

**Review of the Allocation of
Subscription Rights and the
Conversion Valuation Appraisal**

**Amalgamated Casualty
Insurance Company
Washington, D.C.**

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TABLE OF CONTENTS

<u>CHAPTER</u>	<u>PAGE</u>
I. INTRODUCTION AND OVERVIEW	
Conversion Transaction Overview	1
Feldman Financial Engagement	5
District of Columbia Insurance Demutualization Statutes	6
Purpose of the Conversion	9
Conversion Stock Offering.....	11
Payment of the Special Dividend	15
Use of Conversion Proceeds.....	16
Subscriber Eligibility.....	17
Scope and Objectives of the Report	23
Summary of Conclusions by Feldman Financial	26
II. REVIEW OF ALLOCATION OF SUBSCRIPTION RIGHTS	
Amended and Restated Plan of Conversion	28
Allocation of Subscription Rights	30
Feldman Financial’s Evaluation of the Subscription Rights Allocation	49
III. REVIEW OF THE APPRAISAL	
Appraisal Requirement.....	53
Factors Considered and Procedures Followed	55
Standard of Value.....	57
Valuation Methodologies	59
Selection of Guideline Companies	61
Market Value Adjustments.....	67
Reconciliation of Value.....	76
Conclusions Regarding the Appraisal	78

APPENDIX EXHIBITS

EXHIBIT

- I Background of Feldman Financial Advisors, Inc
- II Report Certification
- III Statement of Contingent and Limiting Conditions
- IV Consolidated Balance Sheets
(GAAP – As of December 31, 2019 and 2020 and June 30, 2021)
- V Balance Sheet Composition
(GAAP – As of December 31, 2019 and 2020 and June 30, 2021)
- VI Consolidated Income Statements
(GAAP – Years Ended December 31, 2019 and 2020 and the Last Twelve Months Ended June 30, 2021)
- VII Income Statement Composition
(GAAP – Years Ended December 31, 2019 and 2020 and the Last Twelve Months Ended June 30, 2021)
- VIII Statutory Financial Highlights
(Years Ended December 31, 2016 to 2020)
- IX Statutory Financial Highlights
(Last Five Quarters Ended June 30, 2021)
- X Amended and Restated Plan of Conversion of Amalgamated Casualty Insurance Company

I. INTRODUCTION AND OVERVIEW

Conversion Transaction Overview

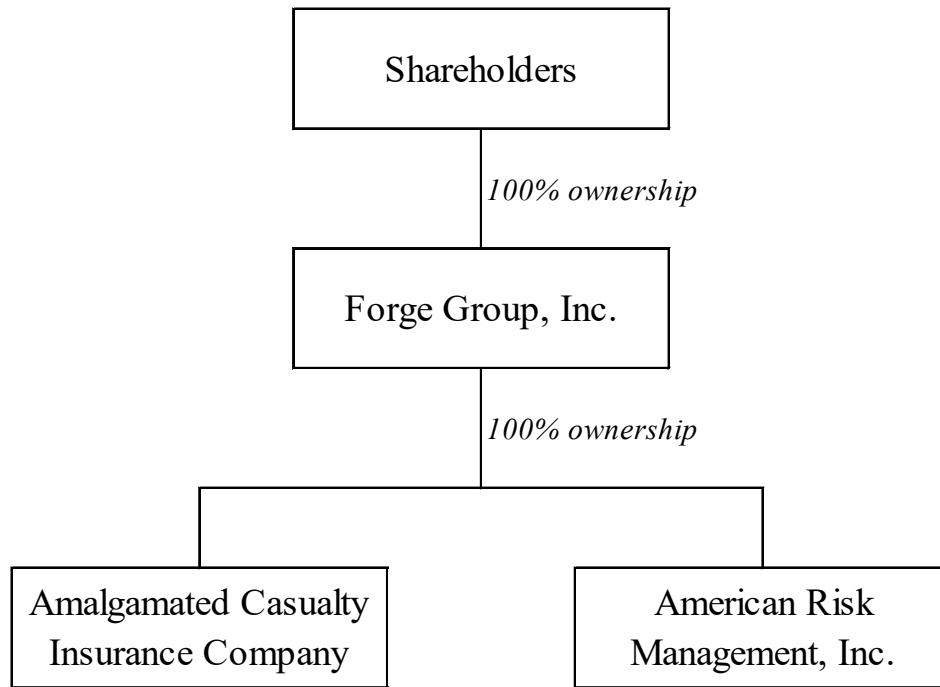
Feldman Financial Advisors, Inc. (“Feldman Financial”) has been engaged by the District of Columbia Department of Insurance, Securities and Banking (the “Department”) to assist the Department in its review of the proposed mutual-to-stock conversion (the “Conversion”) of Amalgamated Casualty Insurance Company (“Amalgamated” or the “Company”), a mutual insurance company domiciled in the District of Columbia, and to provide this summary report (the “Report”). The Conversion is being undertaken by Amalgamated pursuant to the provisions of Title 31 (Insurance and Securities), Chapter 9 (Insurance Demutualization), Section 31-901 et seq. of the District of Columbia Official Code (the “Demutualization Act”), which governs mutual-to-stock conversion transactions by mutual insurance companies. The Conversion is structured as a subscription rights offering with a public offering under the terms of an Amended and Restated Plan of Conversion (the “Amended Plan”) adopted by the Board of Trustees of Amalgamated.

Amalgamated proposes to convert from a mutual insurance company into a stock insurance company and establish a new holding company named Forge Group, Inc. (“HoldCo”), which will own all of the capital stock of the converted Amalgamated. HoldCo will be owned by shareholders and will offer shares of common stock for sale to Amalgamated’s policyholders and other eligible subscribers in a subscription offering (the “Subscription Offering”). Any remaining shares not sold in the Subscription Offering will be offered for sale to certain investors in a public offering (the “Public Offering”), which jointly with the Subscription Offering is referred to herein as the “Offering.” Following the Conversion, Amalgamated will become a wholly-owned subsidiary of HoldCo and plans to continue to conduct its current business operations with its existing management, staff, and infrastructure.

HoldCo is a newly formed Pennsylvania business corporation organized to be the holding company for Amalgamated. In connection with the Conversion, HoldCo has entered into a stock purchase agreement with MCW Holdings, Inc. (“MCW”) to acquire all of the capital stock of American Risk Management, Inc. (“ARM”). Amalgamated writes almost all of its premium business (including direct retail and brokerage operations) through ARM under a nonexclusive agency agreement between Amalgamated and ARM. The Department has previously determined that Amalgamated is part of a holding company system along with its affiliated insurance agency, ARM. In addition, Amalgamated has been deemed to be a producer-controlled insurance company. MCW serves as the ultimate controlling entity in the holding company system and has filed holding company registration statements with the Department since 2011.

In the proposed acquisition of ARM, HoldCo will issue to MCW’s shareholders 550,000 shares of its Series A 8.5% cumulative convertible preferred stock, having a stated value of \$10.00 per share, or an aggregate total stated value of \$5.5 million. The preferred stock is convertible into the common stock of HoldCo at a price of \$12.00 share. Therefore, the preferred stock would convert into 458,333 shares of HoldCo common stock. The preferred stock has voting rights on all matters upon which the common stock has voting rights, and the number of votes of the preferred stock is on an as-converted basis. As a result of the acquisition of ARM, Amalgamated and ARM will both be wholly-owned subsidiaries of HoldCo and will operate as affiliates of a common holding company. This organizational configuration will align Amalgamated’s corporate structure with the current regulatory holding company structure. Table 1 on the following page displays the post-Conversion corporate organizational chart of Amalgamated and HoldCo.

Table 1
Post-Conversion Corporate Organizational Structure



Amalgamated is a mutual property and casualty insurance company that was incorporated in the District of Columbia on August 2, 1938. The Company is focused exclusively on providing commercial automobile insurance coverage to taxi cab, passenger sedan, and other specialty transportation owners and operators. Amalgamated’s statutory home office is located in Washington, D.C., and its main administrative office is located in Chevy Chase, Maryland.

The Company is licensed in 29 states and the District of Columbia. During 2020, the Company wrote premiums in 17 states with its largest premium amounts written in Virginia (25.7% of gross premiums written), the District of Columbia (18.5%), Minnesota (14.4%), Maryland (7.1%), Ohio (7.1%), South Carolina (5.4%), and Missouri (4.8%). Amalgamated aims to deliver affordable insurance products to this targeted market through ARM and approximately 30 independent insurance agent sub-producers.

Amalgamated incurred net operating losses in three of the last four years due to expansion into unprofitable products and underperforming states and the prolonged low interest rate environment, which has depressed interest income. To address these shortcomings, the Company has exited unprofitable non-core business segments and territories and implemented significant expense reductions. Amalgamated is implementing an expansion plan focused on commercial automobile insurance for vehicles used in a business such as contractors and other artisans instead of essentially being the business, such as taxi cabs. The Company has recently added to its executive team to help lead these strategic initiatives and expansion efforts, including a new President and Chief Operating Officer (Richard Hutchinson) and a new Vice President of Digital Commerce and Technology (Joe Niemer).

Based on audited financial statement data prepared under generally accepted accounting principles (“GAAP”) for the year ended December 31, 2020, Amalgamated had gross premiums written of \$6.3 million, net premiums earned of \$8.1 million, and net income of \$3.9 million. As of December 31, 2020, the Company had GAAP total assets of \$88.3 million and GAAP total equity of \$42.2 million. Based on unaudited GAAP financial data as of June 30, 2021, the Company reported total assets of \$88.3 million and total equity of \$43.3 million.

On February 3, 2021, the Board of Trustees of Amalgamated approved and adopted the Plan of Conversion, subject to the review and approval of the Commissioner of the District of Columbia Department of Insurance, Securities and Banking (the “Commissioner”). On February 12, 2021, Amalgamated submitted an Application for Approval of a Plan of Conversion (the “Application”) for review by the Commissioner and the Department. Capitalized terms used in this Report have the meanings ascribed to them in this Report or the Amended Plan, which is attached as an exhibit to this Report. On March 29, 2021, Feldman Financial executed a

Memorandum of Understanding with the Department to provide consulting services regarding a review of certain aspects of the Application and the proposed Conversion. After receiving various comments from the Department regarding the Conversion, the Board of Trustees approved and adopted the Amended Plan on November 9, 2021.

Feldman Financial Engagement

Feldman Financial was engaged by the Department pursuant to Section 31-903(d) of the Demutualization Act, which states the following:

Section 31-903(d) The Commissioner may retain, at the mutual company's expense, any qualified expert not otherwise a part of the Commissioner's staff to assist in reviewing the plan and the independent evaluation of the pro forma market value which is required by Section 31-906(i).

Based upon the Memorandum of Understanding executed between Feldman Financial and the Department on March 29, 2021, Feldman Financial has been engaged to perform the following services:

- (1) Feldman Financial will assist the Department in reviewing the Amended Plan filed by Amalgamated and in determining that the Amended Plan is complete in complying with the required provisions as mandated in Section 31-906 of the Demutualization Act.
- (2) Feldman Financial will provide an evaluation of whether the Amended Plan's method of allocating subscription rights to members of Amalgamated is fair and equitable, and consistent with the applicable subsections of Section 31-906 of the Demutualization Act.
- (3) Feldman Financial will review and render advice within a report to the Department regarding the reasonableness of the methodologies and assumptions utilized by the independent appraiser in deriving the estimated pro forma market value of Amalgamated as required under Section 31-906(i) of the Demutualization Act.
- (4) Feldman Financial will provide oral testimony, if requested, in public hearings regarding our professional experience with and knowledge of insurance company demutualization transactions and specific findings that result from work we have conducted for the Department concerning the proposed Amalgamated transaction.

District of Columbia Insurance Demutualization Statutes

Amalgamated is converting from a mutual insurance company to a stock insurance company under Section 31-901 et seq. of the District of Columbia Official Code, which governs the mutual-to-stock conversion of mutual insurance companies. Specifically, Section 31-902(a) requires the mutual company seeking to convert to a stock company to adopt a plan of conversion that is consistent with the requirements of Section 31-906. Section 31-906(e)(1) further requires that the adopted plan of conversion grant each eligible member of the mutual insurance company nontransferable subscription rights to purchase a portion of the capital stock of the converted stock company or its organized stock holding company. As noted in Section 31-901(3), an eligible member is considered to be a policyholder whose policy is in force as of the date the mutual company's board adopts a plan of conversion. The eligible members must have the subscription right, prior to the right of any other person, to purchase shares of the capital stock of the converted stock company. Therefore, policyholders of the converting mutual company on the date the plan of conversion is adopted must have the first right to purchase shares in the offering, and collectively they must have the right to purchase all of the shares being offered unless other conditions are approved. Section 31-906(f) requires that the subscription rights should be allocated among the eligible members using a fair and equitable method, and also that a fair and equitable method should be employed to allocate the distribution of shares in the event of an oversubscription by eligible members exercising subscription rights.

Section 31-906(h) of the Demutualization Act provides some degree of flexibility to the converting mutual insurance company in structuring its conversion. Section 31-906(h) requires that the plan of conversion provide that if the eligible members do not purchase all of the shares being offered, the remaining shares shall be sold in a public offering through an underwriter. However, if the number of shares of capital stock not subscribed for by the eligible members is so

small in number as to not warrant the expense of a public offering, the plan of conversion may provide for the purchase of the unsubscribed shares of capital stock under a private placement or other alternative method approved by the Commissioner that is fair and equitable to the eligible members.

Section 31-906(i) states that the total price of the capital stock offered for sale in the offering must be equal to the estimated pro forma market value of the converted stock company based upon an independent evaluation by a qualified person. Section 31-906(i) further indicates that the pro forma market value may be the value or range of values that is estimated to be necessary to attract full subscription for the shares as indicated by the independent evaluation. Section 31-906(j) stipulates that the purchase price of each share of capital stock must be equal to any reasonable amount that will not inhibit the purchase of shares by members, and that the purchase price of each share shall be uniform for all purchasers.

After adoption of the plan of conversion by the mutual insurance company's board of directors, the plan of conversion along with the conversion application is submitted to the Commissioner for review and approval. In accordance with Section 31-903(a), the Commissioner shall approve the plan of conversion upon finding that: (1) the provisions of Section 31-903 have been complied with; (2) the plan of conversion will not prejudice the interests of the members; and (3) the plan's method of allocating subscription rights is fair and equitable.

The Application submitted by Amalgamated to the Department, along with supplemental materials provided subsequently by Amalgamated, was prepared to comply with Section 31-903(b) of the Demutualization Act, which lists the documents that should be filed by the converting mutual company for review and approval by the Commissioner. Each specific document that is required under Section 31-903(b) was included in the Application filed by Amalgamated. Table

2 compares the documents required pursuant to Section 31-903(b) with the actual documents provided by Amalgamated. In addition to the required documents, Amalgamated also included exhibits in the Application related to its post-Conversion organizational structure and the proposed acquisition of ARM.

Table 2
Comparison of Required Documents with Submitted Documents

D.C. Code Section Reference	Description of Required Document	Document Submitted by Amalgamated in the Application
Section 31-903(b)(1)	Plan of conversion.	Exhibit I – Plan of Conversion as approved by the Board of Trustees on February 3, 2021, which was subsequently superseded by the Amended and Restated Plan of Conversion as approved by the Board of Trustees on November 9, 2021.
Section 31-903(b)(1)	Independent evaluation of pro forma market value.	Exhibit V – Pro Forma Valuation Appraisal Reports of Amalgamated Casualty Insurance Company as of December 30, 2020, September 1, 2021, and October 15, 2021 (prepared by Boenning & Scattergood, Inc.).
Section 31-903(b)(2)	Form of notice for eligible members of the meeting to vote on the plan of conversion.	Exhibit IX – Notice of Special Meeting of Eligible Members of Amalgamated Casualty Insurance Company.
Section 31-903(b)(3)	Any proxies to be solicited from eligible members.	Exhibit IX – Proxy Statement.
Section 31-903(b)(4)	Form of notice for persons whose policies are issued after adoption of the plan but before its effective date.	Exhibit X – Notice to Policyholders of Amalgamated Casualty Insurance Company of Policies Issued After February 3, 2021.
Section 31-903(b)(5)	Proposed articles of incorporation and bylaws of the converted stock company.	Exhibit VI – Amended and Restated Articles of Incorporation and Bylaws of Amalgamated Casualty Insurance Company. Exhibit VII – Amended and Restated Articles of Incorporation and Bylaws of Forge Group, Inc.

Purpose of the Conversion

Amalgamated has indicated that it undertook careful study and consideration of the merits of adopting its Amended Plan. The Company believes that the current state of the commercial automobile specialty transportation insurance business in the United States presents it with the opportunity to extend its reach into its target market and provide affordable insurance products to this sector. As noted earlier, the Company built upon its historical experience in insuring taxi cabs and expanded its business to offer insurance coverage solutions that also protect sedans, limousines, ride-sharing vehicles, sightseeing tours, courtesy shuttles, school shuttles, last-mile delivery carriers, and couriers. In determining to proceed with the Conversion, Amalgamated has examined various corporate strategic alternatives ranging from maintaining the status quo, expanding, or acquiring other lines of business or companies, and various forms of demutualization permitted by District of Columbia law.

Following consideration and analysis of these alternatives and consulting with its team of professional advisors, Amalgamated concluded that the subscription rights method of demutualization best suited the Company's circumstances. In its present corporate structure as a mutual insurance company, Amalgamated can only increase its statutory capital through earnings or by the issuance of surplus notes. Reliance on earnings to provide a long-term source of capital limits the Company's ability to develop new business, issue new insurance products, and provide greater stability and protection for its policyholders. This challenge has become even more paramount in recent years given the reduction in the Company's revenue streams due to (1) the coronavirus pandemic stay-at-home orders and resulting reduction in travel and (2) the disruptive competition for taxi cab service from ride-sharing companies such as Uber and Lyft.

Amalgamated has a current A.M. Best financial strength rating (“FSR”) of B++ (Good), which represents the fifth highest of 13 assigned rating categories. The Company’s A.M. Best FSR was most recently affirmed on January 21, 2021. A.M. Best noted that while the Company has a very strong balance sheet, Amalgamated is characterized by a marginal operating performance and limited business profile. Furthermore, A.M. Best commented that because Amalgamated operates as a stand-alone mutual company, its financial flexibility is limited and that its access to additional capital is limited to issuing debt. A.M. Best acknowledged that the Company registered improvement in underwriting and operating performance in 2020 despite significant declines in premiums, as well as frequency, related to the coronavirus pandemic.

A.M. Best is the primary ratings agency for the insurance industry. A.M. Best’s ratings are used by producers and customers as a means of assessing the financial strength and quality of insurance companies. Therefore, A.M. Best’s ratings may be a meaningful factor affecting the Company’s ability to attract new business and financing. Amalgamated’s FSR was downgraded by A.M. Best in December 2018 from A– (Excellent) to B++ (Good). Management of Amalgamated believes that the additional capital from the Conversion will strengthen the Company’s capital and operating outlook, thereby leading to improved prospects for achieving a ratings upgrade from A.M. Best in the near future.

As stated in the Amended Plan, Amalgamated asserts that the principal purpose of the Conversion is to convert from the mutual to stock form of organization in order to enhance the Company’s capital position and its strategic and financial flexibility and to provide its Eligible Members with the right to acquire an equity interest in HoldCo. Amalgamated believes that it can leverage its competitive strengths and the additional capital from the Conversion to grow its business by introducing new products to trade and service providers, expanding its distribution

capacity by increasing its agent force, and focusing on strategic initiatives to improve profitability and operating efficiency. In summary, Amalgamated has concluded that the Conversion would:

- permit Amalgamated to undertake a substantial capital raising transaction;
- with additional capital from the Conversion, enable Amalgamated to achieve scale and position it to execute its growth strategy;
- provide for a more traditional corporate governance structure;
- enhance corporate flexibility for future strategic options;
- improve the visibility of the Amalgamated brand;
- afford policyholders an opportunity to participate in the Company's success through the purchase of common stock;
- permit the Company to adopt stock incentive plans to enhance its ability to attract and retain highly qualified employees, officers, and directors;
- enable Amalgamated to have stock for use as acquisition currency in pursuing the acquisition of other insurance companies and related businesses.

Conversion Stock Offering

The Conversion will be implemented through a series of concurrent transactions. Immediately upon the reorganization of Amalgamated from mutual to stock form, all of the authorized capital stock of the converted Company will be issued to HoldCo. In turn, HoldCo will offer shares of its common stock for sale in a Subscription Offering on a first priority basis to Eligible Members, who were policyholders of the Company as of February 3, 2021. The number of shares to be offered for sale is based on the Valuation Range established by the independent appraiser, Boenning & Scattergood, Inc. ("Boenning"), and reflects the estimated pro forma market value of the Company.

In accordance with Section 31-906(i) of the Demutualization Act, Boenning prepared a Pro Forma Valuation Appraisal Report as of December 30, 2020 (the "Original Appraisal") that

concluded the effective Valuation Range for Amalgamated was from a minimum of \$22.6 million to a maximum of \$30.6 million based on a midpoint of \$26.6 million. The Valuation Range reflects a 15% decrease from the midpoint and a 15% increase from the midpoint to determine the minimum and maximum of the Valuation Range, respectively. Due to the passage of time and in order to reflect more current financial and stock market data, Boenning updated the Original Appraisal and prepared a Pro Forma Valuation Appraisal Update as of September 1, 2021 (the “First Updated Appraisal”) and concluded that the Valuation Range was from a minimum of \$24.2 million to a maximum of \$32.8 million based on a midpoint of \$28.5 million. Because of changes in certain terms of the proposed Conversion and recent changes in stock market data, Boenning updated the Valuation Range in its Pro Forma Valuation Appraisal Update as of October 15, 2021 (the “Second Updated Appraisal”), which determined that the current Valuation Range was from a minimum of \$17.0 million to a maximum of \$23.0 million based on a midpoint of \$20.0 million. Based on an initial offering price of \$10.00 per share, a minimum of 1,700,000 shares and a maximum of 2,300,000 shares will be offered for sale in the Offering.

As permitted by Section 31-907(b) of the Demutualization Act, the Amended Plan authorizes that an employee stock ownership plan (the “ESOP”) will be formed by Amalgamated and granted Subscription Rights to purchase 9.9% of the total number of shares of common stock issued in the Offering. The ESOP will have second priority in the Subscription Offering (after Eligible Members) to purchase stock in the Subscription Offering. However, an oversubscription by Eligible Members shall not reduce the number of shares of common stock that may be purchased by the ESOP. The Amended Plan further provides that Subscription Rights will be granted also to Amalgamated’s trustees, officers, and employees, who will have third priority (after Eligible Members and the ESOP) to purchase shares of common stock in the Subscription Offering. Based on an initial offering price of \$10.00 per share, the maximum number of shares

that may be purchased by a subscriber in the Subscription Offering is established in the Amended Plan at 25,000 shares (excluding the purchase by the ESOP).

Based on the Valuation Range indicated in the Second Updated Appraisal, a minimum of 1,700,000 shares of common stock must be sold to complete the Conversion. If fewer than 1,700,000 shares are subscribed for in the Subscription Offering, then shares of common stock will be offered for sale in the Public Offering to members of the general public, including a limited number of sophisticated investors. All purchasers of common stock in the Subscription Offering and the Public Offering will pay the same cash price of \$10.00 per share. The minimum number of shares that may be purchased in the Subscription Offering or Public Offering is 50 shares.

In insurance company demutualizations, it is commonplace that actual subscriber participation in the subscription phase is very limited and that a public offering to additional investors is necessary to raise at least the minimum amount of gross proceeds dictated by the independent appraisal. Amalgamated has retained the investment banking firm of Griffin Financial Group LLC (“Griffin Financial”) to serve as its financial advisor and marketing agent to conduct and manage the Subscription Offering and Public Offering. Griffin Financial will also assist in identifying selected investors to purchase shares in the Public Offering as necessary to complete the Conversion.

