard to the Restructuring, subject to any and all existing rights and obligations of such parties and SIC pursuant to existing contracts and applicable law.

**2.6 Continuation of Rights and Obligations.** The Restructuring of SIAMCO into a stock insurance company subsidiary of SMHC shall in no way annul, modify or change any of SIAMCO’s existing suits, rights, property interests, contracts or liabilities. SIC 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 SIAMCO 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 SMHC, as provided in Paragraph 2.4(b).

**2.7 Continuation of Policies.** On and after the Effective Date, every Policy of SIAMCO which is In Force shall continue as a Policy of SIC, 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 SIC, except with respect to the Membership Interests and Rights in Surplus that are extinguished and replaced by Membership Interests and Rights in Surplus of SMHC, as provided in Paragraph 2.4(b).

**2.8 Members of SMHC.**

(a) Each Person who is a Member of SIAMCO, as provided in the records of SIAMCO and in accordance with the SIAMCO Articles and the SIAMCO Bylaws, immediately prior to the Effective Date, shall become a Member of SMHC as of the Effective Date 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 SMHC is derived remains In Force.

(b) Each Person who becomes the owner of one (1) or more Policies of insurance issued, renewed, or assumed by a Sentry Member Company after the Effective Date, shall become a Member of SMHC without further act, commencing on the date any such policy is first In Force, and shall remain a Member so long as at least one (1) policy of insurance by virtue of which such Member status in SMHC is derived remains In Force.

(c) Any Person who has become a Member of SMHC as described in Section 2.8(a) or (a), 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 SIC.** On the Effective Date, the SIAMCO Articles shall, without further act or deed, be amended and restated as set forth in the

SIC Articles attached hereto as Exhibit B. On the Effective Date, the SIAMCO Bylaws shall, without further act or deed, be amended and restated as set forth in the Bylaws attached hereto as Exhibit C.

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

**2.11 Articles of Incorporation and Bylaws of SHI.** On the Effective Date, the Articles of Incorporation of SHI shall be as set forth in the Articles of Incorporation attached hereto as Exhibit F. On the Effective Date, the Bylaws of SHI 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 SIC, SHI, or any other affiliated company to any 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 [\_\_\_\_\_, 20\_\_].

### **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, SIAMCO will submit to the Wisconsin Commissioner, among other things, the following documents:

- (a) The proposed Articles of Incorporation and proposed Bylaws of SMHC;
- (b) The proposed Articles of Incorporation and proposed Bylaws of SHI;
- (c) The proposed SIC Articles and SIC Bylaws;
- (d) So much of the following information relative to SMHC 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 SMHC 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; and
- (6) A business plan of SMHC 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.** SIAMCO shall mail notice of the Public Hearing to the last-known address of each Person who was a Policyholder of SIAMCO on the Resolution Date as such appears on the records of SIAMCO. 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. SIAMCO'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 SIAMCO 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 SIAMCO 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 SIAMCO, SIC, SMHC, and/or SHI, 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 SIAMCO to represent SIAMCO 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 SIAMCO to negotiate and execute, on behalf of SIAMCO and, if necessary, SIC, SMHC, and/or SHI 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 SIAMCO on the Record Date. Voting on the Plan shall be in accordance with: (i) Wis. Stat. § 644.07(8); and (ii) the SIAMCO Articles and SIAMCO Bylaws. Wis. Stat. § 644.07(8) provides that voting on the Plan shall be in accordance with the SIAMCO Articles and SIAMCO Bylaws, but in no event shall the required vote to approve the Plan be less than a majority of those Resolution Date Members voting in person or by proxy. The SIAMCO Articles provide that an amendment to such Articles (which amendment is a component element of the Plan) must be approved by a vote of two-thirds 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 two-thirds of Record Date Members, in both cases, of those 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 thirty (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 as such appears on the records of SIAMCO 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 SIC Articles and the SIC Bylaws, the proposed Articles of Incorporation and Bylaws of SHI, and the proposed Articles of Incorporation and Bylaws of SMHC) is approved by the Wisconsin Commissioner as set forth in Article 4; and

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

**6.2 Private Letter Ruling or Tax Opinion.** This Plan shall not become effective, and the Restructuring shall not be consummated, until SIAMCO receives a private letter ruling issued by the Internal Revenue Service and/or an opinion of Foley & Lardner LLP or other independent tax counsel to SIAMCO, in either case or in combination, substantially to the effect that:

(a) No Member will recognize taxable gain or loss in connection with the Restructuring; and

(b) Neither SMHC, SHI, nor SIAMCO will recognize taxable gain or loss in connection with the Restructuring.

**6.3 No Action Letter or Securities Law Opinion.** This Plan shall not become effective, and the Restructuring shall not be consummated, until SIAMCO receives either a “no action” letter from the Securities and Exchange Commission, and/or an opinion from Foley & Lardner LLP or other independent legal counsel in form and substance satisfactory to the duly authorized Officers of SIAMCO 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 SIAMCO has received all other regulatory approvals that the duly authorized Officers of SIAMCO deem 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 SIC and a certificate of incorporation for SMHC and the issuance by the Wisconsin Department of Financial Institutions of a certificate of incorporation for SHI.

## **ARTICLE 7 ADDITIONAL PROVISIONS**

**7.1 Directors and Officers.** Upon Restructuring, the directors and officers of SMHC, SHI, and SIC 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 SMHC shall not, by virtue of being a Member, be personally liable for the acts, debts, liabilities, or obligations of SMHC.

**7.3 Expenses.** SIAMCO shall not pay compensation of any kind to any Person in connection with this Plan other than regular salaries to SIAMCO 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 SIAMCO, shall be borne by SIAMCO.

**7.4 Amendment or Withdrawal of Plan.** At any time before the Effective Date, SIAMCO 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 SIAMCO 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 of SIAMCO is made after the Plan has been approved by the SIAMCO Members, the Plan as amended shall be submitted for reconsideration by the SIAMCO Members. If the Board of Directors approves an amendment that is not determined by the Wisconsin Commissioner to be materially disadvantageous to the

Policyholders of SIAMCO prior to the Effective Date, then this Plan, including any exhibits hereto, shall be deemed amended in accordance with such amendment without the necessity of a further Public Hearing on the Plan or the submission of the Plan for reconsideration by the SIAMCO Members.

**7.5 Agreements Among Affiliates.** SMHC and 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.

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

SENTRY INSURANCE A MUTUAL COMPANY

By: \_\_\_\_\_  
Peter McPartland  
Chair of the Board and Chief Executive Officer/President

ATTEST:

By: \_\_\_\_\_  
Kip J. Kobussen  
Vice President, General Counsel and Corporate Secretary

**EXHIBIT A**  
**ADOPTING RESOLUTIONS**

**EXHIBIT B**  
**SIC ARTICLES**

**EXHIBIT C**  
**SIC BYLAWS**

**EXHIBIT D**  
**ARTICLES OF INCORPORATION OF SMHC**

**EXHIBIT E**  
**BYLAWS OF SMHC**

**EXHIBIT F**  
**ARTICLES OF INCORPORATION OF SHI**

**EXHIBIT G**  
**BYLAWS OF SHI**

**EXHIBIT H**  
**DIRECTORS AND OFFICERS OF SMHC, SHI, AND SIC**