MCW, together with its principals Patrick Bracewell and Joseph Bracewell, has indicated its intention to purchase approximately 250,000 shares in the Offering (collectively, the “Bracewell Investment”). Patrick Bracewell currently serves as Chairman and Chief Executive Officer of Amalgamated and his father, Joseph Bracewell, is a member of the Company’s Board of Trustees. Patrick Bracewell and Joseph Bracewell own approximately 73% and 21%, respectively, of MCW with the remaining ownership of MCW controlled by siblings of Patrick

Bracewell. The ownership stake of 250,000 shares to be purchased by MCW would represent 14.7% of HoldCo's outstanding common stock at the minimum of the current Valuation Range or 10.9% based on the maximum of the current Valuation Range. When combined with 458,333 votes held by MCW in its capacity as the owner of the convertible preferred stock of HoldCo, MCW would control approximately 32.8% of the total voting power of HoldCo's total capital stock as measured at the minimum of the current Valuation Range or 25.7% based on the maximum of the current Valuation Range. Patrick Bracewell will serve as Chairman of the Board, President, and Chief Executive Officer of HoldCo, while Joseph Bracewell will be a member of the Board of Directors of HoldCo.

The Company has also identified two other stock purchasers for the Public Offering. Roumell Opportunistic Value Fund (the "Roumell Value Fund") has stated its intention to purchase in the Public Offering an amount of shares equal to 9.9% of HoldCo's total outstanding shares, including shares issuable to holders of the convertible preferred Stock. The Roumell Value Fund is a mutual fund managed by James Roumell, a trustee of Amalgamated and a director of HoldCo. James Roumell is a founder, partner, and portfolio manager of Roumell Asset Management, LLC in Chevy Chase, Maryland. The intended stock purchase by the Roumell Value Fund would amount to 213,675 shares as measured at the minimum of the current Valuation Range or 273,075 shares based on the maximum of the current Valuation Range. The Mutual Capital Investment Fund intends to purchase an amount of shares in the Public Offering equal to 20.0% of the total shares offered based on the current Valuation Range.

Individual members of Amalgamated's Board of Trustees and executive officers of Amalgamated have indicated their intent to purchase a total of approximately 244,000 shares of HoldCo's common stock. Included in this total are the proposed individual share purchase of

25,000 shares and 42,500 shares by Patrick Bracewell and Joseph Bracewell, which in aggregate are included in the aforementioned Bracewell Investment. No one of the individual Board members or executive officers will purchase more than 5.0% of the shares of common stock to be sold in the Offering. The Bracewell Investment and the proposed purchases by the Roumell Value Fund and the Mutual Capital Investment Fund are subject to Department approval under Section 31-906(1) of the Demutualization Act because each purchase involves more than 5.0% of the shares of common stock sold in the Offering. In the Application and subsequent disclosures, Amalgamated has requested the Department to approve such purchases.

HoldCo will conduct the Offering pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). HoldCo intends to apply to have “buy” and “sell” quotes for shares of its common stock reported on the “OTC Pink” market by broker-dealers that agree to make a market in its common stock. As a result of this market listing, HoldCo will be required to meet certain corporate governance standards, including having at least two independent directors and an audit committee with a majority of the members considered independent.

Payment of the Special Dividend

As of the effective date of completing the Conversion and the Offering, Amalgamated plans to pay to each Eligible Member a special cash dividend (the “Special Dividend”) equal to the quotient of \$7.3 million divided the number of Eligible Members. Based on the estimated number of 1,589 Eligible Members, the Special Dividend is currently estimated at approximately \$4,594.08 per Eligible Member. The payment of the Special Dividend would result in a reduction of Amalgamated’s total equity and has been taken into account by Boenning in determining its estimate of the current Valuation Range. Initially, Amalgamated had considered including a cash redemption option to Eligible Members in lieu of exercising their Subscription Rights. However,

after further discussions with the Department, Amalgamated has elected to proceed with the Special Dividend as a means of providing tangible value to its policyholders in recognition of their customer loyalty and concurrently preserving their Subscription Rights pursuant to the Amended Plan. Accordingly, whether or not Eligible Members elect to exercise their Subscription Rights to purchase shares in the Subscription Offering, they will receive a cash payment in the form of the Special Dividend upon completion of the Conversion and the Offering.

Use of Conversion Proceeds

The amount of net proceeds from the sale of common stock in the Conversion will depend on the total number of shares actually sold in the Subscription Offering and the Public Offering. As a result, the net proceeds from the sale of common stock cannot be determined until the Offering is completed. After the payment of expenses and commissions related to the Offering, HoldCo will use proceeds received from the sale of common stock in the Offering to make a loan to the ESOP in an amount sufficient to permit the ESOP to buy an amount equal to 9.9% of the shares sold in the Offering. The amount of stock purchased by the ESOP will range from \$1.7 million at the minimum of the Valuation Range to \$2.3 million at the maximum of the Valuation Range. Amalgamated expects to use \$7.3 million of the net proceeds from the Offering to pay the aggregate Special Dividend to Members. The Company may also use a portion of the net proceeds to repay the \$1.4 million of indebtedness that it will assume as part of the purchase of ARM.

A portion of the remaining net proceeds will be infused into Amalgamated as additional capital, which will be used to (1) support organic growth of the Company's insurance business, (2) fund new product launches, and (3) selectively deploy new capital to retain, acquire, and bolster talent in key areas. HoldCo expects to retain any residual net proceeds from the Offering to be used for general corporate purposes, which may include acquisitions of other insurance companies

or related businesses, stock repurchases, or payment of cash dividends, including dividends on the convertible preferred stock. On a short-term basis, the proceeds retained by HoldCo will be invested primarily in investment securities consistent with Amalgamated's current investment strategy until utilized.

Amalgamated intends to make an assessment of the ongoing capital needs of HoldCo and the Company based on various factors, including financial condition and operating results, general economic and business conditions, alternatives to enhance shareholder value, the outlook for implementing various strategic objectives, and the attractiveness of potential acquisitions to expand operations. At the present time, Amalgamated has no current plans, agreements, or understandings pertaining to any specific acquisition transactions.

Subscriber Eligibility

As a mutual insurance company, Amalgamated has no stockholders but it does have members. A member of Amalgamated is the holder of an individual in-force insurance policy issued by the Company. Similar to corporate stockholders, the members have certain rights with respect to Amalgamated, such as voting rights for the election of members of the Board of Trustees and approval of certain significant transactions including the Conversion. However, unlike shares of stock held by stockholders, the memberships in the Company are not transferable and do not exist separately from the related insurance policy issued by Amalgamated. Therefore, these membership rights are extinguished when a member's policy with Amalgamated is terminated by surrender, lapse, nonrenewal, or cancellation. Those membership interests will also be extinguished upon the completion of the Conversion in accordance with District of Columbia law and the Amended Plan.

According to Section 31-901(3) of the Demutualization Act for purposes of determining member eligibility to receive subscription rights in an insurance company mutual-to-stock conversion, “eligible member” is defined as a member whose policy is in force as of the date the mutual company’s board of directors adopts a plan of conversion. Under Amalgamated’s Amended Plan, Article 2.01 defines an Eligible Member as any member (defined in the Company’s bylaws as any person, corporation, partnership, or other entity in whose or which name a policy or certificate of insurance has been issued by the Company) who is a member as of the Adoption Date (defined as the adoption date of the original Plan of Conversion and noted as February 3, 2021). The definition of Eligible Member in the Company’s Amended Plan meets the requirements of the relevant section of the Demutualization Act as cited above.

Article 7.01 of the Amended Plan stipulates that Subscription Rights to purchase shares of common stock in the Subscription Offering will be distributed based on the priorities as specified. Eligible Members will receive first priority to purchase in aggregate the maximum of 2,300,000 shares offered for sale as stipulated under Article 7.01(a) of the Amended Plan.

Article 7.01(a) Eligible Members (First Priority). Each Eligible Member shall receive, without payment, non-transferable Subscription Rights to purchase up to 25,000 shares of Common Stock in the Subscription Offering; *provided, however,* that the maximum number of shares that may be purchased by Eligible Members in the aggregate shall be equal to the Maximum of the Valuation Range divided by the Purchase Price.

In the event of an oversubscription for shares of Common Stock pursuant to Section 7.01(a), available shares shall be allocated among subscribing Eligible Members so as to permit each such Eligible Member, to the extent possible, to purchase a number of shares that will make his or her total allocation equal to the lesser of (i) the number of shares that he or she subscribed for or (ii) 1,000 shares. Any shares of Common Stock remaining after such initial allocation will be allocated among the subscribing Eligible Members whose subscriptions remain unsatisfied in the proportion in which (i) the aggregate number of shares as to which each such Eligible Member’s subscription remains unsatisfied bears to (ii) the aggregate number of shares as to which all such Eligible Members’ subscriptions remain unsatisfied; *provided, however,* that no fractional shares of Common Stock shall be issued. If, because of

the magnitude of the oversubscription, shares of Common cannot be allocated among subscribing Eligible Members so as to permit each such Eligible Member to purchase the lesser of 1,000 shares or the number of shares subscribed for, then shares of Common Stock will be allocated among the subscribing Eligible Members in the proportion in which (i) the aggregate number of shares subscribed for by each such Eligible Member bears to (ii) the aggregate number of shares subscribed for by all Eligible Members; *provided, however*, that no fractional shares of Common Stock shall be issued.

In accordance with Article 7.01(b) of the Amended Plan, the ESOP will have second priority to exercise its Subscription Rights to purchase shares of common stock in the Subscription Offering. The granting of Subscription Rights to the ESOP is an optional provision permitted by Section 31-907(b) of the Demutualization Act, which allows for a tax-qualified employee benefit plan to purchase up to 10% of the capital stock of the converted stock company or its related holding company formed for the purpose of holding all the stock of the converted stock company.

Article 7.01(b) of the Amended Plan states the following:

Article 7.01(b) ESOP (Second Priority). The ESOP shall receive, without payment, Subscription Rights to purchase at the Purchase Price a number of shares of Common Stock equal to nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock to be issued in the Offering as set forth in Section 5.03. An oversubscription by Eligible Members shall not reduce the number of shares of Common Stock that may be purchased by the ESOP under this section.

If Eligible Members subscribe for more than 2,300,000 shares, the shares of common stock will be allocated based on procedures outlined in the Amended Plan. However, the ESOP will still be allowed to exercise its Subscription Rights to purchase 9.9% of the total number of shares of common stock to be issued in the Offering. If Eligible Members subscribe for fewer than 2,300,000, then shares will be offered for sale to trustees, officers, and employees of Amalgamated only to the extent that unsold shares are available that were not purchased by Eligible Members. Section 31-907(a)(1) of the Demutualization Act authorizes the distribution of subscription rights to directors and officers of a mutual company as an optional provision to be included in a plan of

conversion. Amalgamated's Amended Plan provides Subscription Rights to each trustee, officer, and employee of the Company with a third priority basis after the Subscription Rights granted to Eligible Members and the ESOP. Article 7.01(c) of the Amended Plan describes the Subscription Rights and allocation process for trustees, officers, and employees.

Article 7.01(c) Trustees, Officers, and Employees of Amalgamated (Third Priority). Each Trustee, Officer, and Employee of Amalgamated shall receive, without payment, non-transferable Subscription Rights to purchase up to 25,000 shares of Common Stock in the Subscription Offering; *provided, however*, that such Subscription Rights shall be subordinated to the Subscription Rights of the Eligible Members and the ESOP; and *provided, further*, that such Subscription Rights may be exercised only to the extent that there are shares of Common Stock that could have been purchased by Eligible Members, but which remain unsold after satisfying the subscriptions of all Eligible Members. In the event of an oversubscription among the Trustees, Officers, and Employees, the number of shares issued to any one Trustee, Officer, or Employee shall be equal to the product of (i) the number of shares available for issuance to all Trustees, Officers, and Employees, and (ii) a fraction, expressed as a percentage, the numerator of which is the number of shares to which the subscribing Trustee, Officer, or Employee subscribed and the denominator of which is the total number of shares subscribed by all Trustees, Officers, and Employees. The aggregate number of shares purchased by the Trustees, Officers, and Employees, whether purchased in the Subscription Offering in their capacity as Eligible Members, in the Public Offering, or otherwise, shall be limited as provided in Section 9.1 hereof.

A Trustee, Officer, or Employee who subscribes to purchase shares of Common Stock and who also is eligible to purchase shares of Common Stock as an Eligible Member will be deemed to purchase Common Stock first in his or her capacity as an Eligible Member, provided that any such person shall nevertheless only have Subscription Rights to purchase 25,000 shares of Common Stock in total (with any other purchases being made in the Public Offering).

The aggregate purchase of shares of common stock in the Offering by trustees, officers, and employees is limited by the provision cited in Section 31-907(a)(2) of the Demutualization Act, which limits the aggregate number of shares purchased by directors and officers to an amount ranging from 25% to 85% of the total shares sold, depending on the asset size of the converting mutual company. Generally, the limitation for a smaller asset-sized company (less than \$50 million) approaches the greater maximum of 85%, while the limitation for a larger asset-sized

company (more than \$500 million) is skewed toward the lesser maximum of 25%. Based on the Company's GAAP asset size of \$88.3 million as of June 30, 2021 and a linear interpolation of the mandated parameters, we have calculated an aggregate purchase limitation of approximately 79.9% for the trustees, officers, and employees of the Company.

Based on recent indications provided by the Company, trustees and officers along with their related interests intend to purchase in the aggregate an amount totaling \$6.4 million or 37.7% of the \$17.0 million in aggregate stock offered at the minimum of the Valuation Range and \$7.0 million or 30.4% of the \$23.0 million in aggregate stock offered at the maximum of the Valuation Range. Therefore, the anticipated aggregate purchase by trustees and officers of the Company in the Offering would comply with the relevant provisions of the Demutualization Act.

Table 3 summarizes the category and priority of stock purchasers in the Subscription Offering and Public Offering as outlined in the Amended Plan.

Table 3
Purchaser Category and Priority in the Conversion Offering

Offering Phase	Order of Priority	Purchaser Category	Individual Minimum Number of Shares for Purchase	Individual Maximum Number of Shares for Purchase (1)
Subscription	First	Eligible Members	50	25,000
Subscription	Second	ESOP	50	9.9% of the Total Offering
Subscription	Third	Trustees, Officers, and Employees	50	25,000
Public	Fourth	Other Investors	50	5.0% of the Total Offering (2)

(1) Except for the ESOP, the maximum purchase limitation is subject to a reduction due to a re-allocation of purchase orders in the event of an oversubscription of shares.

(2) Certain purchasers (the Bracewell Investment, Roumell Value Fund, and Mutual Capital Investment Fund) are requesting Department approval to exceed the maximum purchase limitation of 5.0%.

Table 4 provides additional detail on the currently anticipated distribution of share purchases in the Offering based on the specified levels of the Valuation Range. The intended purchases by certain identified investors and affiliated parties, including the ESOP, helps to ensure that a meaningful proportion of the shares for sale in the Offering can be confidently completed and that the remaining stock sales to complete the Conversion are attainable.

Table 4
Shareholder Purchase Distribution in the Conversion Offering

	Conversion Stock Offering			Conversion Stock Offering		
	Minimum	Midpoint	Maximum	Minimum	Midpoint	Maximum
	Shares	Shares	Shares	Shares	Shares	Shares
	1,700,000	2,000,000	2,300,000	100.00%	100.00%	100.00%
ESOP	168,300	198,000	227,700	9.90%	9.90%	9.90%
MCW Holdings, Inc. (1)	250,000	250,000	250,000	14.71%	12.50%	10.87%
Roumell Value Fund	213,675	243,375	273,075	12.57%	12.17%	11.87%
Mutual Capital Investment Fund	340,000	400,000	460,000	20.00%	20.00%	20.00%
Other Trustees and Officers (2)	<u>176,500</u>	<u>176,500</u>	<u>176,500</u>	<u>10.38%</u>	<u>8.83%</u>	<u>7.67%</u>
Subtotal	1,148,475	1,267,875	1,387,275	67.56%	63.39%	60.32%
Remaining Shares (3)	551,525	732,125	912,725	32.44%	36.61%	39.68%
	Voting Rights (4)			Voting Rights (4)		
	Minimum	Midpoint	Maximum	Minimum	Midpoint	Maximum
	Shares	Shares	Shares	Shares	Shares	Shares
	2,158,333	2,458,333	2,758,333	100.00%	100.00%	100.00%
ESOP	168,300	198,000	227,700	7.80%	8.05%	8.25%
MCW Holdings, Inc. (1)(4)	708,333	708,333	708,333	32.82%	28.81%	25.68%
Roumell Value Fund	213,675	243,375	273,075	9.90%	9.90%	9.90%
Mutual Capital Investment Fund	340,000	400,000	460,000	15.75%	16.27%	16.68%
Other Trustees and Officers (2)	<u>176,500</u>	<u>176,500</u>	<u>176,500</u>	<u>8.18%</u>	<u>7.18%</u>	<u>6.40%</u>
Subtotal	1,606,808	1,726,208	1,845,608	74.45%	70.22%	66.91%
Remaining Shares (3)	551,525	732,125	912,725	25.55%	29.78%	33.09%

Note: this table assumes that the exhibited share purchases are available for sale after Eligible Members have exercised their Subscription Rights for common stock purchases.

- (1) Includes ownership interests of Patrick Bracewell and Joseph Bracewell.
- (2) Excludes ownership interests of Patrick Bracewell, Joseph Bracewell, and James Roumell.
- (3) Assumes shares are sold in the Subscription Offering and Public Offering, subject to the individual minimum and maximum purchase limitations.
- (4) Includes the voting rights of the convertible preferred shares.

Scope and Objectives of the Report

Feldman Financial prepared this Report to assist the Commissioner and the Department in their review of the Application, including the Amended Plan and the current Valuation Range as determined by Boenning in its Second Update. As part of our financial consulting and advisory services, Feldman Financial is regularly involved in the valuation of businesses and securities in various corporate transactions, including public offerings, private placements, mergers and acquisitions, and for other business purposes. Specifically, Feldman Financial has provided numerous independent valuations for mutual companies converting to stock form and provided advisory services to federal and state regulatory agencies reviewing such valuation reports prepared by other experts. Exhibit I of this Report presents the background and experience of the professional staff of Feldman Financial who participated in the preparation of this Report. We believe that Feldman Financial and its officers, directors, employees, and related interests are independent of the Commissioner, the Department, and the Company.

In connection with preparing this Report, Feldman Financial conducted a virtual meeting with the executive management of Amalgamated on April 12, 2021 to discuss, among other matters, the Plan of Conversion and the Company's operations, business strategies, and future prospects. During the course of this virtual meeting, representatives from Feldman Financial spoke with the following executive officers of Amalgamated: (1) Patrick Bracewell, Chairman and Chief Executive Officer and (2) Daniel McFadden, Vice President of Finance and Controller. Feldman Financial was also provided unrestricted access to an online virtual data room, which contained comprehensive and detailed financial data and confidential documents concerning the Company and was used to facilitate extensive due diligence review of the Company.

As part of our review of the appraisals prepared by Boenning, Feldman Financial had direct communication with representatives from Boenning who participated in the preparation of the Original Appraisal, First Updated Appraisal, and Second Updated Appraisal. On April 13, 2021, Feldman Financial conducted a virtual meeting with the Boenning team of investment banking professionals. On December 15, 2021, Feldman Financial held a conference call with the Boenning team to discuss the Second Updated Appraisal and other matters concerning Amalgamated.

In performing the review of the appraisals prepared by Boenning, Feldman Financial did not undertake production and completion of an independent estimate of the pro forma market value of Amalgamated. Feldman Financial was not retained to and did not make any independent evaluation of the assets, liabilities, or prospects of the Company, nor did we conduct a physical inspection of any of the properties or facilities of the Company. We also did not independently verify the financial statements and other information provided by the Company and its independent auditor. Our Report is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of purchasing shares of common stock in the Conversion. Additionally, this Report does not express any opinion on the prices at which shares of common stock purchased in the Conversion may trade at any time in the future.

Feldman Financial was retained to assist the Commissioner and the Department in their review of the Application, the Plan of Conversion, and the Amended Plan. In performing this service, Feldman Financial considered the provisions of the Demutualization Act. Feldman Financial also undertook a business review of the Original Appraisal, First Updated Appraisal, and Second Updated Appraisal as prepared by Boenning. Feldman Financial is not a law firm and none of our professional employees are lawyers. Accordingly, Feldman Financial does not express any legal opinion regarding the Amended Plan, the allocation of Subscription Rights, any

interpretations of the Demutualization Act, or any other documents, procedures, or issues related to the Conversion. This Report is being provided based on the reliance of accuracy and completeness of information furnished to Feldman Financial, and Feldman Financial does not assume responsibility for the accuracy or completeness of such information. Feldman Financial reviewed the supplied information for reasonableness and nothing stood out as inconsistent for use in the context in which it was provided.

This Report may not be relied upon by any person or party other than the Commissioner and the Department. Any requests for a copy of our Report must be made to the Department, and the Department will distribute such copies of our Report. All copies of the Report will be distributed only in their entirety. Our Report and opinions contained herein may be referenced in material provided or communicated to Amalgamated from the Commissioner or the Department. Feldman Financial's Report and opinions contained herein will not otherwise be referenced in an offering prospectus, proxy statement, or in any communication by Amalgamated to its policyholders without the express written consent of Feldman Financial.

In conjunction with performing our engagement, Feldman Financial undertook certain procedures and reviewed various materials related to the Company and the Conversion. During the course of planning and structuring the Conversion, Amalgamated utilized a confidential, online virtual data room to facilitate the extensive due diligence process undertaken by prospective investors and other members of the Company's professional team of legal, financial, accounting, and actuarial advisors. Feldman Financial was provided access to the virtual data room without limitation and requested additional documents that were subsequently made available to us.

In addition to reviewing financial data and documents from the virtual data room, Feldman Financial also reviewed certain financial and other information regarding the business operations

of Amalgamated. We also analyzed the business, economic, and competitive environment in the industry in which the Company operates. We also reviewed the financial performance and market valuation of other property and casualty insurance companies that are publicly traded. Furthermore, Feldman Financial considered such other information concerning Amalgamated, the insurance industry, and the trading market for insurance company common stocks that we believed appropriate for this engagement.

Summary of Conclusions by Feldman Financial

In connection with our review of the Amended Plan, Feldman Financial compared the Amended Conversion with the requirements of Section 31-906 of the Demutualization Act. In addition, Feldman Financial considered whether the allocation of the Subscription Rights pursuant to the Amended Plan is fair and equitable. It is our opinion that the allocation of the Subscription Rights to Eligible Members is fair and equitable. As noted earlier, the Amended Plan also includes the deliberate declaration by Amalgamated of a Special Dividend to Eligible Members that will be payable in cash upon conclusion of the Conversion and Offering. Furthermore, it is our opinion that the procedure for allocation of shares of common stock to be purchased in the Subscription Offering in the event of an oversubscription is fair and equitable. A detailed review of our analysis of the allocation of Subscription Rights is provided in Chapter II of this Report.

The Amended Plan provides for full and proper consideration of the aggregate membership interests inasmuch that Eligible Members are granted Subscription Rights allowing them preferential opportunity to purchase 100% of the estimated pro forma market value of the Company as referenced by the independently-determined Valuation Range. We concluded that the method of allocation of Subscription Rights pursuant to the Amended Plan is consistent with and not contrary to the provisions of Section 31-906(f) of the Demutualization Act. We note that

Section 31-906(f) does not mandate use of a particular allocation methodology, only that the methodology be fair and equitable. The allocation methodology described in the Amended Plan includes Subscription Rights for each Eligible Member to purchase up to an individual maximum amount of 25,000 shares with the maximum limitation reflecting a fixed and undiscriminating amount for each Eligible Member regardless of product category, premium amount, policy term or longevity, or underlying profit or loss contribution to the Company.

There are many historical precedents in prior property and casualty insurance company demutualizations for employing the general framework of a fixed-amount or fixed-percentage share maximum to determine policyholder allocations. In addition, the Company is cognizant of the fact that many of its policyholders may not have the financial capacity, risk tolerance, or wealth flexibility to consider an investment in a newly issued stock that provides an economic opportunity for potential appreciation but that entails a higher degree of financial risk. Therefore, Amalgamated has included a Special Dividend contingency in the Amended Plan that will provide an aggregate cash payment of \$7.3 million to Eligible Members, representing an approximate amount of \$4,594.08 per Eligible Member assuming the existence of 1,589 Eligible Members.

Feldman Financial has also been requested to review the reasonableness of the methodologies and assumptions as described in the Original Appraisal, First Updated Appraisal, and Second Updated Appraisal, and utilized by Boenning in determining the estimated pro forma market value of the Company as represented by the Valuation Range in compliance with Section 31-906(i) of the Demutualization Act. As discussed more fully in Chapter III of this Report, it is our opinion that the appraisal reports prepared by Boenning comply with Section 31-906(i) and the current Valuation Range of the Company as determined in the Second Updated Appraisal is reasonable.

II. REVIEW OF ALLOCATION OF SUBSCRIPTION RIGHTS

Amended and Restated Plan of Conversion

Feldman Financial was engaged by the Department to assist the Commissioner and the Department in reviewing Amalgamated's Amended Plan, including but not limited to providing an opinion that the method of allocating Subscription Rights is based on a fair and equitable formula. The Amended Plan is subject to approval by the Commissioner and by Eligible Members of the Company. Following the receipt of the Commissioner's approval, the Company may begin to seek approval from Eligible Members in a manner consistent with Section 31-904 of the Demutualization Act as follows:

Section 31-904. Approval of the plan by the members.

- (a) All eligible members shall be given notice of and an opportunity to vote upon the plan.
- (b) All eligible members shall be given notice of the members' meeting to vote upon the plan. A copy of the plan or a summary of the plan shall accompany the notice. The notice shall be mailed to each member's last known address, as shown on the mutual company's records, within 45 days of the Commissioner's approval of the plan. The meeting to vote upon the plan shall not be set for a date less than 10 days and no more than 60 days after the date when the notice of the meeting is mailed by the mutual company. If the meeting to vote upon the plan is held coincident with the mutual company's annual meeting of policyholders, only one combined notice of meeting is required.
- (c) After approval by the Commissioner, the plan shall be adopted upon receiving the affirmative vote of at least a majority of the votes cast by eligible members. Members entitled to vote upon the proposed plan may vote in person or by proxy. Any proxies to be solicited from eligible members shall be filed with and approved by the Commissioner. The number of votes each eligible member may cast shall be determined by the mutual company's bylaws. If the bylaws are silent, each eligible member may cast one vote.

In accordance with the Amended Plan, each Eligible Member of the Company will be entitled to vote at a special meeting (the "Special Meeting), to approve the Amended Plan, the amended and restated articles of incorporation of the converted Company (the "Restated

Articles”), and any other necessary business matters. To be considered an Eligible Member, a member of the Company must be the owner of an in-force policy of insurance issued by Amalgamated as of the Adoption Date of the original Plan of Conversion by the Board of Trustees, which occurred on February 3, 2021. Each Eligible Member will be entitled to cast only one vote at the Special Meeting regardless of the number of qualifying policies owned by such member.

A majority of the Eligible Members must be present, in person or by proxy, to constitute a quorum at the Special Meeting. Pursuant to Section 31-904(c) of the Demutualization Act, approval of the Amended Plan will require the affirmative vote, either in person or by proxy, of at least a majority of the votes cast by Eligible Members voting in person or by proxy at the Special Meeting. As of the Adoption Date, the Company determined that it had 1,589 Eligible Members entitled to vote at the Special Meeting.

As outlined in the Amended Plan, notice of the Special Meeting will be given by Amalgamated to Eligible Members by mailing to each Eligible Member information relevant to the Special Meeting, including the following documents:

- Notice of the Special Meeting.
- A copy or summary of the Amended Plan.
- A form of proxy allowing the Eligible Members to vote for or against the Amended Plan.
- A policyholder information statement regarding the Amended Plan.

As observed from the procedures described above, the Amended Plan outlines a process of notification of Eligible Members and provides appropriate information and opportunity for Eligible Members to consider in reaching voting decisions on key matters pertaining to the Conversion. Provisions in the Amended Plan allowing for the consideration and approval by Eligible Members of such Amended Plan do not reflect any deviation from the corresponding

portions of the Demutualization Act. Amalgamated has submitted for review by the Department the Company's Amended Plan, various proxy materials to be provided to each Eligible Member, the Amended and Restated Articles of Incorporation and Bylaws of the Company, and the Amended and Restated Articles of Incorporation and Bylaws of HoldCo. An offering prospectus for the sale of shares of common stock of HoldCo will also be mailed to each Eligible Member.

Allocation of Subscription Rights

Pursuant to Section 31-906 of the Demutualization Act, certain provisions related to the allocation of Subscription Rights must be included in the Amended Plan. These provisions include:

- Reasons for the Conversion,
- Effect of the Conversion on existing policies,
- Subscription Rights to Eligible Members.
- Contingency arrangements in the event of an oversubscription or undersubscription in the Subscription Offering.
- Total price of capital stock to be sold in the Conversion.
- Purchase price of each share of stock to be sold
- Limitations on acquisition of more than 5.0% of the outstanding capital stock.
- Administration of participating policies, if applicable.

Table 5 summarizes the required provisions in a plan of conversion as cited in Section 31-906 of the Demutualization Act and compares such requirements to the Amended Plan adopted by Amalgamated. As noted below, some required provisions from Section 31-906 are not applicable to Amalgamated because the Company does not issue participating policies.

Table 5
Comparison of Required Provisions with Amalgamated’s Amended Plan of Conversion

D.C. Code Section Reference	Brief Summary of Required Provisions in a Plan of Conversion	Amended and Restated Plan of Conversion Submitted by Amalgamated
Section 31-906(a)	Reasons for the proposed conversion.	<u>Article 1 – Reasons for the Conversion.</u> Identifies the main purposes of the Conversion.
Section 31-906(b)	Policies will remain in force; however, any voting rights of policyholders will be extinguished.	<u>Article 14.02 – Effect on Existing Policies.</u> Affirms that policies will remain in force and voting rights are extinguished.
Section 31-906(c)	Holders of participating policies shall continue to have the right to receive dividends.	Not applicable to Amalgamated. (The Company does not issue participating policies.)
Section 31-906(d)	The converted stock company may issue a nonparticipating policy as a substitute for the participating policy upon the renewal date.	Not applicable to Amalgamated. (The Company does not issue participating policies.)
Section 31-906(e)(1)	The plan shall provide that each eligible member is to receive, without payment, nontransferable subscription rights to purchase stock in the converted stock company.	<u>Article 7.01(a) – Allocation of Subscription Rights.</u> Each Eligible Member is granted, without payment, Subscription Rights with first priority to purchase shares of the common stock of HoldCo.
Section 31-906(e)(2)	The plan shall provide for a pro rata exchange ratio in the case of the conversion of an existing mutual insurance holding company.	Not applicable to Amalgamated. (The Company is not organized in the mutual holding company structure.)
Section 31-906(f)	Subscription rights shall be allocated in whole shares using a fair and equitable formula.	<u>Article 7.01(a) – Allocation of Subscription Rights.</u> Each Eligible Member is granted, without payment, Subscription Rights with first priority to purchase up to 25,000 shares, subject to allocation in case of an oversubscription.
Section 31-906(g)	The plan shall provide a fair and equitable means for the allocation of shares if event of an oversubscription by eligible members.	<u>Article 7.01(a) – Allocation of Subscription Rights.</u> The allocation of shares to Eligible Members in case of an oversubscription is based on a pro rata allocation related to the number of shares subscribed for originally in the Offering.

Table 5 (continued)
Comparison of Required Provisions with Amalgamated’s Amended Plan of Conversion

D.C. Code Section Reference	Brief Summary of Required Provisions in a Plan of Conversion	Amended and Restated Plan of Conversion Submitted by Amalgamated
Section 31-906(h)	The plan shall provide for a public offering of any shares not subscribed to by eligible members exercising their subscription rights.	<u>Article 8.01 – Public Offering.</u> Authorizes a Public Offering for any remaining shares not subscribed for by eligible members, including the potential sale to significant purchasers (buying more than 5.0% of total shares sold).
Section 31-906(i)	The plan shall set the total price of stock to be sold equal to the estimated pro forma market value or range of values of the converted stock company based upon an independent evaluation.	<u>Article 5.01 – Independent Appraiser.</u> Amalgamated retained Boening & Scattergood, Inc. to prepare a valuation appraisal report, which concluded that the current Valuation Range was from \$17.0 million to \$23.0 million.
Section 31-906(j)	The plan shall set the purchase price of each share of stock equal to a reasonable and uniform amount that will not inhibit the purchase of shares by members.	<u>Article 5.02 – Purchase Price.</u> Establishes a per share price of \$10.00 that is uniform to all purchasers in the Offering. The \$10.00 price is commonly used in mutual-to-stock conversion offerings.
Section 31-906(k)	The plan shall provide for a closed block of business for participating life policies of a Class 1 mutual company.	Not applicable to Amalgamated. (The Company does not issue participating life policies.)
Section 31-906(l)	The plan shall provide that any one person or group may not acquire more than 5.0% of the stock of the converted company for a period of five years except with the approval of the Commissioner; the limitation does not apply to an employee benefit plan that is granted subscription rights.	<u>Article 9.01(b) – Maximum Number of Shares That May be Purchased.</u> Limits share purchases in the Offering to 5.0%, except for shares sold to the ESOP and to significant purchasers, subject to the necessary approval of the Commissioner which Amalgamated is thereby requesting. <u>Article 18.12 – Limitation on Acquisition of Shares of Common Stock.</u> No person or group may acquire more than 5.0% of the total shares outstanding for a period of five years after the effective date of the Conversion, without the prior approval of the Commissioner.

Section 31-906(a) – Reasons for the Conversion

The Amended Plan contains a succinct discussion of the reasons for implementation of the Conversion by Amalgamated. The stated objectives of the Conversion are (1) to enhance the Company's capital position and its strategic and financial flexibility and (2) to provide the Eligible Members with the right to acquire an equity interest in HoldCo. Amalgamated intends to use the additional capital to support its growth and diversification initiatives and to facilitate business acquisition transactions that are advantageous to HoldCo and its subsidiaries. The Board of Trustees believes that it has structured the Conversion in a manner that is fair and equitable, is consistent with the purpose and intent of the Demutualization Act, and will not prejudice the interests of its Members.

In our discussions with management of Amalgamated, we reviewed the recent history of the Company's prior attempts of exploring various corporate transactions. The Company's current Conversion resulted from a methodical process in which Amalgamated worked with its professional advisors to structure a demutualization transaction that was both feasible and attainable. In reaching the decision to pursue the Conversion, the Company benefited from the collective services of its team of advisors, which included financial and legal professionals with extensive experience in these types of corporate transactions and related stock offerings. Included in the Company's rationale for pursuing a stand-alone Conversion without a merger partner or a standby majority investor was its commitment to independent operation of Amalgamated with a continued presence in the Washington, D.C. metropolitan area and emphasis on its principal lines of business. The Company also believes that the Conversion can be completed in a timely fashion by obtaining all necessary approvals. Furthermore, less volatile stock market conditions in the financials sector provide added confidence about the Company's ability to attract potential investors and complete a successful capital-raising transaction.

Section 31-906(b) – Effect of the Conversion on Existing Policies

Article 14.02 of the Amended Plan notes that as of the date the Conversion is deemed to have been completed (the “Plan Effective Date”), each insurance policy issued by Amalgamated and in force as of Plan Effective Date shall continue to remain in force under the terms and conditions of that policy, except that any voting rights of the policyholder shall be extinguished on the Plan Effective Date. Article 14.04 of the Amended Plan further notes that all membership interests in Amalgamated will also be extinguished, including the right to participate in any distribution of surplus in the event that the Company is liquidated. After the Conversion, the policyholders of the Company will no longer be members of Amalgamated and will no longer have the right to elect the directors of Amalgamated or approve transactions involving Amalgamated. Instead, voting rights in Amalgamated will be held by HoldCo, which will own all of the outstanding capital stock of Amalgamated. Voting rights in HoldCo will be held by the shareholders of HoldCo.

Section 31-906(c) – Holders of Participating Policies Shall Continue to Receive Dividends

Section 31-906(c) relates to participating policies, which are policies that receive dividends from the insurance company. Holders of such policies are deemed to share or “participate” in the earnings of the insurer. This section is not applicable to Amalgamated because the Company does not issue participating policies.

Section 31-906(d) – Nonparticipating Policies May Be Issued For Participating Policies

With certain specified exceptions, Section 31-906(d) permits nonparticipating policies to be issued for participating policies upon the renewal of a participating policy. This section is not applicable to Amalgamated because the Company does not issue participating policies.

Section 31-906(e)(1) – Eligible Members Shall Receive Subscription Rights

Section 31-906(e)(1) of the Demutualization Act stipulates that each eligible member is to receive, without payment, nontransferable subscription rights to purchase a portion of the capital stock of the converted company or, alternatively if applicable, a portion of the capital stock of the related holding company formed to own all the stock of the converted company. Article 7.01(a) of the Amended Plan describes the priority distribution of Subscription Rights to Eligible Members. The Subscription Rights are defined as nontransferable rights to purchase shares of common stock of HoldCo in the Subscription Offering.

As noted earlier, HoldCo will serve as the parent holding company for the converted Amalgamated, and shares of common stock of HoldCo are being offered for sale in the Subscription Offering. Each Eligible Member will receive, without payment, nontransferable Subscription Rights to purchase up to 25,000 shares in the Subscription Offering. An Eligible Member is defined in the Amended Plan as a member who had a policy in force on the Adoption Date of February 3, 2021. As of the Adoption Date, the Company had 1,589 Eligible Members.

Section 31-906(e)(2) – An Exchange Ratio Shall Be Applied for Mutual Holding Companies

Section 31-906(e)(2) of the Demutualization Act is applicable to existing mutual insurance holding companies that are converting to full stock companies. This section seeks to ensure that the pro rata ownership of existing stockholders is preserved in the fully converted company by use of an exchange ratio that reflects the ownership in the intermediate stock holding company. This section is not applicable to Amalgamated because it is not organized in the mutual holding company structure.

Section 31-906(f) – The Subscription Rights Allocation Should Be Fair and Equitable

Section 31-906(f) specifies that the allocation for subscription rights to eligible members should be based on whole shares using a fair and equitable formula. Article 7.01(a) of the Amended Plan provides for the allocation of Subscription Rights to Eligible Members to purchase up to 25,000 shares in the Subscription Offering. Article 7.01(a) further notes that no fractional shares of common stock shall be issued, thereby denoting that only whole shares will be issued. The allocation methodology described in the Amended Plan reflects an individual maximum limitation of 25,000 shares with the maximum limitation comprising a fixed and undiscriminating amount for each Eligible Member regardless of product category, premium amount, policy term or longevity, or underlying profit or loss contribution to the Company. There are many historical precedents in prior insurance company demutualizations and mutual-to-stock conversions of savings institutions for employing the general framework of a fixed-amount share maximum to determine subscription rights allocations. Table 6 provides a summary of insurance company demutualizations in the past 20 years that involved a stand-alone stock offering without a merger partner. Table 7 provides additional detail concerning the subscription rights allocation method utilized in these demutualization offerings.

As displayed in Table 7, the prior insurance company demutualizations employed either a fixed-share or fixed-percentage to allocate subscription rights. By definition, the fixed-percentage method confers a fixed-share amount based on the total number of shares actually sold. The range of the fixed-share amounts was from 100 shares to 100,000 shares. Vericity, Inc. utilized a combination of a fixed-share amount and a variable component related to actuarial surplus contribution analyses. The demutualization offerings with the lower number of fixed-share allocations involved commitments from standby investors to purchase a substantial or majority ownership stake in the total offering.

Table 6
Summary of Selected Insurance Company Conversion Offerings

Holding Company	Converting Mutual Insurance Company	Date Offering Closed	Gross Offering (\$Mil.)	Initial Offering Price	Market Price 11/30/21
Vericity, Inc. Chicago, Illinois	Members Mutual Holding Company (1)	08/17/19	\$148.8	\$10.00	\$7.43
Positive Physicians Holdings, Inc. Berwyn, Pennsylvania	Positive Physicians Insurance Company (2)	03/27/19	36.5	\$10.00	\$13.05
Federal Life Group, Inc. Riverwoods, Illinois	Federal Life Mutual Holding Company (3)	12/11/18	35.3	\$10.00	\$12.37
ICC Holdings, Inc. Rock Island, Illinois	Illinois Casualty Company	03/24/17	35.0	\$10.00	\$16.29
NI Holdings, Inc. (4) Fargo, North Dakota	Nodak Mutual Insurance Company	03/15/17	103.5	\$10.00	\$18.54
Penn Millers Holding Corp. Wilkes-Barre, Pennsylvania	Penn Millers Mutual Holding Company (5)	10/19/09	54.4	\$10.00	\$20.50(6)
Eastern Insurance Holdings, Inc. Lancaster, Pennsylvania	Educators Mutual Life Insurance Company	06/16/06	74.8	\$10.00	\$24.50(7)
Mercer Insurance Group, Inc. Pennington, New Jersey	Mercer Mutual Insurance Company	12/15/03	56.4	\$10.00	\$28.25(8)
NCRIC Group, Inc. Washington, D.C.	NCRIC, A Mutual Holding Company (9)	06/24/03	41.4	\$10.00	\$10.98(10)

- (1) Parent holding company of Fidelity Life Association.
- (2) Resulting company from the combined merger of Positive Physicians Insurance Exchange, Professional Casualty Association, and Physicians' Insurance Program Exchange.
- (3) Parent holding company of Federal Life Insurance Company.
- (4) Organized in the mutual holding company structure with a first-step stock offering.
- (5) Parent holding company of Penn Millers Insurance Company.
- (6) Company was acquired for a price of \$20.50 per share by ACE American Insurance Company in an acquisition that was completed on November 30, 2011.
- (7) Company was acquired for a price of \$24.50 per share by ProAssurance Corporation in an acquisition that was completed on January 1, 2014.
- (8) Company was acquired for a price of \$28.25 per share by United Fire & Casualty Company in an acquisition that was completed on March 28, 2011.
- (9) Parent holding company of NCRIC, Inc. (formerly National Capital Reciprocal Insurance Company); the offering involved a second-step conversion by the mutual holding company.
- (10) Company was acquired for a price of \$10.98 by ProAssurance Corporation in an acquisition that was completed on August 3, 2005.

Source: S&P Global Market Intelligence; Securities and Exchange Commission.

Table 7
Summary of Subscription Rights Allocation Method in
Selected Insurance Company Conversion Offerings

Holding Company	Subscription Rights Allocation Method	Fixed Share Amount	Fixed Pct. Amount	Subscription Rights Allocation as a Pct. of Total	
				Offering Min.	Offering Max.
Vericity, Inc.	Fixed share component plus variable shares	100 shares	N.A.	Varies	Varies
Positive Physicians Holdings, Inc.	Fixed share amount	5,000 shares	N.A.	0.1%	0.1%
Federal Life Group, Inc.	Fixed share amount	50,000 shares	N.A.	1.5%	1.1%
ICC Holdings, Inc.	Fixed percentage	N.A.	5.0%	5.0%	5.0%
NI Holdings, Inc. (1)	Fixed percentage	N.A.	5.0%	5.0%	5.0%
Penn Millers Holding Corp.	Fixed percentage	N.A.	5.0%	5.0%	5.0%
Eastern Insurance Holdings, Inc.	Fixed share amount	100,000 shares	N.A.	1.8%	1.3%
Mercer Insurance Group, Inc.	Fixed share amount	100,000 shares	N.A.	3.4%	3.0%
NCRIC Group, Inc.	Fixed share amount	100,000 shares	N.A.	3.6%	2.6%
Forge Group, Inc. (the proposed post-Conversion holding company for Amalgamated) (2)	Fixed share amount	25,000 shares	N.A.	1.5%	1.1%

(1) Each eligible member who did not exercise subscription rights to purchase shares of stock in the offering could redeem their subscription rights for a cash payment of \$215.74.

(2) In addition to being granted Subscription Rights, each Eligible Member of Amalgamated will receive a cash payment in the form of a Special Dividend that is estimated to equal \$4,594.08 upon completion of the Conversion and the Offering.

Source: S&P Global Market Intelligence; Securities and Exchange Commission.

Three of the insurance company demutualization offerings utilized a fixed-share maximum amount of 100,000 shares and two others incorporated fixed-share maximum amounts of 5,000 shares and 50,000 shares. The individual maximum purchase amount of 25,000 shares outlined in Amalgamated's Amended Plan represents 1.5% of the 1,700,000 shares offered at the minimum of the current Valuation Range, 1.3% of the 2,000,000 shares offered at the midpoint of the current Valuation Range, and 1.1% of the 2,300,000 shares offered at the maximum of the current Valuation Range.

Amalgamated had 1,589 Eligible Members as of the Adoption Date. Thus, a full and complete exercising of the aggregate number of Subscription Rights would result in gross orders of approximately \$397.3 million, based on an aggregate total of 39,725,000 shares purchased at a price of \$10.00 per share. In comparison to the amount of \$23.0 million offered at the maximum of the current Valuation Range, such a massive oversubscription would be subject to the re-allocation procedures outlined in the Amended Plan. We note that based on the levels of subscription interest among policyholders in prior insurance company conversion offerings, such an overwhelming participation in the Subscription Offering by Eligible Members is not likely to occur. In fact, actual subscription participation by policyholders has been known to be very restrained in insurance company conversions. However, based on the allocation of Subscription Rights with first priority, Eligible Members would be afforded adequate opportunity to subscribe for the entire number of shares offered for sale in the Subscription Offering.

Article 18.13 of the Amended Plan provides that, on the Plan Effective Date, Amalgamated will pay to each Eligible Member a Special Dividend equal to the quotient of \$7.3 million divided the number of Eligible Members. Based on the estimated 1,589 number of Eligible Members, the Special Dividend would equal \$4,594.08. The Special Dividend would be paid upon the

completion of the Conversion and the Offering. While the Demutualization Act does not require the declaration or payment of a dividend by the converting mutual insurance company, Amalgamated has opted to include this provision in its Amended Plan to ensure that all of its Eligible Members could receive a tangible benefit from the Conversion notwithstanding whether or not they elect to exercise their Subscription Rights to purchase shares of common stock in the Subscription Offering. The Company recognizes that many of its policyholders' revenue streams have been impacted by the reduction in travel as a result of the coronavirus pandemic environment and, therefore, its Eligible Members may not have the financial resources, risk tolerance, or wealth flexibility to invest in a newly issued stock that entails a higher degree of risk than more conservative financial assets. As a means of promoting goodwill and loyalty among its policyholders, Amalgamated has included the Special Dividend in the Amended Plan that will provide a cash payment of approximately \$4,594.08 to each Eligible Member. We concur that this Special Dividend provides a tangible benefit to Eligible Members should the Conversion and Offering be completed.

Among the insurance company demutualizations summarized in Table 6 and Table 7, none of them provided a cash dividend to policyholders in conjunction with the initial conversion offering. NI Holdings, Inc. (Nodak Mutual) utilized a subscription rights redemption feature in its conversion offering. Such a subscription rights redemption provision and the related methodology to calculate the redemption value are required under North Dakota property and casualty insurance company conversion law. The subscription rights valuation method employed by NI Holdings, Inc. resulted in a redemption price equal to \$215.74 per eligible member and required relinquishment of subscription rights if the cash redemption was elected. By comparison, the amount of the Special Dividend proposed by Amalgamated is over 20 times greater at \$4,594.08 and does not entail the relinquishment of Subscription Rights by Eligible Members.

Section 31-906(g) – The Share Allocation in the Event of an Oversubscription by Eligible Members Should Be Fair and Equitable

Section 31-906(g) of the Demutualization Act specifies that the plan of conversion should provide a fair and equitable means for the allocation of stock purchases in the event of an oversubscription by Eligible Members in the Subscription Offering. An oversubscription would occur if the total dollar amount of aggregate orders to purchase shares of common stock in the Subscription Offering exceeds the maximum of the Valuation Range, which is currently set at \$23.0 million (2,300,000 shares at \$10.00 per share) based on the Second Updated Appraisal.

If Eligible Members subscribe in aggregate for more than 2,300,000 shares, Article 7.01(a) of the Amended Plan provides that the shares of common stock will be allocated so as to permit each subscribing Eligible Member, to the extent possible, to purchase a number of shares equal to the lesser of (1) the number of shares that he or she subscribed for or (2) 1,000 shares. Any remaining shares will be allocated among the Eligible Members whose subscription orders remain unsatisfied in the proportion in which the aggregate number of shares as to which each such Eligible Member's subscription remains unsatisfied bears to the aggregate number of shares as to which all such Eligible Members' subscription orders remain unsatisfied.

The minimum number of shares that can be purchased in the Subscription Offering is equal to 50 shares. The allocation method in the event of an oversubscription ensures that orders for smaller lots of shares (ranging from 50 shares to 1,000 shares) will be fulfilled before larger orders. Thereafter, the orders for shares from Eligible Members will be fulfilled proportionately based on the investment interest expressed by the overall subscription base of Eligible Members. By fulfilling the orders first from the lower quantities, the allocation ensures that the broadest distribution of subscription participation by Eligible Members will be achieved.

Section 31-906(h) – Unsubscribed Shares Shall Be Sold in a Public Offering

Section 31-906(h) of the Demutualization Act indicates that the plan of conversion shall provide for a contingency arrangement to complete the sale of stock in the Conversion in the event that the necessary number of shares are not sold in the Subscription Offering. An undersubscription would occur if the total dollar amount of aggregate orders to purchase shares of common stock in Subscription Offering is less than the minimum of the Valuation Range, which is currently set at \$17.0 million (1,700,000 shares at \$10.00 per share) based on Boenning's Second Updated Appraisal. Section 31-906(h) references that the unsubscribed shares shall be sold in a public offering through an underwriter or, alternatively, through a private placement or other such method approved by the Commissioner that is fair and equitable to the Eligible Members.

In the event of an undersubscription in the Subscription Offering, Article 8.01 of the Amended Plan provides for the sale of shares in the Public Offering. In the Public Offering, HoldCo may accept orders at its discretion. Subject to the approval of Amalgamated, the Company may enter into agreements with investors who agree to purchase 5.0% or more of the total shares of common stock sold in the Offering. Such investors may be accorded preference over investors in the Public Offering. Any purchase by investors of more than 5.0% of the total shares sold in the Offering must be approved by the Commissioner. Based on this threshold, the Company has indicated that the purchases from the Bracewell Investment, the Roumell Value Fund, and the Mutual Capital Investment Fund will require the necessary approvals of the Commissioner. The Company has retained Griffin Financial to assist with the marketing process in the Public Offering.

Section 31-906(i) – The Total Price of Stock Sold is Based on an Independent Evaluation

Section 31-906(i) of the Demutualization Act specifies that the plan of conversion shall set the aggregate amount of stock to be sold based on an independent evaluation as follows:

Section 31-906(i) The plan shall set the total price of the capital stock equal to the estimated pro forma market value of the converted stock company based upon an independent evaluation by a qualified person. The pro forma market value may be the value or range of values that is estimated to be necessary to attract full subscription for the shares as indicated by the independent evaluation.

Article 5 of the Amended Plan indicates that the number of shares of common stock to be offered and sold by HoldCo in the Offering will be based on the appraised value as determined by the independent appraiser. Article 5.01(a) discloses that Boenning was retained by Amalgamated as the independent appraiser to determine the Valuation Range. Specifically, Article 5.01(a) outlines the role of the independent appraiser:

Article 5.01 Independent Appraiser. Boenning has been retained by the Company to determine the Valuation Range. The Valuation Range will consist of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation (the “Maximum of the Valuation Range”) and a valuation fifteen percent (15%) below the midpoint valuation (the “Minimum of the Valuation Range”). The Valuation Range will be based upon the consolidated financial condition and results of operations of Amalgamated, the consolidated pro forma book value and earnings per share of Amalgamated, a comparison of Amalgamated with comparable publicly-held insurance companies and insurance holding companies, and such other factors as Boenning may deem to be relevant, including that value which Boenning estimates to be necessary to attract a full subscription for the Common Stock. Boenning has submitted to Amalgamated the Valuation Range and a related report that describes the data and methodology used to determine the Valuation Range.

Amalgamated retained Boenning to act as its independent appraiser in the Conversion and determine the Valuation Range of the converted Company, which is currently equal to a minimum, midpoint, and maximum of \$17.0 million, \$20.0 million, and \$23.0 million based on 1,700,000, 2,000,000, and 2,300,000 shares, respectively at \$10.00 per share. Boenning is an independent securities, asset management, and investment banking firm that is experienced in providing valuations in conjunction with insurance company demutualizations and mutual-to-stock conversion transactions. Boenning has provided the Original Appraisal, First Updated Appraisal, and Second Updated Appraisal to the Company in satisfaction of Section 31-906(i) of the

Demutualization Act and Article 5.01 of the Amended Plan. Chapter III of this Report provides a more detailed discussion of the Second Updated Appraisal prepared by Boenning on behalf of Amalgamated.

Section 31-906(j) – The Per Share Price Shall Be Uniform and Reflect a Reasonable Amount

Section 31-906(j) of the Demutualization Act states that the plan of conversion shall set the purchase price per share for stock sold in the Conversion equal to “any reasonable amount that will not inhibit the purchase of shares by members.” Furthermore, Section 31-906(j) denotes that “the purchase price of each share shall be uniform for all purchasers.”

Article 5.02 of the Amended Plan establishes a purchase price of \$10.00 per share for shares of common stock to be sold and affirms that the \$10.00 per share price will be uniform to all purchasers in the Offering. The \$10.00 initial offering price is commonly utilized in mutual-to-stock conversion offerings of insurance companies and savings institutions. As shown in Table 7, all of the recent stand-alone insurance company demutualization offerings used an initial offering price of \$10.00 per share. Article 9.01(a) of the Amended Plan provides that no person may purchase fewer than 50 shares of common stock in the Offering. Therefore, the minimum aggregate purchase price amount of \$500 represents a monetary threshold that would be reasonably accessible by most interested subscribers. Accordingly, the \$10.00 per share purchase price combined with the minimum required purchase of 50 shares should not inhibit the purchase of shares by Eligible Members interested in participating in the Subscription Offering.

Section 31-906(k) – The Plan Shall Provide for a Closed Block for Participating Life Policies

Section 31-906(k) of the Demutualization Act describes the process for establishing and administering a closed block of business for participating life policies. This section is not applicable to Amalgamated since the Company does not issue participating life policies.

Section 31-906(l) – The Plan Shall Limit Purchases of More Than 5.0% of the Capital Stock of the Converted Company for Five Years Unless Approved by the Commissioner

Section 31-906(l) of the Demutualization Act indicates that the plan of conversion shall establish a purchase limitation of 5.0% of the capital stock of the converted stock company by any one person or group of persons acting in concert through subscription rights or public offering purchases for a period of five years except with the approval of the Commissioner. Furthermore, the 5.0% limitation does not apply to any conversion structure approved by the Commissioner to allow for purchases by an employee benefit plan or alternative method facilitating the purchase of unsubscribed shares.

Article 9.01(b) of the Amended Plan adheres to the statutory 5.0% purchase limitation by restricting the purchase of shares in the Subscription Offering or Public Offering or acquisition by any person or group of persons acting in concert to no more than 5.0% of the total shares of common stock sold in the Offering. Article 18.12 of the Amended Plan further provides that no person or group of persons acting in concert may acquire more than 5.0% of the outstanding shares of common stock of HoldCo, through a public offering or subscription rights, for a period of five years after the Conversion is effective without the prior approval of the Commissioner. Article 9.01(b) also prescribes an exception to the 5.0% purchase limitation, provided that such purchases exceeding this limitation are approved by the Commissioner as otherwise permitted under the Amended Plan and the Demutualization Act.

Optional Plan Provisions

Section 31-907 of the Demutualization Act provides for optional provisions to be included in a plan of conversion. These optional provisions generally allow for the allocation of priority subscription rights to management and staff of the converting mutual company and to employee benefit plans of the mutual company. These optional subscription rights would be subordinate to

the subscription rights granted to eligible members. Amalgamated has elected to include most of these optional provisions in its Amended Plan. Table 8 summarizes these optional provisions and the provisions adopted by the Company in its Amended Plan.

Section 31-907(a)(1) – The Plan May Allocate Subscription Rights to Directors and Officers

Article 7.01(c) of the Amended Plan grants Subscription Rights to trustees, officers, and employees of Amalgamated. Similar to the Subscription Rights allocated to Eligible Members, the Subscription Rights to trustees, officers, and employees confer the individual ability to purchase up to 25,000 shares of common stock in the Subscription Offering. The Subscription Rights granted to trustees, officers and employees of the Company have third priority after Eligible Members (first priority) and the ESOP (second priority). Without differentiation among management and staff levels, the Amended Plan allows each trustee, officer, and employee to purchase up to 25,000 shares in the Subscription Offering.

Section 31-907(a)(2) – The Optional Allocation of Subscription Rights to Directors and Officers is Limited in the Aggregate Based on Asset Size of the Mutual Company

Section 31-907(a)(2) limits the aggregate number of shares that may be purchased by directors and officers under Section 31-907(a)(1) to a percentage that is based on the asset size of the converting mutual company. The relevant purchase limitation ranges from 85% for a company with total assets of less than \$50 million to 25% for a company with total assets greater than \$500 million, subject to interpolation for asset sizes between \$50 million and \$500 million. According to Amalgamated's GAAP asset size of \$88.3 million as of June 30, 2021, the resulting purchase limitation for all Board, management, and staff participants would equal 79.9%. Based on currently indicated purchases, the Company would adhere to this constraint on the number of shares that may be purchased by all Board, management, and staff participants.

Table 8
Comparison of Optional Provisions with Amalgamated’s Amended Plan of Conversion

D.C. Code Section Reference	Brief Summary of Optional Provisions in a Plan of Conversion	Amended and Restated Plan of Conversion Submitted by Amalgamated
Section 31-907(a)(1)	The plan may provide that directors and officers of the mutual company shall receive subscription rights to purchase shares of common stock.	<u>Article 7.01(c) – Allocation of Subscription Rights.</u> Each trustee, officer, and employee of Amalgamated is granted, without payment, Subscription Rights with third priority (after eligible members and the ESOP) to purchase up to 25,000 shares of common stock, subject to allocation in case of an oversubscription.
Section 31-907(a)(2)	The total number of shares that may be purchased under Section 31-907 (a)(1) may not exceed a limit based on the company’s asset size, which limit ranges from 25% (>\$500 million in assets) to 85% (<\$50 million in assets) of total shares issued, subject to interpolation for companies with assets between \$50 million and \$500 million.	Based on GAAP total assets of Amalgamated of \$88.3 million as of June 30, 2021, the applicable limit for aggregate purchases by trustees and officers is approximately 79.9% of the total number of shares to be issued. Based on the current estimate of proposed purchases by trustees and officers, the aggregate percentage is well below the applicable limit.
Section 31-907(a)(3)	Stock purchased by a director or officer shall not be sold within one year following the effective date of the conversion.	<u>Article 18.03(a) – Restrictions on Transfer of Common Stock.</u> Shares purchased by trustees and officers in the offering will be restricted from being sold for a period of one year following the date of purchase.
Section 31-907(a)(4)	The plan may provide that a director or officer may not acquire any stock of the converted company for three years after the effective date of the plan, except through a broker or dealer, without the permission of the Commissioner.	The Amended Plan adopted by Amalgamated does not include such an optional provision.
Section 31-907(b)	The plan may allocate to a tax-qualified employee benefit plan subscription rights to purchase up to 10% of the stock of the converted company. The employee benefit plan is entitled to exercise its rights regardless of the amount of shares purchased by others.	<u>Article 7.01(b) – Allocation of Subscription Rights.</u> The ESOP shall receive, without payment, Subscription Rights with second priority (after Eligible Members) to purchase up to 9.9% of the shares issued in the offering. An oversubscription by Eligible Members shall not reduce the number of shares purchased by the ESOP.

Section 31-907(a)(3) – Stock Purchased by a Director or Officer Under Section 31-907(a)(1) Shall Not Be Sold within One Year after the Conversion is Effective

Section 31-907(a)(3) of the Demutualization Act stipulates that a director or officer may not sell shares purchased in the Subscription Offering for a period of one year. Article 18.03 of the Amended Plan restricts trustees and officers from selling shares purchased in the Offering for a period of one year following the date of purchase.

Section 31-907(a)(4) – The Plan May Provide that a Director or Officer May Not Acquire Shares of the Converted Company for Three Years After the Conversion is Effective

Section 31-907(a)(4) of the Demutualization Act permits the optional provision of restricting a director or officer from acquiring capital stock of the converted company for three after the Conversion is effective, except through a broker or dealer, without the permission of the Commissioner. Amalgamated has not included this optional provision in its Amended Plan.

Section 31-907(b) – The Plan May Allocate Subscription Rights to a Tax-Qualified Employee Benefit Plan

Section 31-907(b) permits the allocation of subscription rights to a tax-qualified employee benefit plan to purchase up to 10.0% of the capital stock of the converted company. As specified in Article 7.01(b) Amalgamated has opted to include in its Amended Plan the provision for its ESOP to purchase 9.9% of the total number of shares of common stock issued in the Offering. An oversubscription by Eligible Members would not reduce the number of shares that may be purchased by the ESOP. In the event of an oversubscription by Eligible Members, the maximum numbers of shares to be sold in the Offering will be increased beyond the maximum of the Valuation Range to allow the ESOP to purchase such number of shares that would equal 9.9% of the adjusted total number of shares issued in the Offering. The ESOP will utilize the proceeds from a loan extended by HoldCo to fund its purchase of shares in the Offering.

Feldman Financial's Evaluation of the Subscription Rights Allocation

The Amended Plan provides for the issuance of Subscription Rights to (1) Eligible Members, (2) the ESOP, and (3) trustees, officers, and employees to purchase shares of common stock in the Subscription Offering. In order for the Conversion to be completed, the total amount of common stock sold in the Subscription Offering and the Public Offering must exceed the minimum of the Valuation Range, but may not exceed the maximum of the Valuation Range. The purchase price paid for shares of common stock will equal \$10.00 per share, which will uniformly apply to all purchasers. The Subscription Rights will be granted at no cost and are nonnegotiable and nontransferable. Furthermore, the Subscription Rights will be of short duration and will expire at the conclusion of the Subscription Offering.

The Amended Plan permits each Eligible Member to purchase a minimum amount of 50 shares of common stock and a maximum amount of 25,000 shares in the Subscription Offering. Section 31-906(f) of the Demutualization Act requires that the Subscription Rights shall be allocated to Eligible Members using a fair and equitable formula, and that such formula may, but need not, take into account how different classes of policies contributed to the surplus of the Company. As indicated in the Amended Plan, Amalgamated endeavored to formulate its allocation of Subscription Rights without differentiating among different categories of policies. This undiscriminating method has been employed in the overwhelming majority of recent insurance company demutualizations completed by stand-alone converting companies. Such a method of allocating Subscription Rights is consistent with the provisions of Section 31-906(f) in that all Eligible Members are treated fairly and equitably.

Eligible Members receive first priority to purchase shares and the maximum individual purchase limitation is set at a level that allows an Eligible Member to acquire a meaningful

ownership interest in HoldCo if the Eligible Member desires to do so. Alternatively, an Eligible Member may elect to purchase a smaller stake in the Offering or not purchase any shares in the Offering. By establishing a low minimum threshold of 50 shares, reflecting an aggregate cash purchase outlay of \$500, the Amended Plan facilitates the widespread participation by Eligible Members desiring to purchase shares of common stock in the Subscription Offering and a potentially broader distribution of Eligible Members to be included among the new stockholders of HoldCo. The Amended Plan has also resourcefully provided for Eligible Members to receive a tangible benefit in the form of the Special Dividend whether or not they elect to exercise their Subscription Rights to purchase shares of common stock in the Subscription Offering. The Special Dividend is estimated to deliver a cash value of \$4,594.08 to each Eligible Member upon completion of the Conversion and the Offering.

Section 31-906(g) of the Demutualization Act requires that the plan of conversion shall provide a fair and equitable means for the allocation of shares in the event of an oversubscription by Eligible Members exercising their Subscription Rights to purchase common stock in the Subscription Offering. If Eligible Members subscribe for more than the maximum of the current Valuation Range (2,300,000 shares or approximately \$20.3 million in aggregate based on the Second Updated Appraisal), the shares will be allocated so as to permit each subscribing Eligible Member to purchase up to the lesser of the number of shares subscribed for or 1,000 shares. Any remaining shares will be allocated among the Eligible Members whose subscription orders remain unsatisfied in proportion to the number of shares as to which each such Eligible Member's subscription remains unsatisfied bears to the aggregate number of shares as to which all such Eligible Members' subscription orders remain unsatisfied. The allocation contingency for an oversubscription assures a minimum level of stock purchases in the Subscription Offering by each and every subscribing Eligible Member, to the extent possible, with the baseline threshold

determined by the lesser of the number of shares originally subscribed for or 1,000 shares. Therefore, the objective of facilitating widespread participation in the Subscription Offering among interested Eligible Members is accomplished.

Section 31-907(a)(1) of the Demutualization Act permits the plan of conversion the option of granting Subscription Rights to directors and officers of the Company. Subject to the prior fulfillment of orders by Eligible Members and the ESOP, the Amended Plan has granted Subscription Rights to trustees, officers, and employees to purchase shares of common stock in the Subscription Offering. The individual maximum purchase limitation for each trustee, officer, and employee in the Subscription Offering is set at 25,000 shares, which is identical to the threshold for Eligible Members, and is accorded to each member of management and staff without regard to position level or organizational hierarchy. The purchase price per share to be paid by trustees, officers, and employees will be the same \$10.00 price per share paid by subscribing Eligible Members. Amalgamated believes that the equity-based participation in the Subscription Offering by trustees, officers, and employees of the Company helps to align their interests with shareholders and incentivizes actions and performance to build and enhance shareholder value.

Section 31-907(a)(2) limits the aggregate purchases by directors and officers of the mutual conversion to a fixed percentage of the total number of shares sold in the Offering, with such percentage determined based on the asset size of the converting mutual company as prescribed in Section 31-907(a)(2). Based on Amalgamated's GAAP total assets of \$88.3 million as of June 30, 2021, we have calculated that such aggregate purchase limitation is equal to 79.9%. Based on recent estimates provided by the Company, trustees and officers plan to exercise Subscription Rights to purchase an aggregate amount of common stock equal to approximately \$2.4 million, representing 14.4% and 10.6% of the minimum and maximum of the current Valuation Range of

\$17.0 million and \$23.0 million, respectively. Including purchases by affiliated interests of trustees and officers in the Offering, the aggregate purchase amount of \$6.4 million is expected to equal 37.7% as measured at the \$17.0 million level of the current Valuation Range and an aggregate purchase amount of \$7.0 million or 30.4% as measured at the \$23.0 million level of the current Valuation Range. The expected aggregate percentage purchase by trustees and officers in the Offering falls well below the prescribed threshold of 79.9% as calculated pursuant to the Demutualization Act.

Section 31-906(h) of the Demutualization Act requires that the plan of conversion shall provide that any sale of shares not subscribed to in the Subscription Offering will be sold in a public offering, private placement, or other alternative method approved by the Commissioner. As noted in the Amended Plan, Amalgamated plans to conduct a Public Offering for the sale of any remaining shares not sold in the Subscription Offering. The purchase price per share to be paid by investors in the Public Offering will be the same price per share paid by subscribers in the Subscription Offering.

For the reasons discussed above, it is our opinion that the allocation of Subscription Rights in the Subscription Offering as detailed in the Amended Plan is fair and equitable to Eligible Members. As discussed previously, the Amended Plan also includes an intentional payment by Amalgamated of a Special Dividend to Eligible Members upon completion of the Conversion and the Offering. In addition, we believe that the provisions in the Amended Plan that provide for the re-allocation of subscribed shares or sale of unsubscribed shares in the event of an oversubscription or undersubscription in the Subscription Offering are fair and equitable to Eligible Members.

III. REVIEW OF THE APPRAISAL

Appraisal Requirement

The Demutualization Act states the following requirement in Section 31-906(i):

Section 31-906(i) The plan shall set the total price of the capital stock equal to the estimated pro forma market value of the converted stock company based upon an independent evaluation by a qualified person. The pro forma market value may be the value or range of values that is estimated to be necessary to attract full subscription for the shares as indicated by the independent evaluation.

Amalgamated complied with the provision of Section 31-906(i) to determine the estimated pro forma market value of the Company by retaining Boenning to perform the independent evaluation. Boenning prepared the Original Appraisal, which was subsequently updated by the First Updated Appraisal and, most recently, the Second Updated Appraisal. The Second Updated Appraisal specifies the current Valuation Range, which is the range of the value of the total number shares of common stock to be sold in the Offering.

The purpose of the valuation appraisal and role of the independent appraiser are specified in Article 5.01 of the Amended Plan:

Article 5.01 Independent Appraiser. Boenning has been retained by the Company to determine the Valuation Range. The Valuation Range will consist of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation (the “Maximum of the Valuation Range”) and a valuation fifteen percent (15%) below the midpoint valuation (the “Minimum of the Valuation Range”). The Valuation Range will be based upon the consolidated financial condition and results of operations of Amalgamated, the consolidated pro forma book value and earnings per share of Amalgamated, a comparison of Amalgamated with comparable publicly-held insurance companies and insurance holding companies, and such other factors as Boenning may deem to be relevant, including that value which Boenning estimates to be necessary to attract a full subscription for the Common Stock. Boenning has submitted to Amalgamated the Valuation Range and a related report that describes the data and methodology used to determine the Valuation Range.

In the Second Updated Appraisal, Boenning determined that, as of October 15, 2021, the estimated pro forma market value of Amalgamated was \$20.0 million at the midpoint, and the Valuation Range of the total number of shares of common stock to be sold in the Offering was between a minimum value of \$17.0 million and a maximum value of \$23.0 million. HoldCo plans plan to offer for sale between 1,700,000 and 2,300,000 shares of common stock in the Offering. This Valuation Range was determined by dividing the \$10.00 price per share into the range of value established by Boenning in the Second Updated Appraisal.

Boenning is an independent securities, asset management, and investment banking firm that is engaged regularly in the valuation of insurance companies and other financial institutions. In prior transactions related to insurance company mutual-to-stock conversions, Boenning or its senior professionals have provided or reviewed valuation reports for approximately 20 such client engagements. Prior to this appraisal engagement with the Company, there was no pre-existing business relationship between Boenning and Amalgamated. Except for the aggregate fee that it received for preparing the valuation appraisals of Amalgamated, Boenning believes that it is independent of Amalgamated and the other parties engaged by the Company to assist in the Conversion.

Based on the above factors, Boenning suitably complies with the provisions of Section 31-906(i) of the Demutualization Act that mandate the selected appraiser be both independent and qualified in performing the required valuation services. Boenning reviewed the Original Appraisal with the Board of Trustees, including the factors considered by Boenning in reaching its conclusion and the assumptions made and the methodologies used by Boenning. The First Updated Appraisal and the Second Updated Appraisal were prepared by Boenning utilizing similar valuation analyses and methodologies as incorporated and discussed initially in the Original Appraisal.

Feldman Financial has been engaged by the Department to review the appraisal reports prepared by Boenning. The Original Appraisal discussed in detail the valuation conclusions and methodologies utilized by Boenning in determining the Valuation Range. The First Updated Appraisal and the Second Updated Appraisal built upon the Original Appraisal and reflected more recent financial data of Amalgamated, current market price data of certain publicly traded insurance companies, and changes in the relevant transaction terms and structure of the Conversion. In conjunction with this engagement, Feldman Financial was requested to advise the Department regarding the reasonableness of the assumptions and methodologies utilized by Boenning in preparing the appraisals. In performing our comprehensive review of the Appraisal, Feldman considered the following aspects of the valuation process:

- Factors considered and procedures followed by Boenning.
- Standard of value applied by Boenning.
- Valuation methodologies utilized by Boenning.
- Selection of the peer group companies for valuation purposes.
- Further market value adjustments considered by Boenning.
- Reconciliation of valuation conclusion resulting from Boenning's analyses and methodologies.

Factors Considered and Procedures Followed

Boenning completed its appraisal reports in reliance upon the information provided by management of Amalgamated, including the audited and unaudited financial statements of the Company. Boenning also considered the following factors, among others:

- The recent operating results and financial condition of the Company and current economic conditions.
- Certain historical, financial, and other information relating to the Company.
- A comparative evaluation of the operating and financial statistics of the Company with those of certain publicly traded insurance companies.

- The aggregate size of the offering of the common stock of HoldCo as determined by Boenning.
- The impact of the stock offering on the Company's equity and earnings potential as determined by Boenning;
- The trading market for securities of comparable companies and general conditions in the market for such securities.
- The transaction structure and terms of the Conversion that impact the pro forma financial condition and operating performance of the Company.
- The value which Boenning estimated to be necessary to attract a full subscription of the common stock.

In preparing the Second Updated Appraisal, Boenning conducted an analysis and review of Amalgamated that included discussions with the Company's management and a due diligence review of financial data and confidential documents pertaining to the Company. Boenning reviewed the Company's audited GAAP and statutory financial statements for the years ended December 31, 2019 and 2020 and unaudited GAAP and statutory financial statements for the six months ended June 30, 2021. The GAAP and statutory audits of Amalgamated for the years ended December 31, 2019 and 2020 were prepared by Johnson Lambert, LLP, an independent registered public accounting firm, and issued with unqualified audit opinions.

Boenning indicated to us that the Company was very cooperative and responsive in providing requested data materials and replying to various questions that arose during the review process. In demonstrating Boenning's understanding of the Company's business operations, the Original Appraisal provided a thorough discussion of the general overview of the Company, including its corporate history, organizational structure and operating segments, insurance product offerings, key competitors, and the experience of management and directors.

The Original Appraisal also contained a comprehensive review of the current state of the property and casualty ("P&C") insurance industry, including the opportunities and challenges

facing the overall industry and specifically the commercial automobile segment. Boenning noted that the commercial automobile segment has typically underperformed other P&C lines in terms of profitability. The commercial automobile insurance segment has experienced an unfavorable trend of increasing frequency and severity. Boenning indicated that A.M. Best maintained a negative outlook for the sector due to deteriorating underwriting performance. Despite technological innovations to improve driving safety, driver distraction has become an increasing problem. However, continued focus on risk mitigation and rate hikes may offer opportunities to stem the tide of net losses. Stay-at-home orders related to the coronavirus pandemic had the effect of reducing accident frequency and severity recently, although the return to pre-pandemic lifestyles may begin to reverse this trend.

Standard of Value

One of the professional appraiser's most important tasks is to express a definition of "value" that is appropriate to the specific purpose of a valuation engagement. Appropriately, the determination of the standard of value is related to the set of actual or hypothetical transactional circumstances applicable to the subject valuation. The standard of value usually reflects an assumption as to who will be the buyer and who will be the seller in the actual or hypothetical sales transactions concerning the subject assets, securities, or business interests.

Section 31-906(e) of the Demutualization Act provides a framework for the consideration of an appropriate standard of value applicable to a mutual-to-conversion stock offering involving a subscription preference to designated groups of prospective investors. Section 31-906(i) specifies that the price of the capital stock being sold should be equal to the estimated pro forma market value of the converted stock company. Fair market value is defined by the American Society of Appraisers as "the amount at which property would change hands between a willing

seller and willing buyer when neither is acting under compulsion and both have reasonable knowledge of the relevant facts.” The pro forma prescription indicates that the value determination should also take into account the effects of any infusion of capital proceeds on the converted company.

Within the context of pro forma market value, Boenning considered the freely traded, minority interest level of value as applicable for the Company’s valuation engagement purpose. Pursuant to the terms and conditions of the Amended Plan, the allocation of Subscription Rights to Eligible Members will provide a purchase opportunity to subscribe for shares of common stock of HoldCo and thereby become individual minority shareholders. A holder of a minority interest in a business does not enjoy certain benefits or prerogatives of control. Accordingly, Boenning’s appraisals of Amalgamated determined the value of the common stock as if the shares were freely traded in the open market on a minority interest basis. Feldman Financial agrees that the standard of value applied in the appraisals by Boenning is suitable for the valuation purposes consistent with Section 31-906(i) of the Demutualization Act.

The utilization of a range of value in determining the estimated pro forma market value is expressly referenced in Section 31-906(i) of the Demutualization Act. A range of value allows an offering to be conducted and marketed with the flexibility to respond to changes in market conditions and to the resulting demand for the offered stock in order to close the offering at a final pricing level at some amount within the range. Valuation appraisals of insurance companies and savings institutions offering shares of common stock for sale in connection with mutual-to-stock conversion transactions have typically incorporated a range of 15% below and 15% above the midpoint value to facilitate marketing flexibility with their initial stock offerings. Such a range of value has been utilized in the valuation appraisals and related mutual-to-stock conversion offerings

completed by numerous insurance companies. In determining the Valuation Range that was established in its appraisals of Amalgamated, Boenning applied a similar range that was based upon a 15% decrease from the midpoint to calculate the minimum of the Valuation Range and a 15% increase from the midpoint to compute the maximum of the Valuation Range.

Valuation Methodologies

An appraiser would normally consider various valuation methodologies in determining the estimated pro forma market value of a business enterprise related to a freely traded, minority ownership interest. Minority interests typically lack the unilateral capacity to initiate and control the liquidation of a business or direct the control of the use of the underlying assets of the business. As noted in its appraisals of Amalgamated, Boenning considered several conventional valuation methodologies, including the income or discounted cash flow approach, the asset-based approach, and the guideline market approach. Boenning elected to utilize the guideline market approach in determining the estimated pro forma market value because of the following reasons:

- The guideline market approach has been widely accepted as a valuation approach by insurance industry analysts and applicable regulatory authorities.
- The guideline market approach, where possible, is the generally employed valuation approach in initial public offerings.
- The guideline market approach has been commonly applied to determine the estimated pro forma market value in previous insurance company mutual-to-stock conversions incorporating a subscription rights method.
- Reliable market and financial data are readily available for most comparable companies operating as publicly traded insurance companies.

Boenning did not utilize the income approach because, in part, the Company has a recent history of reporting negative earnings and also did not have any available financial projections from the Company indicating consistent and sustainable profitability over the near term. The income approach is based on the valuation theory that the value of an asset is equal to the present

value of its future economic income as discounted at the required risk-adjusted rate of return. While grounded in sound economic theory, the income method cannot be applied without supportable financial projections indicating a positive earnings stream.

Boenning elected not to apply the asset approach since financial service companies such as insurance companies or commercial banks are rarely valued on the basis of their assets at liquidation value or the orderly disposition of individual assets or groups of assets. Furthermore, the asset approach may not take into consideration the income-producing aspects of the individual or collective assemblage of assets that are part of the underlying business enterprise.

Application of the guideline market approach is based on fundamental comparative analyses aimed at developing valuation measures reflecting prices at which stocks of similar companies are trading in a public market. The valuation measures that are developed are then applied to the subject company's financial data and adjusted to reach an estimate of value of the subject company.

The guideline market approach provides a reasonable basis for determining the estimated pro forma market value of the Company, especially since an active trading market exists for common stocks of comparable companies. Additional support for utilizing the guideline market approach is provided by the Company's corresponding intention to seek an initial listing of its common stock on a public market, specifically the OTC Pink market. Comparable guideline companies traded on a stock exchange reflect price quotes and equity value indications on a freely traded, minority interest basis. Based on the above factors, we agree that Boenning's selection of the guideline market method for its appraisal of Amalgamated is an appropriate valuation approach to determine the Company's estimated pro forma market value.

Selection of Guideline Companies

Application of the guideline market approach by an appraiser generally comprises the process outlined below:

Guideline Market Approach

- Selection of comparable “guideline” companies.
- Comparison of the financial performance of the subject company to the guideline companies.
- Calculation of relevant valuation measures or pricing ratios for each guideline company.
- Selection of the appropriate valuation measure(s) for the subject company.
- Adjustment and application of the chosen valuation measures(s) to the subject company’s financial data.

The appraiser must consider several important factors in analyzing whether or not a particular publicly traded company should be considered an appropriately comparable company. As with any valuation method, the quantity and quality of relevant data to implement it will have an important bearing on the overall usefulness of the selected valuation method. In selecting the peer group of similar publicly traded P&C insurance companies (the “Guideline Group”), Boenning relied on financial data compiled by S&P Global Market Intelligence (“S&P Global”).

S&P Global maintains a vast database that contains an enormous storehouse of financial and market data of publicly traded financial service companies, such as insurance companies, commercial banks, savings institutions, and credit unions. Market analysts, investment banking firms, financial institutions, and other users generally place a high degree of confidence in the quantity and quality of data provided by S&P Global, which provides further support for the usefulness of the guideline market method relying upon such data. While their subsidiary insurance carriers file statutory financial data with state insurance regulatory agencies, the

financial statements and periodic earnings results disclosed by publicly traded companies for market listing standards and shareholder reports are prepared on a GAAP basis.

In determining the relative comparability of the Amalgamated with the Guideline Group, Boenning focused on several factors, including lines of business, operating characteristics, product offerings, capital level, and market liquidity of the stock issue. In selecting companies for inclusion in the Guideline Group, Boenning noted that there are no publicly traded companies identical to the Company. Boenning further developed selection criteria that culled companies from the overall universe of publicly traded P&C insurance companies as categorized by S&P Global (the “Public P&C Insurance Group”).

As of the effective valuation date (October 15, 2021) of the Second Updated Appraisal, the Public P&C Insurance Group consisted of 56 companies, which ranged in asset size from \$42.7 million to \$912.5 billion and equity levels from -\$22.8 million to \$478.8 billion. Boenning restricted consideration of companies for the Guideline Group to those companies that had total equity levels of less than \$2.0 billion, were not subject to an announced merger, and reported current financial data. Subsequently, Boenning refined the selection process to differentiate among product offerings, lines of business, and geographic diversity. Based on this refinement, Boenning reduced the remaining companies to a group of 11 companies to form the Guideline Group as follows:

- Conifer Holdings, Inc. (“Conifer Holdings”)
- Global Indemnity Group, LLC (“Global Indemnity”)
- Hallmark Financial Services, Inc. (“Hallmark Financial”)
- Horace Mann Educators Corporation (“Horace Mann”)
- ICC Holdings, Inc. (“ICC Holdings”)
- Kingstone Companies, Inc. (“Kingstone Companies”)
- Positive Physicians Holdings, Inc. (“Positive Physicians”)
- Safety Insurance Group, Inc. (“Safety Insurance”)

- Unico American Corporation (“Unico American”)
- United Fire Group, Inc. (“United Fire”)
- The National Security Group, Inc. (“National Security”)

Boenning indicated that it believed that the chosen Guideline Group on the whole provided a meaningful basis of financial comparison for valuation purposes. In our viewpoint, Boenning’s selection criteria represented reasonable factors to consider in formulating the Guideline Group. All of the companies in the Guideline Group are larger in asset size than Amalgamated, which is not unexpected given that the preponderance of companies included among the Public P&C Insurance Group had greater levels of assets and equity than the Company. Only five members of the Guideline Group had total assets less than \$300 million and total equity less than \$100 million: Conifer Holdings, ICC Holdings, National Security, Positive Physicians, and Unico American.

There is no standard or customary number of companies to compose a peer group for valuation purposes. In configuring a suitable number of companies for peer group inclusion, the appraiser may consider factors such as the similarity of operating characteristics to the subject company, the trading activity of the potential companies, and the dispersion of valuation data points. A higher level of similarities with the subject company supports a fewer number of companies. Indication of active trading volumes among the chosen companies also supports a fewer number of companies. Conversely, a broad data range of valuation measures supports expansion of the peer group as more companies may be required to identify patterns or correlate data indications that are relevant to the subject company.

Boenning performed a comparison of the recent financial performance of the Company with the corresponding financial performance of the Guideline Group based on various measures of profitability, operating margins, underwriting results, balance sheet composition, and capital levels. Relevant financial data for the Guideline Group companies was drawn from the S&P

Global database. Given the limited number of available comparable companies from which to consider for selection, Feldman Financial does not believe that there are significant changes to the Guideline Group configured by Boenning that would materially alter any of the resulting comparative performance findings as pertaining to the Company versus the Guideline Group.

Most of the companies selected for the Guideline Group offer some form of insurance coverage in the personal or commercial automobile sector. There were several companies in the Guideline Group whose business lines seemed far afield from the Company's principal business lines. In particular, Positive Physicians concentrates on medical malpractice insurance and ICC Holdings focuses on providing business owner policies to the food and beverage industry. However, as Boenning explained to us, both of these companies met other inclusive criteria such as relatively small-scale operations and diverse geographic markets. In addition, both Positive Physicians and ICC Holdings represented the two most recent P&C insurance company demutualizations, having completed their conversion stock offerings in 2019 and 2017, respectively. The market capitalizations of Positive Physicians and ICC Holdings were approximately \$33.1 million and \$54.4 million as of October 15, 2021. Because of the above factors, the market trading ratios of these two companies would be particularly useful to review and incorporate in the Guideline Group.

In order to further substantiate Boenning's findings, we did develop an alternative group of comparable companies that reduced Boenning's Guideline Group of 11 companies to a group comprising 10 companies. The alternate group of 10 publicly traded companies developed by Feldman Financial (the "Feldman Group") eliminated one company, Horace Mann, due to its relatively larger size and superior level of profitability. While Boenning applied a size criterion that eliminated companies from the selection process that had total equity greater than \$2.0 billion,

we reduced Boenning's equity threshold to exclude companies with total equity greater than \$1.0 billion. As shown in the Second Updated Appraisal, Horace Mann had total assets of \$14.2 billion, total equity of \$1.8 billion, and net income for the last twelve months ("LTM") of \$170.3 million as of June 30, 2021. The market capitalization of Horace Mann was \$1.7 billion as of October 15, 2021. We believe that the sample size of 10 companies in the Feldman Group still comprised a meaningful number of companies from which to make essential financial and valuation comparisons.

For comparative purposes, Table 9 summarizes the mean and median assets, equity, and trading market values of the Guideline Group along with the Feldman Group. In addition, the various market valuation ratios of the companies as of October 15, 2021 are included and compared against the pro forma valuation ratios of Amalgamated as presented in the Second Updated Appraisal. As noted by Boenning in the Second Updated Appraisal, the key market valuation ratios to consider included the price to book value per share ("P/B") ratio, price to tangible book value per share ("P/TB") ratio, price to earnings per share ("P/E") ratio, price to total revenue ("P/R") ratio, and price to total assets ("P/A") ratio. Boenning further identified the P/B ratio as the primary determinant of an investor's interest in a subscription rights conversion offering of an insurance company. Accordingly, in performing its valuation analysis, Boenning placed the most emphasis on the P/B valuation metric. The median P/B ratios of the Guideline Group and the Feldman Group as of October 15, 2021 were equal to 57.9% and 57.8%, respectively, reflecting an infinitesimal difference. The mean P/B ratios of the Guideline Group and the Feldman Group as of October 15, 2021 were equal to 67.2% and 64.8%, respectively, reflecting an insignificant difference of approximately 3.6%.

Table 9
Comparative Financial and Market Valuation Data
Based on Market Price Data as of October 15, 2021
And Financial Data as of June 30, 2021

	Total Assets (\$Mil.)	Total Equity (\$Mil.)	Total Equity/ Assets (%)	Total Market Value (\$Mil.)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ LTM EPS (x)	Price/ Total Assets (%)	Price/ LTM Rev. (%)	Div. Yield (%)
<u>Amalgamated Casualty Insurance Co.</u>										
Historical Data - 6/30/21	88.3	43.3	49.0	NA	NA	NA	NA	NA	NA	NA
Pro Forma Valuation - Minimum	91.6	46.6	50.8	17.0	37.1	37.1	3.6	18.5	122.5	0.0
Pro Forma Valuation - Midpoint	94.1	49.0	52.1	20.0	41.4	41.4	4.3	21.3	143.7	0.0
Pro Forma Valuation - Maximum	96.6	51.5	53.3	23.0	45.3	45.3	5.0	23.8	164.8	0.0
Guideline Group Median	312.7	90.0	28.8	63.6	57.9	59.0	10.8	18.1	55.1	2.4
Feldman Group Median	291.2	81.7	28.8	59.0	57.8	58.5	13.8	18.7	51.9	1.2
Guideline Group Mean	2,184.0	438.6	28.7	368.9	67.2	68.5	17.5	20.0	70.3	1.7
Feldman Group Mean	983.4	300.8	30.3	240.8	64.8	65.2	19.6	20.9	65.2	1.6
<u>Guideline Group</u>										
Horace Mann Educators Corp. (1)	14,190.1	1,816.6	12.8	1,649.7	90.8	101.8	9.1	11.6	121.4	3.1
Safety Insurance Group, Inc.	2,107.9	920.3	43.7	1,195.4	129.9	129.9	7.1	56.7	132.5	4.5
United Fire Group, Inc.	3,058.2	839.5	27.5	552.8	65.9	65.9	NM	18.1	48.6	2.7
Global Indemnity Group, LLC	1,937.3	709.6	36.6	373.4	52.9	55.0	NM	19.3	58.3	3.9
Hallmark Financial Services, Inc.	1,506.7	178.9	11.9	63.6	35.6	35.8	NM	4.2	13.7	0.0
Kingstone Companies, Inc.	312.7	90.0	28.8	64.6	71.8	72.2	43.7	20.7	43.2	2.6
Positive Physicians Holdings, Inc.	196.1	73.5	37.5	54.4	74.0	74.0	10.8	27.7	92.8	0.0
ICC Holdings, Inc.	159.2	72.9	45.8	33.1	45.4	45.4	NM	20.8	148.0	0.0
The National Security Group, Inc.	153.5	44.2	28.8	25.6	57.9	57.9	NM	16.7	38.0	2.4
Conifer Holdings, Inc.	269.7	43.9	16.3	25.3	57.6	59.0	16.8	9.4	21.4	0.0
Unico American Corp.	132.5	35.0	26.4	19.9	57.1	57.1	NM	15.1	55.1	0.0

(1) Excluded from the composition of the Feldman Group.

Source: Pro Forma Valuation Appraisal Update as of October 15, 2021 prepared by Boenning; S&P Global Market Intelligence.

It is our viewpoint that the slight differences in the overall P/B ratios of the Guideline Group and the Feldman Group are not material to justify any changes to the conclusion of the Company's estimated pro forma market value as determined by Boenning in the Second Updated Appraisal. The differences in the corresponding P/B ratios represent very minor deviations and are set against the parameters of the Valuation Range spanning 30% when taking into account the 15% bands above and below the midpoint value. We also recognized the valuation trend of smaller insurance companies generally being accorded lower P/B ratios than their larger counterparts. Additionally, the overall P/B ratio for the Guideline Group is subject to adjustment as part of the valuation process to correlate the fundamental comparative results to the financial data and performance of the Company. In the section of the appraisals titled "Market Value Adjustments," Boenning reached conclusions regarding certain adjustments to the Guideline Group's P/B ratios in order to apply to the Company's financial data in determining the pro forma market value.

Market Value Adjustments

After performing comparative financial analysis of Amalgamated with the Guideline Group, Boenning next endeavored to decide on the appropriate valuation measure(s) to apply to the Company's pro forma financial data and examine any further adjustments that take into account the comparative financial results along with any other financial or market considerations that are pertinent to the offering of common stock in the Conversion. The specific market value adjustments considered by Boenning are listed below:

- Relative size
- Profitability and earnings prospects
- Strength of management
- Liquidity of the issue
- Subscription interest
- Stock market conditions
- Dividend outlook
- New issue risks

The application of market value discounts is a subjective undertaking by the appraiser and is not precisely quantifiable. Boenning calculated the median and mean P/B ratio for the Guideline Group as of October 15, 2021, and utilized the P/B valuation metric as the primary determinant of the Company's estimated pro forma market value. Boenning accorded the P/B ratio primary weighting because, in part, the majority of the Guideline Group reported negative earnings, thereby rendering the P/E metric approach as impractical due to the narrow number of companies with positive P/E ratios. Furthermore, investors in insurance company mutual-to-stock conversion offerings typically place the heaviest emphasis on the P/B valuation ratio. The calculation of the pro forma valuation ratios for Amalgamated also took into account certain assumptions related to the Offering. The net investable proceeds from the Offering are impacted by the offering expenses and other transaction terms. These transaction assumptions are shown below in Table 10:

Table 10
Summary of Pro Forma Price to Book Value Ratio Calculations
(Dollars in Thousands, Except Per Share Data)

	Minimum	Midpoint	Maximum
Gross offering proceeds	\$17,000	\$20,000	\$23,000
Less: estimated offering expenses	<u>(4,014)</u>	<u>(4,146)</u>	<u>(4,277)</u>
Net offering proceeds	12,986	15,854	18,723
Less: payment of Special Dividend to Eligible Members	(7,300)	(7,300)	(7,300)
Less: ESOP stock purchase adjustment [9.9% of offering]	(1,683)	(1,980)	(2,277)
Less: restricted stock plan adjustment [4.0% of offering]	<u>(680)</u>	<u>(800)</u>	<u>(920)</u>
Net investable proceeds	<u>\$ 3,323</u>	<u>\$ 5,774</u>	<u>\$ 8,226</u>
Historical common equity at 6/30/21	\$42,521	\$42,521	\$42,521
Net offering proceeds	12,986	15,854	18,723
Less: payment of Special Dividend to Eligible Members	(7,300)	(7,300)	(7,300)
Less: ESOP stock purchase adjustment [9.9% of offering]	(1,683)	(1,980)	(2,277)
Less: restricted stock plan adjustment [4.0% of offering]	<u>(680)</u>	<u>(800)</u>	<u>(920)</u>
Pro forma common equity	<u>\$45,844</u>	<u>\$48,296</u>	<u>\$50,747</u>
Offering price per share	\$10.00	\$10.00	\$10.00
Pro forma book value per share	\$26.97	\$24.15	\$22.06
Pro forma price to book value ratio	37.1%	41.4%	45.3%

Source: Pro Forma Valuation Appraisal Update as of October 15, 2021 prepared by Boenning.

Boenning concluded in the Second Updated Appraisal that the appropriate discount range on the P/B valuation metric to apply for Amalgamated was approximately 35%. This range of P/B valuation discount was consistent with the median of 39.5% that Boenning determined was evident in 16 previous insurance company demutualization offerings from 1997 to 2019. We conducted a survey review of demutualization offerings and confirmed that such a P/B valuation discount was evident in prior insurance company demutualization offerings as shown in Table 11.

Based on the estimation of the appropriate discount range, which reflected the comparative differences in Amalgamated versus the Guideline Group and factors and risks related to the Offering, Boenning determined a pro forma P/B ratio of 41.4% for Amalgamated at the midpoint of the Valuation Range. The pro forma P/B ratio of 41.4% resulted in an estimated pro forma market value of \$20.0 million at the midpoint of the Valuation Range. The Company's pro forma P/B ratio of 41.4% at the midpoint of the Valuation Range reflected a discount of 38.4% to the Guideline Group's mean P/B ratio of 67.2% as of October 15, 2021 and a discount of 28.5% to the Guideline Group's median P/B ratio of 57.9%. The Company's pro forma P/B ratio of 37.1% at the minimum of the Valuation Range reflected a discount of 35.9% to the Guideline Group's median P/B ratio of 57.2% as of October 15, 2021 and a discount of 44.8% to the Guideline Group's mean P/B ratio of 67.2%.

Of the market value adjustments considered by Boenning, several adjustments are company-specific and reflect the fundamental differences and certain risk factors applicable to the Company versus the overall Guideline Group. The company-specific adjustments addressed relative size, profitability and earnings prospects, and strength of management. Other adjustments are issue-specific and relate to the prospects of the Company's stock issue given the prevailing

business, economic, and stock market conditions. The issue-specific adjustments focused on stock liquidity, subscription interest, stock market conditions, dividend outlook, and new issue risks.

In its appraisal reports of Amalgamated, Boenning concluded that downward adjustments to the Company's pro forma market value were warranted for size, earnings prospects, liquidity of issue, subscription issue, dividend outlook, and new issue risks. Boenning determined that no adjustments were necessary for management and stock market conditions. In the following section, we review the conclusions reached by Boenning in considering these market value adjustments and provide additional commentary indicating our viewpoints of the corresponding adjustments.

Relative Size

Boenning concluded that a downward adjustment was warranted for the Company's size relative to the Guideline Group due to its size disadvantage. Boenning noted that larger insurance companies normally enjoy competitive advantages related to economies of scale, underwriting diversification, broader distribution channels, and greater capital risk-protection to absorb catastrophic losses. The Company attempts to offset its size disadvantage, in part, by targeting its specialty niche, streamlining the underwriting process, and providing highly responsive claims handling on significant claims and early settlements. Over the past two years, the Company has begun to sharpen its business focus, improve analytics, enhance data capture, and tighten underwriting standards. We agree with Boenning that, notwithstanding the strategic initiatives implemented by Amalgamated, the Company's relative size places it at a competitive disadvantage in a crowded marketplace compared to the larger companies comprising the Guideline Group.

Profitability and Earnings Prospects

Boenning concluded that a downward adjustment was warranted for the Company's profitability and earnings prospects relative to the Guideline Group. On a statutory basis, as shown in Exhibit VIII of this Report, Amalgamated incurred net losses for three consecutive years in 2017, 2018, and 2019 as the Company's claim benefits, reserve adjustments, and operating expenses continued to outstrip total revenue generated in the form of insurance premiums, net investment income, and income from real estate held for investment.

The Company's earnings did return to a positive level in 2020, but the profitability turnaround was driven primarily by abnormally low loss and loss reserve expenses related to the effects of the coronavirus pandemic on accident frequency. More recently for year-to-date operations in 2021 as shown in Exhibit IX, the Company's earnings returned to negative levels as underwriting and loss reserve expenses increased to more normalized levels.

The Company is now focused on re-tooling its business strategy to emphasize more profitable product lines and geographic markets with higher performing underwriting potential. Boenning noted that investors would likely assume a high degree of execution risk is associated with implementing these strategies and that the investment and ramp-up to build the supporting infrastructure will produce a drag on the Company's profitability in the near term. Based on our review, the Company will continue to be confronted with operating challenges in attempting to generate positive earnings and sustain profitability. Therefore, in our viewpoint, the downward adjustment for earnings prospects is necessary to reflect the uncertainty and ongoing challenges of achieving meaningful and sustainable profitability.

Strength of Management

Boenning indicated that no adjustment was necessary for the strength and depth of the Company's management relative to its publicly traded peers. While recognizing the experience and competency of the Company's management, we believe that investors will be cautious in evaluating management until a path toward positive earnings is more apparent and recent strategic initiatives begin to yield impactful results. Furthermore, the hiring of a new President and other senior management at the Company heightens concerns about execution risk of the strategic plan. Based on the above factors, we agree with Boenning that no distinct market value adjustment is warranted for management relative to the Guideline Group.

Liquidity of the Issue

Boenning concluded that a downward adjustment was appropriate to address the factors associated with liquidity of the stock issue. In reaching this determination, Boenning emphasized that a new stock issue such as the common stock of HoldCo may require a certain period of time before it develops a consistent following among investors, analysts, brokers and market makers, thereby contributing to a less liquid market immediately following and in the short term after the Conversion.

Furthermore, the Company's listing on the OTC Pink market and its smaller market capitalization relative to that of the overall Guideline Group suggests that the common stock of HoldCo may be followed less widely by investors, analysts, brokers, and market makers. We also note that the significant concentrations of stock held by insiders, including the ESOP and trustees and officers along with affiliated interests, and several institutional investors may further limit the public float of available shares for trading. Thus, we endorse the downward adjustment applied by Boenning due to factors associated with liquidity of the issue.

Subscription Interest

Boenning concluded that a downward adjustment was warranted for the level of prospective subscription interest. Boenning relied, in part, upon guidance from experience in prior insurance company demutualizations, which have attracted varying and restrained degrees of subscription interest. In reaching its conclusion, Boenning noted that subscription interest in insurance company demutualization offerings can be uncertain and extremely limited in practice. In reviewing these precedent offerings, Boenning confirmed that significant valuation discounts to existing public companies were evident in order to induce subscribers and other investors to purchase shares and attract a full takedown of the offering. Furthermore, the Demutualization Act notes that in establishing the Valuation Range, the independent appraiser may take into account such value that is “necessary to attract full subscription for shares.” Based on these circumstances, we do not disagree with Boenning’s assessment regarding subscription interest.

Stock Market Conditions

Boenning concluded that no explicit adjustment was necessary for stock market conditions. The rationale for no adjustment was premised on the fact that Boenning took into consideration stock market performance through its adjustment for stock liquidity and accounted for stock market volatility through its adjustment for the new issue discount. In making this determination, Boenning reviewed the recent market performance of all publicly traded insurance companies and all publicly traded P&C insurance companies, and noted that the industry had lagged the overall performance of broader market indexes. Based on the manner in which Boenning accounted for stock market conditions through other discrete discounts, we have no differing opinion with its conclusion of a neutral adjustment for stock market conditions.

Dividend Outlook

Boenning concluded that a downward adjustment was warranted for dividend outlook as it pertains to the future common stockholders of HoldCo . As disclosed in the Second Updated Appraisal, six of the 11 Guideline Group companies and approximately 60% of the companies in the Public P&C Group regularly paid cash dividends on their shares of common stock. In the Original Appraisal, Boenning discussed that while HoldCo would have a relatively high ratio of equity to assets on a pro forma basis, the Company's management currently has no stated intention to pay dividends to common stockholders following the Conversion. It is important to note that a Special Dividend will be paid to Eligible Members in conjunction with the completion of the Conversion and the Offering. However, the Special Dividend will not be paid to common stockholders of HoldCo in their capacity as shareholders of the Company.

HoldCo currently expects to pay quarterly cash dividends on its convertible preferred stock when such dividends are due. In addition, all accrued dividends on the convertible preferred stock must be paid in full before any cash dividends can be paid on the common stock. Therefore, we agree with Boenning's assessment that investors will likely recognize the low chances of HoldCo initially paying cash dividends to common shareholders and such a factor warrants a downward adjustment.

New Issue Risks

Boenning concluded that a downward adjustment was warranted for the new issue discount associated with the marketing of a new stock issue. A new issue discount that reflects investor concerns and investment risks inherent in all initial public offerings is also a factor to be considered for purposes of valuing companies converting from mutual to stock form. The necessity to build a new issue discount into the stock price of a converting insurance company continues to prevail

in recognition of the uncertainty among investors as a result of the lack of a seasoned trading history for the converting company, its operation in an intensely competitive industry, underlying concerns regarding business cycle and interest rate trends, volatility in the stock market, and intensifying competition and product marketing in the insurance marketplace. We concur with the application of a downward adjustment for new issue risks in determining the Company's pro forma market value.

Summary of Adjustments

Boenning did not quantify the adjustment amounts for each individual factor, but instead concluded that the aggregate adjustments as a whole resulted in a discount of approximately 35% based on the P/B valuation ratio. We agree with Boenning's assessment that discounts or premiums may not be additive and that, in some instances, may offset or overlay each other. The adjustments considered are not easily quantifiable and are based on the appraiser's subjective evaluations. In our review of the adjustments considered by Boenning, we found reasoning to agree with its conclusions and rationale regarding the adjustments. On the whole, it is our opinion that the approximate discount range warranted for the Company is unchanged from the current Boenning discount of 35% based on the P/B valuation metric.

We agree with Boenning that an overall discount is appropriate because of the company-specific factors as relevant to Amalgamated versus the Guideline Group and issue-specific factors related to an initial stock offering as contemplated in the Conversion. In summary, we believe that Boenning properly and adequately considered the market valuation adjustments based on prevailing information at the time of the Second Updated Appraisal, and that our subsequently evaluated discount range compares reasonably with the level of discount determined by Boenning.

Reconciliation of Value

The pro forma market value for an insurance company mutual-to-conversion stock offering can be determined through application of various pricing measures, including the P/B, P/TB, P/E, P/R, and P/A ratios. In preparing the appraisals, Boenning relied solely on the P/B ratio as the relevant valuation metric to analyze the Company's pro forma market value relative to the Guideline Group. We believe that the P/B ratio provides a sound estimate of market value when compared to the P/B ratio of the Guideline Group after considering the discounts discussed earlier. The P/B ratio is especially relevant when the presence of operating losses or absence of a sustainable earnings trend makes the P/E ratio approach impractical to apply.

Feldman Financial reviewed the potential applicability of the P/E, P/R, and P/A ratios to the Company's financial data as an alternative means of employing the comparative market approach. However, similar to Boenning, we concluded that that these valuation ratios would not produce reliable indications of market value. This rationale is supported by the negative and uneven levels of profitability reported by the Company along with the considerable importance placed on the P/B ratio by investors in mutual-to-stock conversion offerings.

Boenning provided historical data in the Original Appraisal indicating the applicability of P/B discounts in subscription rights-based, insurance company demutualization offerings. In order to provide substantiation of the historical trend of P/B discounts in these offerings, we conducted a review of prior insurance company demutualization offerings. As shown in Table 11, we have compared the P/B ratio at the midpoint of the offering range to the median P/B ratio of the corresponding peer group for the converting company. The median P/B discount of 42.5% for the transactions shown in Table 11 and provides ample evidence of the historical trends of applying P/B discount to these types of demutualization stock offerings.

Table 11
Summary Data for Certain Subscription Rights-Based
Insurance Company Demutualization Offerings

Stock Holding Company	Insurance Company	St.	Date Offering Completed	Total Assets (\$Mil.)	Final Offering Amount (\$Mil.)	Pro Forma Midpoint P/B Ratio (%)	Peer Group Median P/B Ratio (%)	Discount to Peer Group P/B Ratio (%)
Vericity, Inc.	Fidelity Life Association	IL	08/17/19	\$666.4	\$148.8	50.9	101.8	50.0
Positive Physicians Hldgs. (1)	Positive Physicians Ins. Exch.	PA	03/27/19	67.2	36.5	52.8	84.5	37.5
	Professional Casualty Assn.	PA		39.6		50.8	84.5	39.9
	Physicians' Ins. Program Exch.	PA		26.6		49.8	84.5	41.1
Federal Life Group, Inc.	Federal Life Insurance Co.	IL	12/11/18	257.6	35.3	55.1	85.8	35.8
ICC Holdings, Inc.	Illinois Casualty Company	IL	03/24/17	123.4	35.0	55.9	101.3	44.8
SPCI Holdings, Inc. (2)	Standard Mutual Ins. Co.	IL	10/07/16	67.4	20.4	54.8	108.1	49.3
ARI HoldCo (3)	ARI Mutual Insurance Co.	PA	01/22/16	127.9	23.8	54.3	96.7	43.8
Mutual Insurers Holding Co. (3)	First Nonprofit Ins. Co. (4)	IL	05/13/13	204.0	48.5	53.4	80.5	33.7
Penn Millers Holding Corp.	Penn Millers Insurance Co.	PA	10/19/09	219.6	54.4	51.9	67.8	23.5
Eastern Insurance Holdings (5)	Educators Mutual Life Ins. Co.	PA	06/16/06	111.2	74.8	55.8	94.5	41.0
Fremont Michigan InsuraCorp	Fremont Mutual Ins. Co.	MI	10/18/04	60.1	8.6	50.8	119.6	57.5
Mercer Insurance Group, Inc.	Mercer Mutual Ins. Co. (6)	NJ	12/15/03	111.5	56.4	61.6	125.3	50.8
Old Guard Group, Inc.	Old Guard Mutual Ins. Co.	PA	02/01/97	137.1	39.6	54.2	123.0	55.9
			Median	117.5	38.0	53.8	95.6	42.5

(1) Transaction involved a simultaneous conversion and merger of the three mutual insurance companies.

(2) Sponsored demutualization that involved merger into National General Holdings Corporation.

(3) Sponsored demutualization that involved merger into AmTrust Financial Services.

(4) Insurance company was headquartered in Illinois and the holding company was chartered in Delaware.

(5) Transaction involved the simultaneous acquisition of Eastern Holding Company and its insurance company subsidiaries.

(6) Insurance company was headquartered in New Jersey and domiciled in Pennsylvania.

Source: S&P Global Market Intelligence; Securities and Exchange Commission.

Conclusions Regarding the Appraisal

Based on our analysis and review of the Second Updated Appraisal, as well as discussions with Boenning, we believe that the Second Updated Appraisal considered the appropriate factors, analyses, and approaches and that the Second Updated Appraisal (which incorporates analysis and discussions from the Original Appraisal and the First Updated Appraisal) is complete. We believe that the methodologies utilized and assumptions made were reasonable in consideration of Section 31-906(i) of the Demutualization Act. Furthermore, we believe that the pro forma market value estimated as of October 15, 2021 and determined by Boenning in the Second Updated Appraisal is reasonable based on prevailing financial and market data and assumptions concerning the structure of the Offering. The pro forma market value of Amalgamated, based on the Conversion and Offering as detailed in the Amended Plan, was estimated by Boenning to equal a midpoint value of \$20.0 million. Utilizing this midpoint value, Boenning established a range of value of 15% below and above the midpoint to produce a minimum of the Valuation Range equal to \$17.0 million and a maximum of the Valuation Range equal to \$23.0 million.

Exhibit I
Background of Feldman Financial Advisors, Inc.

Overview of Firm

Feldman Financial Advisors provides consulting and advisory services to financial institutions and financial service companies in the areas of corporate valuations, mergers and acquisitions, strategic planning, branch sales and purchases, developing and implementing regulatory business and capital plans, and expert witness testimony and analysis. Our senior staff members have been involved in the stock conversion process since 1982 and have valued more than 350 companies converting from mutual to stock form, including savings and loan associations, savings banks, and insurance companies.

Feldman Financial Advisors was incorporated in 1996 by a group of consultants who were previously associated with Credit Suisse First Boston and Kaplan Associates, Inc. Each of the principals at Feldman Financial Advisors has more than 35 years of experience in consulting and all were officers of their prior firms. Our senior staff collectively has worked with more than 1,000 commercial banks, savings institutions, credit unions, insurance companies, and regulatory agencies nationwide. The firm's office is located in McLean, Virginia.

Background of Senior Professional Staff

Trent Feldman – President. Trent is a nationally recognized expert in providing strategic advice to and valuing financial service companies. Trent was affiliated with Kaplan Associates and Credit Suisse First Boston for a total of 14 years. He has been qualified as an expert and provided testimony on the valuation of financial institutions and financial service companies in various federal and state courts. Trent also worked previously at the Federal Home Loan Bank Board and with the California legislature. Trent holds Bachelor's and Master's degrees from the University of California, Los Angeles.

Peter Williams – Principal. Peter specializes in merger and acquisition analysis, mutual-to-stock conversion valuations, corporate valuations, strategic business plans, and fair value accounting analysis. Peter previously was associated with Credit Suisse First Boston and for a total of 13 years. Peter also served as a Corporate Planning Analyst with the Wilmington Trust Company in Delaware. Peter graduated with a BA in Economics from Yale University and earned an MBA in Finance and Investments from The George Washington University.

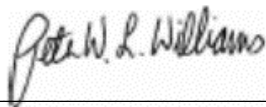
Exhibit II
Report Certification

We hereby certify the following statements regarding this Report:

1. We have no present or prospective future interest in the assets, properties, or business interests that are the subject matter of this Report, and we have no personal interest or basis with respect to the parties involved.
2. To the best of our knowledge and belief, the statements of facts contained in this Report, upon which the analyses, conclusions, and opinions expressed herein are based, are true and correct.
3. No persons other than the individuals whose qualifications are included herein have provided significant professional assistance regarded the analyses, opinions, and conclusions set forth in this report.
4. The reported analyses, opinion, and conclusions are limited only by the reported contingent and limiting conditions, and they represent our unbiased professional analyses, opinion, and conclusions.
5. Our compensation for preparing this Report is in no way contingent on any action, decision, or event resulting from the analyses, opinions, or conclusions in, or the use of, this Report.



Trent R. Feldman, President
Feldman Financial Advisors, Inc.



Peter W. L. Williams, Principal
Feldman Financial Advisors, Inc.

December 22, 2021

Exhibit III
Statement of Contingent and Limiting Conditions

This Report is provided subject to the following general contingent and limiting conditions:

1. The analyses, opinions, and conclusions presented in this Report apply to this engagement only and may not be used out of the context presented herein. This Report is valid only for the purpose specified herein.
2. Neither all nor any part of the contents of this Report is to be referred to or quoted in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without our prior written approval. In addition, our Report and analyses are not intended for general circulation or publication, nor are they to be reproduced or distributed to other third parties without our prior written consent.
3. Neither all nor any part of the contents of this Report is to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency assessment, or an investment recommendation. For various reasons, the price at which the subject interest might be sold in a specific transaction between specific parties on a specific date might be significantly different from the analyses, opinions, and conclusions expressed herein.
4. We assume no responsibility for legal matters, including interpretations of the law, contracts, or title considerations. We assume that the subject assets, properties, or business interests are appraised free and clear of any or all liens or encumbrances unless otherwise stated.
5. We assume that there is full compliance with all applicable federal, state, and local regulations and laws unless otherwise stated.
6. We assume responsible ownership and competent management with respect to the subject assets, properties, or business interests.
7. The information furnished by others is believed to be reliable. However, we issue no warranty or other form of assurance regarding its accuracy.
8. Any opinions of value are predicated on the corporate transactions and financial structure contemplated as of the date of the reviewed appraisals prepared by Boenning and the Amended and Restated Plan of Conversion.
9. No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this Report to reflect events or conditions that occur subsequent to the date hereof.

Exhibit IV
Consolidated Balance Sheets
Amalgamated Casualty Insurance Company
As of December 31, 2019 and 2020 and June 30, 2021
(Dollars in Thousands)

	June 30, 2021	December 31,	
		2020	2019
<u>Assets</u>			
Investments and Cash:			
Fixed maturity securities, at fair value	\$ 28,653	\$ 31,527	\$ 32,631
Equity securities, at fair value	4,867	3,360	3,127
Real estate	31,304	31,686	32,451
Other invested assets	4,444	3,593	2,671
Cash and cash equivalents	<u>3,671</u>	<u>4,355</u>	<u>4,217</u>
Total Investments and Cash	72,939	74,521	75,097
Premiums and reinsurance balances receivable	4,493	3,545	5,430
Reinsurance balances recoverable on unpaid losses	878	1,200	833
Deferred policy acquisition costs, net	684	378	218
Deferred rent and leases in place	5,093	5,054	5,191
Right of use asset, net	1,876	1,974	2,192
Other assets	<u>2,364</u>	<u>1,621</u>	<u>979</u>
Total Assets	<u>\$ 88,327</u>	<u>\$ 88,293</u>	<u>\$ 89,939</u>
<u>Liabilities and Equity</u>			
Liabilities:			
Unpaid losses and loss adjustment expenses	\$ 8,079	\$ 9,861	\$ 12,415
Unearned premiums	3,765	3,304	5,461
Notes payable	27,778	28,019	28,353
Accrued expenses	770	686	615
Other liabilities	<u>4,682</u>	<u>4,228</u>	<u>5,282</u>
Total Liabilities	<u>45,075</u>	<u>46,099</u>	<u>52,126</u>
Equity:			
Retained earnings	42,876	41,631	37,761
Accumulated other comprehensive income (loss)	(355)	(184)	(732)
Minority interest	<u>731</u>	<u>747</u>	<u>784</u>
Total Equity	<u>43,252</u>	<u>42,194</u>	<u>37,813</u>
Total Liabilities and Equity	<u>\$ 88,327</u>	<u>\$ 88,293</u>	<u>\$ 89,939</u>

Source: Amalgamated Casualty Insurance Company, GAAP financial statements.

Exhibit V
Consolidated Balance Sheet Composition
Amalgamated Casualty Insurance Company
As of December 31, 2019 and 2020 and June 30, 2021
(Percent of Total Assets)

	June 30, 2021	December 31,	
		2020	2019
<u>Assets</u>			
Investments and Cash:			
Fixed maturity securities, at fair value	32.44 %	35.71 %	36.28 %
Equity securities, at fair value	5.51	3.81	3.48
Real estate	35.44	35.89	36.08
Other invested assets	5.03	4.07	2.97
Cash and cash equivalents	<u>4.16</u>	<u>4.93</u>	<u>4.69</u>
Total Investments and Cash	82.58	84.40	83.50
Premiums and reinsurance balances receivable	5.09	4.02	6.04
Reinsurance balances recoverable on unpaid losses	0.99	1.36	0.93
Deferred policy acquisition costs, net	0.77	0.43	0.24
Deferred rent and leases in place	5.77	5.72	5.77
Right of use asset, net	2.12	2.24	2.44
Other assets	<u>2.68</u>	<u>1.84</u>	<u>1.09</u>
Total Assets	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
<u>Liabilities and Equity</u>			
Liabilities:			
Unpaid losses and loss adjustment expenses	9.15 %	11.17 %	13.80 %
Unearned premiums	4.26	3.74	6.07
Notes payable	31.45	31.73	31.52
Accrued expenses	0.87	0.78	0.68
Other liabilities	<u>5.30</u>	<u>4.79</u>	<u>5.87</u>
Total Liabilities	<u>51.03</u>	<u>52.21</u>	<u>57.96</u>
Equity:			
Retained earnings	48.54	47.15	41.99
Accumulated other comprehensive income (loss)	(0.40)	(0.21)	(0.81)
Minority interest	<u>0.83</u>	<u>0.85</u>	<u>0.87</u>
Total Equity	<u>48.97</u>	<u>47.79</u>	<u>42.04</u>
Total Liabilities and Equity	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %

Source: Amalgamated Casualty Insurance Company, GAAP financial statements.

Exhibit VI
Consolidated Income Statements
Amalgamated Casualty Insurance Company
For the Years Ended December 31, 2019 and 2020
And the Last Twelve Months Ended June 30, 2021
(Dollars in Thousands)

	Last Twelve Months Ended June 30, 2021	Year Ended December 31,	
	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Premiums Written</u>			
Net premiums written	\$ 7,873	\$ 6,063	\$12,595
<u>Total Revenues</u>			
Net premiums earned	\$ 7,309	\$ 8,133	\$11,728
Net investment income	1,329	1,447	1,516
Net realized investment gains (losses)	75	(15)	(214)
Net unrealized gains on equity securities	2,504	814	735
Service fee income	97	67	93
Other income	<u>2,513</u>	<u>2,466</u>	<u>2,279</u>
Total Revenues	<u>13,827</u>	<u>12,913</u>	<u>16,138</u>
<u>Total Expenses</u>			
Losses and loss adjustment expenses	1,913	2,684	8,829
Policy acquisition costs and other operating expenses	2,954	2,335	2,542
Other expenses	<u>4,640</u>	<u>4,207</u>	<u>5,437</u>
Total Expenses	<u>9,507</u>	<u>9,226</u>	<u>16,808</u>
Income (loss) before income taxes	4,320	3,687	(670)
Income tax expense (benefit)	(118)	(146)	(206)
Net income (loss) attributable to minority interest	<u>39</u>	<u>37</u>	<u>23</u>
Net income (loss)	<u>\$4,477</u>	<u>\$3,870</u>	<u>\$ (441)</u>

Source: Amalgamated Casualty Insurance Company, GAAP financial statements.

Exhibit VII
Consolidated Income Statement Composition
Amalgamated Casualty Insurance Company
For the Years Ended December 31, 2019 and 2020
And the Last Twelve Months Ended June 30, 2021
(Percent of Total Income)

	Last Twelve Months Ended June 30, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
<u>Total Revenues</u>			
Net premiums earned	52.86 %	62.98 %	72.67 %
Net investment income	9.61	11.21	9.39
Net realized investment gains (losses)	0.54	(0.12)	(1.33)
Net unrealized gains on equity securities	18.11	6.30	4.55
Service fee income	0.70	0.52	0.58
Other income	<u>18.17</u>	<u>19.10</u>	<u>14.12</u>
Total Revenues	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Total Expenses</u>			
Losses and loss adjustment expenses	13.84 %	20.79 %	54.71 %
Policy acquisition costs and other operating expenses	21.36	18.08	15.75
Other expenses	<u>33.56</u>	<u>32.58</u>	<u>33.69</u>
Total Expenses	<u>68.76 %</u>	<u>71.45 %</u>	<u>104.15 %</u>
Income (loss) before income taxes	31.24 %	28.55 %	(4.15) %
Income tax expense (benefit)	(0.85)	(1.13)	(1.29)
Net income (loss) attributable to minority interest	<u>0.28</u>	<u>0.29</u>	<u>0.13</u>
Net income (loss)	<u>32.38 %</u>	<u>29.97 %</u>	<u>(2.73) %</u>

Source: Amalgamated Casualty Insurance Company, GAAP financial statements.

Exhibit VIII
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
As of for the Years Ended December 31, 2016 to 2020
(Dollars in Thousands)

Year Ended	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
<u>Balance Sheet Summary</u>					
Total Cash and Investments	\$49,291	\$49,825	\$51,070	\$53,996	\$51,921
Total Assets	53,052	55,496	55,647	59,711	56,744
Loss Reserves	7,023	9,499	9,117	6,241	5,028
Loss Adjustment Expense Reserves	1,638	2,083	2,759	1,864	1,202
Total Loss and LAE Reserves	8,661	11,582	11,877	8,106	6,230
Unearned Premium Reserve	3,179	5,250	4,383	5,189	3,691
Total Liabilities	13,970	20,310	19,431	17,093	13,923
Surplus Notes	0	0	0	0	0
Capital and Surplus	39,082	35,186	36,216	42,618	42,821
Capital and Surplus / Assets (%)	73.67	63.40	65.08	71.37	75.46
Total Reserves / Capital and Surplus (%)	22.16	32.92	32.79	19.02	14.55
<u>Income Statement Summary</u>					
Direct Premiums Written	6,303	13,128	12,190	14,022	12,144
Net Reinsurance Premiums	(240)	(533)	(521)	(617)	(688)
Net Premiums Written	6,063	12,595	11,669	13,404	11,456
Net Premiums Earned	8,133	11,728	12,476	11,906	9,511
Net Loss and LAE Incurred	2,684	8,829	14,250	11,428	6,735
Net Underwriting Expense Incurred	4,226	5,480	5,142	4,449	3,337
Policyholder Dividends	0	0	0	0	0
Net Underwriting Gain (Loss)	1,223	(2,580)	(6,916)	(3,971)	(561)
Net Investment Income	1,447	1,516	1,371	841	970
Net Realized Capital Gains (Losses)	385	(214)	690	372	4
Income Tax Expense	0	0	0	0	3
Net Income	2,895	(1,212)	(4,793)	(2,709)	450
Pre-tax Operating Income	2,510	(999)	(5,483)	(3,081)	449
<u>Premiums Written By Segment (%)</u>					
Personal Lines - Direct Premiums Written	9.52	10.51	11.50	11.80	12.38
Commercial Lines - Direct Premiums Written	90.47	89.48	88.49	88.20	87.61
Personal Lines - Net Premiums Written	9.90	10.96	11.19	12.34	13.13
Commercial Lines - Net Premiums Written	90.10	89.04	88.81	87.65	86.87

Exhibit VIII (continued)
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
As of for the Years Ended December 31, 2016 to 2020
(Dollars in Thousands)

Year Ended	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
<u>Operating Ratios (%)</u>					
Growth Rate - Direct Premiums Written	(51.99)	7.70	(13.06)	15.46	31.50
Growth Rate - Net Premiums Written	(51.87)	7.93	(12.94)	17.01	27.80
Growth Rate - Operating Income	NM	NM	NM	NM	NM
Loss and LAE Ratio	33.00	75.28	114.22	95.98	70.81
Expense Ratio	69.71	43.51	44.06	33.19	29.13
Policyholder Dividend Ratio	0.00	0.00	0.00	0.00	0.00
Combined Ratio	102.71	118.79	158.29	129.18	99.94
Operating Ratio	84.92	105.86	147.29	122.11	89.74
Effective Tax Rate	0.00	0.00	0.00	0.00	0.64
Net Yield on Invested Assets	2.94	3.01	2.61	1.61	1.90
Pre-Tax Operating Margin	26.64	(7.50)	(39.42)	(24.08)	4.27
Return on Average Equity (C&S)	8.11	(3.45)	(11.79)	(6.35)	1.06
Pre-Tax Operating ROAE	7.03	(2.84)	(13.49)	(7.22)	1.06
Return on Average Assets	5.40	(2.15)	(8.27)	(4.70)	0.82
<u>Capital, Leverage & Liquidity (%)</u>					
RBC - Total Adjusted Capital (\$000)	39,082	35,186	36,216	42,618	42,821
ACL Risk Based Capital (\$000)	2,520	3,035	2,831	2,671	2,161
Risk Based Capital Ratio (TAC/ACL RBC)	1,550.80	1,159.53	1,279.19	1,595.80	1,981.66
Net Premiums Written / Average C&S	16.97	35.83	28.70	31.43	26.99
Cash & Short-Term Investments / Liabilities	24.96	15.60	5.36	13.08	7.33
Dividends to Stockholders (\$000)	0	0	0	0	0
<u>Reserve Analysis (%)</u>					
Change in Loss & LAE Reserves / Reserves	(25.22)	(2.48)	46.52	30.10	6.90
Loss & LAE Reserves / Net Premiums Earned	128.46	103.76	72.00	54.25	64.60
<u>Investments (%)</u>					
Net Yield on Invested Assets	2.94	3.01	2.61	1.61	1.90
Unaffiliated Bonds / Unaffiliated Investments	74.35	78.24	84.43	82.69	70.87
Unaff. Preferred Stocks / Unaff. Investments	4.73	4.98	4.92	2.21	1.17
Unaff. Common Stocks / Unaff. Investments	3.39	2.43	2.41	8.88	9.74
Affiliated Investments / Total Investments	18.11	18.75	18.92	18.30	0.00
Gross Yield on Bonds (excluding affiliates)	4.69	4.12	3.72	3.60	3.86
Bond Average Asset Quality (#1-6)	1.23	1.21	1.17	1.12	1.13
Bonds Rated 3-6 / Total Bonds	2.77	1.78	1.54	1.89	2.47
Bonds < 1 Year / Total Bonds	23.35	18.56	15.54	19.70	13.64

Exhibit VIII (continued)
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
As of for the Years Ended December 31, 2016 to 2020
(Dollars in Thousands)

Year Ended	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
<u>Assets (\$000)</u>					
Bonds	30,163	31,832	34,959	36,481	36,794
Preferred Stocks	1,920	2,026	2,037	973	605
Common Stocks	1,374	989	997	3,915	5,056
Cash and Short-term Investments	3,487	3,169	1,041	2,235	1,020
Other Investments	12,347	11,809	12,036	10,392	8,446
Total Cash and Investments	49,291	49,825	51,070	53,996	51,921
Premiums and Considerations Due	3,281	5,138	4,192	5,182	4,271
Reinsurance Recoverable	62	52	0	5	0
All Other Admitted Assets	418	481	385	528	552
Total Assets	53,052	55,496	55,647	59,711	56,744
<u>Liabilities and Equity (\$000)</u>					
Loss Reserves	7,023	9,499	9,117	6,241	5,028
Loss Adjustment Expense Reserves	1,638	2,083	2,759	1,864	1,202
Total Loss and LAE Reserves	8,661	11,582	11,877	8,106	6,230
Unearned Premium Reserve	3,179	5,250	4,383	5,189	3,691
Total Reinsurance Liabilities	4	117	310	533	171
Commissions, Other Expenses, and Taxes due	629	516	434	725	342
Other Liabilities	1,497	2,846	2,427	2,540	3,489
Total Liabilities	13,970	20,310	19,431	17,093	13,923
Capital and Surplus	39,082	35,186	36,216	42,618	42,821
Total Liabilities and Capital & Surplus	53,052	55,496	55,647	59,711	56,744

Exhibit VIII (continued)
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
As of for the Years Ended December 31, 2016 to 2020
(Dollars in Thousands)

Year Ended	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
<u>Underwriting Revenue (\$000)</u>					
Direct Premiums Written	6,303	13,128	12,190	14,022	12,144
Net Reinsurance Premiums	(240)	(533)	(521)	(617)	(688)
Net Premiums Written	6,063	12,595	11,669	13,404	11,456
Change in Unearned Premiums Reserve	(2,071)	867	(806)	1,498	1,945
Net Premiums Earned	8,133	11,728	12,476	11,906	9,511
<u>Underwriting Deductions (\$000)</u>					
Net Losses Paid	4,026	7,215	8,371	6,996	4,532
Net Loss Adjustment Expense Paid	1,578	1,909	2,108	2,557	1,801
Net Change in Loss and LAE Reserves	(2,921)	(295)	3,771	1,875	402
Losses and LAE Incurred	2,684	8,829	14,250	11,428	6,735
Other Underwriting Expense Incurred	4,226	5,480	5,142	4,449	3,337
Total Losses and Expenses Incurred	6,910	14,308	19,392	15,878	10,072
Net Underwriting Gain (Loss)	1,223	(2,580)	(6,916)	(3,971)	(561)
<u>Investment Income (\$000)</u>					
Net Investment Income	1,447	1,516	1,371	841	970
Net Realized Capital Gains (Losses)	385	(214)	690	372	4
<u>Other Income (\$000)</u>					
Finance Service Charges	66	93	61	47	39
All Other Income	(225)	(27)	1	2	1
<u>Net Income (\$000)</u>					
Income Before Income Taxes	2,895	(1,212)	(4,793)	(2,709)	453
Federal Income Tax	0	0	0	0	3
Net Income	2,895	(1,212)	(4,793)	(2,709)	450

Exhibit VIII (continued)
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
As of for the Years Ended December 31, 2016 to 2020
(Dollars in Thousands)

Year Ended	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
<u>Operating Ratios (%)</u>					
Loss Ratio	19.05	64.77	90.15	68.94	50.73
Loss Adjustment Expense Ratio	13.95	10.51	24.07	27.04	20.09
Loss and LAE Ratio	33.00	75.28	114.22	95.98	70.81
Net Commission Ratio	21.24	17.61	19.10	16.36	14.65
Salaries and Benefits Ratio	25.38	14.55	14.78	10.70	8.51
Tax, License and Fees Ratio	6.16	2.39	2.92	2.52	2.87
Administrative and Other Expense Ratio	16.92	8.95	7.26	3.61	3.10
Expense Ratio	69.71	43.51	44.06	33.19	29.13
Combined Ratio	102.71	118.79	158.29	129.18	99.94
Operating Ratio	84.92	105.86	147.29	122.11	89.74
<u>Premium Analysis</u>					
Direct Premiums Written (\$000)	\$6,303	\$13,128	\$12,190	\$14,022	\$12,144
Gross Premiums Written (\$000)	6,303	13,128	12,190	14,022	12,144
Net Premiums Written (\$000)	6,063	12,595	11,669	13,404	11,456
Growth DPW (%)	(51.99)	7.70	(13.06)	15.46	31.50
Growth GPW (%)	(51.99)	7.70	(13.06)	15.46	31.50
Growth NPW (%)	(51.87)	7.93	(12.94)	17.01	27.80
Retention Ratio (NPW/GPW) (%)	96.19	95.94	95.73	95.60	94.34
<u>Direct Premiums Written by Geography (%)</u>					
Mid-Atlantic Region	25.61	18.02	28.37	32.50	49.01
Southeast Region	34.36	42.53	42.15	42.32	32.95
Midwest Region	30.70	23.37	19.46	16.23	10.89
Southwest Region	5.57	7.24	8.96	8.95	7.15
West Region	3.76	8.83	1.07	0.00	0.00
Northeast Region	0.00	0.00	0.00	0.00	0.00
<u>Direct Premiums Written by Segment (%)</u>					
Commercial Automobile - Estimated	90.01	89.22	88.12	88.01	87.61
Private Automobile - Estimated	9.52	10.51	11.50	11.80	12.38
Other Liability	0.46	0.26	0.38	0.19	0.00

Source: S&P Global Market Intelligence.

Exhibit IX
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
 As of for the Last Five Quarters Ended June 30, 2021
 (Dollars in Thousands)

Quarter Ended	6/30/21	3/31/21	12/31/20	9/30/20	6/30/20
<u>Balance Sheet Summary</u>					
Total Cash and Investments	\$48,108	\$49,672	\$49,291	\$49,084	\$48,724
Total Assets	52,832	54,022	53,052	53,179	52,221
Loss Reserves	5,698	6,523	7,023	8,016	8,343
Loss Adjustment Expense Reserves	1,504	1,798	1,638	1,906	1,974
Total Loss and LAE Reserves	7,202	8,320	8,661	9,922	10,317
Unearned Premium Reserve	3,626	3,796	3,179	3,431	3,062
Total Liabilities	14,086	14,722	13,970	16,868	17,034
Surplus Notes	0	0	0	0	0
Capital and Surplus	38,745	39,300	39,082	36,312	35,187
Capital and Surplus / Assets (%)	73.34	72.75	73.67	68.28	67.38
Total Reserves / Capital and Surplus (%)	18.59	21.17	22.16	27.32	29.32
<u>Income Statement Summary</u>					
Direct Premiums Written	1,782	2,437	1,779	2,183	(1,059)
Net Reinsurance Premiums	(71)	(95)	(68)	(81)	41
Net Premiums Written	1,711	2,342	1,710	2,101	(1,018)
Net Premiums Earned	1,881	1,733	1,963	1,732	1,526
Net Loss and LAE Incurred	626	784	(37)	540	491
Net Underwriting Expense Incurred	1,645	1,240	1,258	884	671
Policyholder Dividends	0	0	0	0	0
Net Underwriting Gain (Loss)	(390)	(290)	742	308	365
Net Investment Income	302	295	354	390	180
Net Realized Capital Gains (Losses)	4	(92)	380	0	(6)
Income Tax Expense	0	0	0	0	0
Net Income	(27)	(74)	1,383	591	556
Pre-tax Operating Income	(31)	19	1,003	591	562
<u>Premiums Written By Segment (%)</u>					
Personal Lines - Direct Premiums Written	12.94	7.47	8.39	11.61	NM
Commercial Lines - Direct Premiums Written	87.06	92.52	91.61	88.39	NM
Personal Lines - Net Premiums Written	NA	NA	NA	NA	NA
Commercial Lines - Net Premiums Written	NA	NA	NA	NA	NA

Exhibit IX (continued)
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
As of for the Last Five Quarters Ended June 30, 2021
(Dollars in Thousands)

Quarter Ended	6/30/21	3/31/21	12/31/20	9/30/20	6/30/20
<u>Operating Ratios (%)</u>					
Growth Rate - Direct Premiums Written	NM	(28.32)	(39.65)	(26.37)	NM
Growth Rate - Net Premiums Written	NM	(28.35)	(39.67)	(26.37)	NM
Growth Rate - Operating Income	NM	(94.78)	26.61	NM	NM
Loss and LAE Ratio	33.29	45.21	(1.87)	31.18	32.14
Expense Ratio	96.14	52.94	73.52	42.08	NM
Policyholder Dividend Ratio	0.00	0.00	0.00	0.00	0.00
Combined Ratio	129.43	98.16	71.65	73.26	NM
Operating Ratio	113.38	81.16	53.60	50.78	NM
Effective Tax Rate	0.00	0.00	0.00	0.00	0.00
Net Yield on Invested Assets	2.47	2.38	2.88	3.19	1.47
Pre-Tax Operating Margin	(1.40)	0.91	45.10	29.31	32.61
Return on Average Equity (C&S)	(0.28)	(0.75)	14.68	6.61	6.41
Pre-Tax Operating ROAE	(0.32)	0.19	10.64	6.61	6.48
Return on Average Assets	(0.21)	(0.55)	10.42	4.49	4.15
<u>Capital, Leverage & Liquidity (%)</u>					
RBC - Total Adjusted Capital (\$000)	NA	NA	39,082	NA	NA
ACL Risk Based Capital (\$000)	NA	NA	2,520	NA	NA
Risk Based Capital Ratio (TAC/ACL RBC)	NA	NA	1,550.80	NA	NA
Net Premiums Written / Average C&S	17.54	23.90	18.15	23.51	(11.73)
Cash & Short-Term Investments / Liabilities	19.62	37.33	24.96	19.61	14.94
Dividends to Stockholders (\$000)	0	0	0	0	0
<u>Reserve Analysis (%)</u>					
Change in Loss & LAE Reserves / Reserves	(53.78)	(15.73)	(50.84)	(15.31)	(39.05)
Loss & LAE Reserves / Net Premiums Earned	103.15	122.47	118.36	146.03	178.14
<u>Investments (%)</u>					
Net Yield on Invested Assets	2.47	2.38	2.88	3.19	1.47
Unaffiliated Bonds / Unaffiliated Investments	69.66	67.53	74.35	76.37	79.39
Unaff. Preferred Stocks / Unaff. Investments	7.89	5.09	4.73	5.24	5.12
Unaff. Common Stocks / Unaff. Investments	4.15	3.70	3.39	3.00	2.88
Affiliated Investments / Total Investments	18.13	17.76	18.11	18.67	18.93
Gross Yield on Bonds (excluding affiliates)	NA	NA	NA	NA	NA
Bond Average Asset Quality (#1-6)	1.23	1.23	1.23	1.26	1.26
Bonds Rated 3-6 / Total Bonds	2.77	2.77	2.77	3.25	4.16
Bonds < 1 Year / Total Bonds	NA	NA	23.35	NA	NA

Exhibit IX (continued)
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
As of for the Last Five Quarters Ended June 30, 2021
(Dollars in Thousands)

Quarter Ended	6/30/21	3/31/21	12/31/20	9/30/20	6/30/20
<u>Assets (\$000)</u>					
Bonds	27,439	27,725	30,163	30,641	31,519
Preferred Stocks	3,108	2,091	1,920	2,104	2,034
Common Stocks	1,634	1,521	1,374	1,202	1,144
Cash and Short-term Investments	2,763	5,496	3,487	3,308	2,545
Other Investments	13,164	12,839	12,347	11,829	11,482
Total Cash and Investments	48,108	49,672	49,291	49,084	48,724
Premiums and Considerations Due	3,931	3,925	3,281	3,624	2,840
Reinsurance Recoverable	478	92	62	5	304
All Other Admitted Assets	314	333	418	466	352
Total Assets	52,832	54,022	53,052	53,179	52,221
<u>Liabilities and Equity (\$000)</u>					
Loss Reserves	5,698	6,523	7,023	8,016	8,343
Loss Adjustment Expense Reserves	1,504	1,798	1,638	1,906	1,974
Total Loss and LAE Reserves	7,202	8,320	8,661	9,922	10,317
Unearned Premium Reserve	3,626	3,796	3,179	3,431	3,062
Total Reinsurance Liabilities	0	(7)	4	23	48
Commissions, Other Expenses, and Taxes due	1,634	892	629	452	518
Other Liabilities	1,624	1,721	1,497	3,038	3,088
Total Liabilities	14,086	14,722	13,970	16,868	17,034
Capital and Surplus	38,745	39,300	39,082	36,312	35,187
Total Liabilities and Capital & Surplus	52,832	54,022	53,052	53,179	52,221

Exhibit IX (continued)
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
As of for the Last Five Quarters Ended June 30, 2021
(Dollars in Thousands)

Quarter Ended	6/30/21	3/31/21	12/31/20	9/30/20	6/30/20
<u>Underwriting Revenue (\$000)</u>					
Direct Premiums Written	1,782	2,437	1,779	2,183	(1,059)
Net Reinsurance Premiums	(71)	(95)	(68)	(81)	41
Net Premiums Written	1,711	2,342	1,710	2,101	(1,018)
Change in Unearned Premiums Reserve	(170)	609	(252)	369	(2,544)
Net Premiums Earned	1,881	1,733	1,963	1,732	1,526
<u>Underwriting Deductions (\$000)</u>					
Net Losses Paid	NA	NA	NA	NA	NA
Net Loss Adjustment Expense Paid	NA	NA	NA	NA	NA
Net Change in Loss and LAE Reserves	NA	NA	NA	NA	NA
Losses and LAE Incurred	626	784	(37)	540	491
Other Underwriting Expense Incurred	1,645	1,240	1,258	884	671
Total Losses and Expenses Incurred	2,271	2,024	1,221	1,424	1,161
Net Underwriting Gain (Loss)	(390)	(290)	742	308	365
<u>Investment Income (\$000)</u>					
Net Investment Income	302	295	354	390	180
Net Realized Capital Gains (Losses)	4	(92)	380	0	(6)
<u>Other Income (\$000)</u>					
Finance Service Charges	14	14	13	12	18
All Other Income	44	0	(107)	(119)	(1)
<u>Net Income (\$000)</u>					
Income Before Income Taxes	(27)	(74)	1,383	591	556
Federal Income Tax	0	0	0	0	0
Net Income	(27)	(74)	1,383	591	556

Exhibit IX (continued)
Statutory Financial Highlights
Amalgamated Casualty Insurance Company
As of for the Last Five Quarters Ended June 30, 2021
(Dollars in Thousands)

Quarter Ended	6/30/21	3/31/21	12/31/20	9/30/20	6/30/20
<u>Operating Ratios (%)</u>					
Loss Ratio	27.07	15.62	(4.53)	10.94	11.70
Loss Adjustment Expense Ratio	6.22	29.59	2.66	20.24	20.44
Loss and LAE Ratio	33.29	45.21	(1.87)	31.18	32.14
Net Commission Ratio	NA	NA	NA	NA	NA
Salaries and Benefits Ratio	NA	NA	NA	NA	NA
Tax, License and Fees Ratio	NA	NA	NA	NA	NA
Administrative and Other Expense Ratio	NA	NA	NA	NA	NA
Expense Ratio	96.14	52.94	73.52	42.08	NM
Combined Ratio	129.43	98.16	71.65	73.26	NM
Operating Ratio	113.38	81.16	53.60	50.78	NM
<u>Premium Analysis</u>					
Direct Premiums Written (\$000)	\$1,782	\$2,437	\$1,779	\$2,183	(\$1,059)
Gross Premiums Written (\$000)	NA	NA	NA	NA	NA
Net Premiums Written (\$000)	1,711	2,342	1,710	2,101	(1,018)
Growth DPW (%)	NM	(28.32)	(39.65)	(26.37)	NM
Growth GPW (%)	NA	NA	NA	NA	NA
Growth NPW (%)	NM	(28.35)	(39.67)	(26.37)	NM
Retention Ratio (NPW/GPW) (%)	NA	NA	NA	NA	NA
<u>Direct Premiums Written by Geography (%)</u>					
Mid-Atlantic Region	0.28	38.25	9.07	12.73	NM
Southeast Region	42.45	14.37	46.64	37.03	NM
Midwest Region	37.69	26.45	37.08	46.26	NM
Southwest Region	10.49	7.17	7.79	2.09	NM
West Region	9.09	13.76	(0.58)	1.90	NM
Northeast Region	0.00	0.00	0.00	0.00	0.00
<u>Direct Premiums Written by Segment (%)</u>					
Commercial Automobile - Estimated	87.02	92.23	90.82	88.11	NM
Private Automobile - Estimated	12.94	7.47	8.39	11.61	NM
Other Liability	0.04	0.29	0.78	0.26	NM

Source: S&P Global Market Intelligence.

Exhibit X

**Amended and Restated Plan of Conversion
of
Amalgamated Casualty Insurance Company**

**Under Chapter 9 of Title 31 of the
District of Columbia Official Code (D.C. Code §31-901 et seq.)**

**As Approved on November 9, 2021
by the Board of Trustees**

Table of Contents

	<u>Page</u>
ARTICLE 1	
REASONS FOR THE CONVERSION	1
ARTICLE 2	
DEFINITIONS.....	2
2.01 Certain Terms.....	2
2.02 Terms Generally.....	5
ARTICLE 3	
ADOPTION BY THE BOARD OF TRUSTEES	5
3.01 Adoption by the Board.....	5
ARTICLE 4	
APPROVAL BY THE COMMISSIONER	6
4.01 Application for Approval.....	6
4.02 Commissioner Approval	6
ARTICLE 5	
TOTAL NUMBER OF SHARES AND PURCHASE PRICE OF COMMON STOCK	6
5.01 Independent Appraiser.....	6
5.02 Purchase Price.....	7
5.03 Number of Shares of Common Stock to be Offered.....	7
5.04 Number of Shares of Common Stock to be Sold.....	7
5.05 Results of Offering.....	7
ARTICLE 6	
GENERAL PROCEDURE FOR THE OFFERINGS.....	9
6.01 Commencement of Offerings.....	9
ARTICLE 7	
SUBSCRIPTION OFFERING.....	9
7.01 Allocation of Subscription Rights.....	9
ARTICLE 8	
PUBLIC OFFERING.....	11
8.01 Public Offering.....	11
8.02 Preference in Public Offering	11
8.03 Delivery of Offering Materials	11
8.04 Commencement of Public Offering.....	11
8.05 Significant Purchasers.....	11
ARTICLE 9	
LIMITATIONS ON SUBSCRIPTIONS AND PURCHASES OF COMMON STOCK.....	11
9.01 Maximum Number of Shares That May be Purchased.....	12

Table of Contents

	<u>Page</u>
ARTICLE 10	
TIMING OF THE OFFERINGS, MANNER OF PURCHASING COMMON STOCK AND ORDER FORMS.....	12
10.01 Commencement of the Offering	13
10.02 Right to Reject Orders	13
10.03 Policyholders Outside the United States.....	13
ARTICLE 11	
PAYMENT FOR COMMON STOCK.....	13
11.01 Purchase Price for Shares.....	13
11.02 Payment for Shares by ESOP	14
11.03 Shares Nonassessable.....	14
ARTICLE 12	
CONDITIONS of THE OFFERING	14
12.01 Closing Conditions.....	14
ARTICLE 13	
APPROVAL BY ELIGIBLE MEMBERS	14
13.01 Special Meeting	14
13.02 Notice of the Special Meeting.....	15
ARTICLE 14	
THE CONVERSION	15
14.01 Effect on ACIC	15
14.02 Effect on Existing Policies.....	15
14.03 Filing of Plan of Conversion and Amended and Restated Articles	16
14.04 Effectiveness of Plan of Conversion.....	16
14.05 Tax Considerations	16
14.06 Producer	17
ARTICLE 15	
POLICIES	17
15.01 Policies.....	17
15.02 Determination of Ownership.....	17
15.03 In Force	18
ARTICLE 16	
SUBSEQUENT POLICYHOLDERS.....	18
16.01 Notice to Subsequent Policyholders	18
16.02 Option to Rescind	19

Table of Contents

	<u>Page</u>
ARTICLE 17	
OFFICERS AND TRUSTEES	19
17.01 Trustees	19
17.02 Officers	19
ARTICLE 18	
ADDITIONAL PROVISIONS	19
18.01 Continuation of Corporate Existence.....	19
18.02 Conflict of Interest	20
18.03 Restrictions on Transfer of Common Stock.....	20
18.04 No Preemptive Rights	20
18.05 Amendment or Withdrawal of Plan of Conversion	20
18.06 Corrections.....	21
18.07 Notices	21
18.08 Limitation of Actions.....	21
18.09 Costs and Expenses.....	21
18.10 Headings	21
18.11 Governing Law	21
18.12 Limitation on Acquisition of Shares of Common Stock.....	21
18.13 Payment of Special Dividend to Policyholders	21

**AMENDED AND RESTATED PLAN OF CONVERSION
OF
AMALGAMATED CASUALTY INSURANCE COMPANY**

**Under Chapter 9 of Title 31 of the
District of Columbia Official Code (D.C. Code §31-901 et seq.)**

This Amended and Restated Plan of Conversion provides for the conversion of Amalgamated Casualty Insurance Company, a mutual insurance company organized under the laws of District of Columbia (such entity, both before and after the Conversion, being referred to as “ACIC”), from a mutual insurance company into a stock insurance company (the “Conversion”) and the issuance by ACIC of newly-issued shares of common stock of ACIC to Forge Group, Inc., a Pennsylvania corporation (“HoldCo”), as authorized by Chapter 9 of Title 31 of the District of Columbia Official Code (D.C. Code §31-901 et seq.) (the “Demutualization Act”). In the Conversion, all Eligible Members will receive subscription rights to purchase shares of common stock of HoldCo, in exchange for the extinguishment of their Membership Interests in ACIC. As required by Section 902(a) of the Demutualization Act, this Plan of Conversion was originally approved and adopted by at least a majority of the members of the Board of Trustees (the “Board”) of ACIC, at a meeting duly called and held on February 3, 2021 (the “Adoption Date”). After receiving comments from the Department of Insurance, Securities and Banking of the District of Columbia, this Amended and Restated Plan of Conversion was approved and adopted by at least a majority of the members of the Board at a meeting duly called and held on November [], 2021. Capitalized terms used herein without definition have the meaning set forth in Article 2 hereof.

**ARTICLE 1
REASONS FOR THE CONVERSION**

The principal purpose of the Conversion is to convert ACIC from a mutual insurance company into a stock insurance company in order to enhance its capital position and its strategic and financial flexibility and to provide the Eligible Members with the right to acquire an equity interest in HoldCo. The Board believes that the Conversion is in the best interest of ACIC because the additional capital resulting from the Conversion should: (i) sustain and enhance ACIC’s ability to write specialty transportation insurance currently written by ACIC; (ii) support organic growth and diversification initiatives; and (iii) enable HoldCo to attract institutional investors and engage in strategic transactions advantageous to HoldCo and its subsidiaries. The Board further believes that the transaction is fair and equitable, is consistent with the purpose and intent of the Demutualization Act and will not prejudice the interests of the Members.

In its present structure as a mutual insurance company, ACIC can increase its statutory capital only through earnings generated by the businesses of ACIC and its subsidiaries, or by the issuance of surplus notes by ACIC. Reliance on earnings to provide a long-term source of permanent capital, however, limits ACIC’s ability to develop new business, issue new insurance

products, and provide greater stability and protection for its policyholders. Surplus notes do not provide permanent capital and must be repaid out of the company's earnings.

ARTICLE 2 DEFINITIONS

2.01 Certain Terms. As used in this Plan of Conversion, the following terms have the meanings set forth below:

“ACIC” has the meaning specified in the Preamble.

“ACIC Records” means the books, records and accounts of ACIC.

“ACIC Shares” means the duly authorized shares of common stock of ACIC to be issued to HoldCo on the Plan Effective Date in accordance with this Plan of Conversion.

“Adoption Date” has the meaning specified in the preamble.

“Affiliate” means a Person who, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with the Person specified or who is acting in concert with the Person specified.

“Amended and Restated Articles of Incorporation” has the meaning specified in Section 13.01(a).

“Amended and Restated Bylaws” has the meaning specified in Section 14.03(a).

“Application” has the meaning specified in Section 4.01.

“Appraised Value” means the estimated pro forma market value of ACIC, as determined by Boenning.

“Board” has the meaning specified in the preamble.

“Boenning” means Boenning and Scattergood, Inc., a registered broker dealer.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commissioner” means the Commissioner of the Department.

“Common Stock” means the common stock of HoldCo, par value \$0.01 per share.

“Conversion” has the meaning specified in the preamble.

“D.C Code” means the District of Columbia Official Code.

“Decision and Order” means the final and effective decision and order issued by the Commissioner and evidencing the Commissioner’s approval of the Application and of this Plan of Conversion.

“Department” means the District of Columbia Department of Insurance, Securities, and Banking.

“Effective Date Filing” has the meaning specified in Section 14.03.

“Effective Time” means 12:01 a.m., Eastern Time, on the Plan Effective Date. This is the time that this Plan of Conversion is deemed to be effective.

“Eligible Member” means a Member on the Adoption Date; provided that a person insured under a group policy is not an Eligible Member unless all of the conditions in D.C. Code §31-901(3)(A) are satisfied.

“Eligible Policy” means any Policy that is In Force on the Adoption Date.

“Employee” means any natural person who is a full or part-time employee of ACIC.

“ESOP” means the Employee Stock Ownership Plan to be established by HoldCo prior to the commencement of the Offering.

“Gross Proceeds” means the product of (x) the Purchase Price and (y) the number of shares for which subscriptions and orders are received in the Offering and accepted by HoldCo.

“HoldCo” means Forge Group, Inc., a Pennsylvania corporation that will become the sole stockholder of ACIC, and which will issue shares of Common Stock in the Offering.

“In Force” has the meaning specified in Section 15.03(a).

“Insider” means any Officer or Trustee of ACIC.

“Maximum of the Valuation of Range” has the meaning specified in Section 5.01.

“Member” means a person who, according to the ACIC Records and pursuant to its bylaws and in accordance with Article 15 hereof, is deemed to be a holder of a Membership Interest in ACIC.

“Membership Interests” means, with respect to ACIC, the interests of Members arising under the law of the District of Columbia and the articles of incorporation and bylaws of ACIC prior to the Conversion, including the right to vote and the right to participate in any distribution of surplus in the event that ACIC is liquidated.

“Minimum of the Valuation of Range” has the meaning specified in Section 5.01.

“MRP” means any executive stock incentive plan that may be established by HoldCo and under which stock options, shares of restricted stock, or restricted stock units may be granted to directors and employees of HoldCo or any of its subsidiaries.

“Notice of Special Meeting” has the meaning specified in Section 13.02(a).

“Offering” means the offering of shares of Common Stock pursuant to this Plan in the Subscription Offering and any Public Offering.

“Offering Circular” means the one or more documents to be used in offering the Common Stock in the Offering and for providing information to Persons in connection with the Offering.

“Offering Statement” means the offering statement filed or to be filed with the SEC by HoldCo under Regulation A of the SEC with respect to the offer and sale of shares of HoldCo common stock in the Offering.

“Officer” means the people elected to serve as an officer by the Board.

“Order Form” means the form provided on behalf of HoldCo by which Common Stock may be ordered in the Offering.

“Owner” means, with respect to any Policy, the Person or Persons specified or determined pursuant to the provisions of Section 15.02.

“Participant” means a Person to whom Common Stock is offered in the Subscription Offering.

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

“Plan Effective Date” has the meaning specified in Section 14.04(a).

“Plan of Conversion” means this Amended and Restated Plan of Conversion, as it may be amended from time to time in accordance with Section 18.06 or corrected in accordance with Section 18.07. Any reference to the term “Plan of Conversion” shall be deemed to incorporate by reference all of the Exhibits thereto.

“Policy” or “Policies” has the meaning specified in Section 15.01(a).

“Public Offering” means a public offering through an underwriter of the shares not subscribed to in the Subscription Offering, as contemplated by Section 31-906(h) of the D.C. Code.

“Purchase Price” has the meaning specified in Section 5.02.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Special Meeting” has the meaning specified in Section 13.01.

“Significant Purchaser” has the meaning specified in Section 8.05.

“Stock Purchase Agreement” has the meaning specified in Section 8.05.

“Subscription Offering” means the offering of the Common Stock that is described in Section 7.01 hereof.

“Subscription Rights” means nontransferable rights to subscribe for Common Stock in the Subscription Offering granted to Participants as described in Section 7.01 hereof.

“Trustee” means the members of the Board of Trustees of ACIC.

“Valuation Range” means the range of the estimated pro forma market value of ACIC as converted to a stock insurance holding company as determined by Boenning in accordance with Section 5.01 hereof.

2.02 Terms Generally. As used in this Plan of Conversion, except to the extent that the context otherwise requires:

(a) when a reference is made in this Plan of Conversion to an Article, Section or Exhibit, such reference is to an Article or Section of, or an Exhibit to, this Plan of Conversion unless otherwise indicated;

(b) the words “hereby”, “herein”, “hereof”, “hereunder” and words of similar import refer to this Plan of Conversion as a whole (including any Exhibits hereto) and not merely to the specific section, paragraph or clause in which such word appears;

(c) whenever the words “include,” “includes,” or “including” (or similar terms) are used in this Plan of Conversion, they are deemed to be followed by the words “without limitation”;

(d) the definitions contained in this Plan of Conversion are applicable to the singular as well as the plural forms of such terms; and

(e) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

ARTICLE 3

ADOPTION BY THE BOARD OF TRUSTEES

3.01 Adoption by the Board. This Plan of Conversion has been approved and adopted by at least a majority of the members of the Board at a meeting duly called and held on November [

], 2021. This Plan of Conversion provides for the conversion of ACIC into a stock insurance holding company in accordance with the requirements of D.C. Code § 31-901 et seq.

ARTICLE 4 APPROVAL BY THE COMMISSIONER

4.01 Application for Approval. Following the adoption of this Plan of Conversion by the Board, ACIC shall file an amendment to the application (the “Application”) with the Commissioner for approval of this Plan of Conversion in accordance with Section 31-903 of the D.C. Code. The Application shall include true and complete copies of the following documents:

(a) this Plan of Conversion, including the independent appraisal of market value of ACIC provided by Boenning in accordance with Section 5.01 and required by Section 31-906(i) of the D.C. Code;

(b) the form of notice of the Special Meeting, required by Section 31-904(b) of the D.C. Code;

(c) the form of information statement and proxy to be solicited from Eligible Members, required by Section 31-904(b) of the D.C. Code;

(d) the form of notice to persons whose Policies are issued after the Adoption Date but before the Plan Effective Date, required by Section 31-910(a) of the D.C. Code;

(e) the proposed amended and restated articles of incorporation and amended and restated bylaws of ACIC; and

(f) any other information or documentation as the Commissioner may request.

If the Commissioner requires modifications to this Plan of Conversion, the Board shall submit any amended Plan of Conversion to the Commissioner for her review and approval.

4.02 Commissioner Approval. This Plan of Conversion is subject to the approval of the Commissioner.

ARTICLE 5 TOTAL NUMBER OF SHARES AND PURCHASE PRICE OF COMMON STOCK.

The number of shares of Common Stock required to be offered and sold by HoldCo in the Offering will be determined as follows:

5.01 Independent Appraiser. Boenning has been retained by ACIC to determine the Valuation Range. The Valuation Range will consist of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation (the “Maximum of the Valuation Range”) and a valuation fifteen percent (15%) below the midpoint valuation (the “Minimum of the Valuation Range”). The Valuation Range will be based upon the consolidated financial condition and results of operations of ACIC, the consolidated pro forma book value and earnings per share of ACIC as converted to a stock company, a comparison of ACIC with comparable publicly-held

insurance companies and insurance holding companies, and such other factors as Boenning may deem to be relevant, including that value that Boenning estimates to be necessary to attract a full subscription for the Common Stock. Boenning will submit to ACIC the Valuation Range and a related report that describes the data and methodology used to determine the Valuation Range.

5.02 Purchase Price. The Purchase Price for Common Stock in the Offering (the “Purchase Price”) will be \$10.00 per share and will be uniform as to all purchasers in the Offering.

5.03 Number of Shares of Common Stock to be Offered. The maximum number of shares of Common Stock to be offered in the Offering shall be equal to the Maximum of the Valuation Range divided by the Purchase Price, plus (ii) the number of shares required to enable the ESOP to purchase nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock issued in the Offering.

5.04 Number of Shares of Common Stock to be Sold. Boenning will submit to ACIC the Appraised Value as of the quarter ended June 30, 2021. If the Gross Proceeds of the Offering do not equal or exceed the Minimum of the Valuation Range, then ACIC may cancel the Offering and terminate this Plan, establish a new Valuation Range and extend, reopen or hold a new Offering, or take such other action as it deems to be reasonably necessary.

5.05 Results of Offering.

(a) If the Gross Proceeds of the Offering equal or exceed the Minimum of the Valuation Range, the following steps will be taken:

(1) *Subscription Offering Exceeds Maximum*. If the number of shares to which Participants subscribe in the Subscription Offering multiplied by the Purchase Price is greater than the Maximum of the Valuation Range, then HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants; which shares shall be allocated among the subscribing Participants as provided in Section 7.01; *provided, however*, that the number of shares of Common Stock issued shall not exceed the number of shares of Common Stock offered in the Offering as provided in Section 5.03; and *provided further*, that no fractional shares of Common Stock shall be issued.

(2) *Subscription Offering Meets or Exceeds Minimum, but does not Exceed Maximum*. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, but less than or equal to the Maximum of the Valuation Range, then HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full. To the extent that shares of Common Stock remain unsold after the subscriptions of all Participants in the Subscription Offering have been satisfied in full, HoldCo shall have the right in its absolute discretion to accept, in whole or in part, orders received from purchasers in the Public Offering, including without limitation orders from any Significant Purchaser pursuant to a Stock Purchase Agreement; *provided, however*, that the number of shares of Common Stock

issued shall not exceed the Maximum of the Valuation Range; and, *provided further*, that no fractional shares of Common Stock shall be issued.

(3) *Subscription Offering Does Not Meet Minimum.* If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event HoldCo may accept orders received from purchasers in the Public Offering, including without limitation orders from Significant Purchasers. If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Public Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, then on the Effective Date HoldCo shall: (A) issue shares of Common Stock to subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full, and (B) issue to purchasers in the Public Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued to subscribing Participants and to purchasers in the Public Offering multiplied by the Purchase Price shall be at least equal to the Minimum of the Valuation Range and may be in any amount up to the Maximum of the Valuation Range, in ACIC's discretion. In no event shall fractional shares of Common Stock be issued.

(b) *Offering Does Not Meet Minimum.* If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Public Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event HoldCo and ACIC may (w) cancel the Offering and terminate this Plan, (x) establish a new Valuation Range, (y) extend, reopen or hold a new Offering, or (z) take such other action as they deem reasonably necessary. If a new Valuation Range is established and the Offering is extended, reopened or continued as part of a new Offering, Persons who previously submitted subscriptions or orders will be required to confirm, revise or cancel their original subscriptions or orders. If original subscriptions or orders are canceled, any related payment will be refunded (without interest).

If, following a reduction in the Valuation Range, the aggregate number of shares of Common Stock for which subscriptions and orders have been accepted in the Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range (as such Valuation Range has been reduced), then HoldCo on the Effective Date shall: (i) issue shares of Common Stock to Participants in the Subscription Offering in an amount sufficient to satisfy the subscriptions of such subscribers in full, and (ii) issue to purchasers in the Public Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued multiplied by the Purchase Price shall be at least equal to the Minimum of the Valuation Range (as such Valuation Range has been reduced).

(c) *Allocation of Shares.* In determining the allocation of shares of Common Stock to purchasers in the Offering: (i) only those orders and subscriptions accepted by ACIC and HoldCo shall be counted; (ii) any orders and subscriptions for shares in excess of the limitations on purchases set forth in Article 9 hereof shall be accepted only up to the applicable limitation on purchases set forth in Article 9 hereof; and (iii) any order or subscription for shares

of Common Stock shall only be accepted to the extent of the payment of the Purchase Price for such shares actually received prior to the termination of the Offering.

(d) *Participant Eligibility*. Notwithstanding anything to the contrary set forth in this Plan, ACIC and HoldCo shall have the right in their absolute discretion and without liability to any subscriber, purchaser, underwriter, broker-dealer, or any other Person to determine which proposed Persons and which subscriptions and orders in the Offering meet the criteria provided in this Plan for eligibility to purchase Common Stock and the number of shares eligible for purchase by any Person. The determination of these matters by HoldCo and ACIC shall be final and binding on all parties and all Persons. Except as provided to the contrary in a Stock Purchase Agreement, ACIC and HoldCo shall have absolute and sole discretion to accept or reject, in whole or in part, any offer to purchase that is made or received in the course of the Public Offering, irrespective of a Person's eligibility under this Plan to participate in the Public Offering.

ARTICLE 6

GENERAL PROCEDURE FOR THE OFFERINGS.

6.01 Commencement of Offerings. As soon as practicable after the Offering Statement is declared to be qualified by the SEC under Regulation A under the Securities Act, and after the receipt of all required regulatory approvals, the Common Stock shall be first offered for sale in the Subscription Offering. It is anticipated that any shares of Common Stock remaining unsold after the Subscription Offering will be sold through the Public Offering. The purchase price per share for the Common Stock shall be a uniform price determined in accordance with Section 5.02 hereof.

ARTICLE 7

SUBSCRIPTION OFFERING.

7.01 Allocation of Subscription Rights. Rights to purchase shares of Common Stock at the Purchase Price (the "Subscription Rights") will be distributed by HoldCo to the Participants in the following priorities:

(a) Eligible Members (First Priority). Each Eligible Member shall receive, without payment, nontransferable Subscription Rights to purchase up to 25,000 shares of Common Stock in the Subscription Offering; *provided, however*, that the maximum number of shares that may be purchased by Eligible Members in the aggregate shall be equal to the Maximum of the Valuation Range divided by the Purchase Price.

In the event of an oversubscription for shares of Common Stock pursuant to this Section 7.01(a), available shares shall be allocated among subscribing Eligible Members so as to permit each such Eligible Member, to the extent possible, to purchase a number of shares that will make his or her total allocation equal to the lesser of (i) the number of shares that he or she subscribed for or (ii) 1,000 shares. Any shares of Common Stock remaining after such initial allocation will be allocated among the subscribing Eligible Members whose subscriptions remain unsatisfied in the proportion in which (i) the aggregate number of shares as to which each such Eligible Member's subscription remains unsatisfied bears to (ii) the aggregate number of shares

as to which all such Eligible Members' subscriptions remain unsatisfied; *provided, however*, that no fractional shares of Common Stock shall be issued. If, because of the magnitude of the oversubscription, shares of Common Stock cannot be allocated among subscribing Eligible Members so as to permit each such Eligible Member to purchase the lesser of 1,000 shares or the number of shares subscribed for, then shares of Common Stock will be allocated among the subscribing Eligible Members in the proportion in which: (i) the aggregate number of shares subscribed for by each such Eligible Member bears to (ii) the aggregate number of shares subscribed for by all Eligible Members; *provided, however*, that no fractional shares of Common Stock shall be issued.

(b) ESOP (Second Priority). The ESOP shall receive, without payment, Subscription Rights to purchase at the Purchase Price a number of shares of Common Stock equal to nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock to be issued in the Offering as set forth in Section 5.03. An oversubscription by Eligible Members shall not reduce the number of shares of Common Stock that may be purchased by the ESOP under this section.

(c) Trustees, Officers, and Employees of ACIC (Third Priority). Each Trustee, Officer, and Employee of ACIC shall receive, without payment, nontransferable Subscription Rights to purchase up to 25,000 shares of Common Stock in the Subscription Offering; *provided, however*, that such Subscription Rights shall be subordinated to the Subscription Rights of the Eligible Members and the ESOP; and *provided, further*, that such Subscription Rights may be exercised only to the extent that there are shares of Common Stock that could have been purchased by Eligible Members, but which remain unsold after satisfying the subscriptions of all Eligible Members. In the event of an oversubscription among the trustees, Officers, and Employees, the number of shares issued to any one Trustee, Officer, or Employee shall be equal to the product of (i) the number of shares available for issuance to all trustees, Officers, and Employees, and (ii) a fraction, expressed as a percentage, the numerator of which is the number of shares to which the subscribing Trustee, Officer, or Employee subscribed and the denominator of which is the total number of shares subscribed by all trustees, Officers, and Employee. The aggregate number of shares purchased by the Trustees, Officers, and Employees, whether purchased in the Subscription Offering in their capacity as Eligible Members, in the Public Offering, or otherwise, shall be limited as provided in Section 9.1 hereof.

A Trustee, Officer, or Employee who subscribes to purchase shares of Common Stock and who also is eligible to purchase shares of Common Stock as an Eligible Member will be deemed to purchase Common Stock first in his or her capacity as an Eligible Member, provided that any such person shall nevertheless only have subscription rights to purchase 25,000 shares of Common Stock in total (with any other purchases being made in the Public Offering).

(d) Limitations on Subscription Rights. Subscription rights granted under this Plan will be nontransferable, nonnegotiable personal rights to subscribe for and purchase shares of Common Stock at the Purchase Price. Subscription Rights under this Plan will be granted without payment, but subject to all the terms, conditions and limitations of this Plan. Any Person purchasing Common Stock hereunder will be deemed to represent and affirm to HoldCo and ACIC that such Person is purchasing for his or her own account and not on behalf of any other Person.

ARTICLE 8 PUBLIC OFFERING.

8.01 Public Offering. If less than the total number of shares of Common Stock offered by HoldCo in connection with the Conversion are sold in the Subscription Offering, it is anticipated that remaining shares of Common Stock shall, if practicable, be sold by HoldCo in the Public Offering.

8.02 Preference in Public Offering. In the Public Offering HoldCo shall accept orders in its discretion, subject, however, to any requirements contained in a Stock Purchase Agreement.

8.03 Delivery of Offering Materials. An Offering Circular and an Order Form shall be furnished to all offerees in the Public Offering. Except to the extent provided in a Stock Purchase Agreement, each order for Common Stock in the Public Offering shall be subject to the absolute right of HoldCo to accept or reject any such order in whole or in part either at the time of receipt of an order or as soon as practicable following completion of the Public Offering. In the event of an oversubscription, subject to the preferences described above, the terms of any Stock Purchase Agreement, and the right of HoldCo to accept or reject, in its sole discretion, any order received in the Public Offering, any available shares will be allocated so as to permit each purchaser whose order is accepted in the Public Offering to purchase, to the extent possible, the lesser of 1,000 shares and the number of shares subscribed for by such person. Thereafter, any shares remaining will be allocated among purchasers whose orders have been accepted but remain unsatisfied on a *pro rata* basis, provided no fractional shares shall be issued.

8.04 Commencement of Public Offering. HoldCo may commence the Public Offering concurrently with, at any time during, or as soon as practicable after the end of, the Subscription Offering, and the Public Offering must be completed within 45 days after the completion of the Subscription Offering, unless extended by HoldCo. The provisions of Section 9.01 hereof shall not be applicable to the sales to underwriters for purposes of the Public Offering, but shall be applicable to sales by the underwriters to persons other than any Significant Purchaser. The price to be paid by the underwriters in such an offering shall be equal to the Purchase Price less an underwriting discount to be negotiated among such underwriters and HoldCo, subject to any required regulatory approval or consent.

8.05 Significant Purchasers. Subject to Board approval, ACIC may enter into agreements with one or more Persons who will agree to purchase five percent (5%) or more of the total shares of Common Stock sold in the Offering (any such person, a "Significant Purchaser," and any such agreement, a "Stock Purchase Agreement"). Any Significant Purchaser may be granted priority over other Persons who submit Order Forms in the Public Offering. All references in this Plan to sales of Common Stock in the Public Offering shall be deemed to include sales made to any Significant Purchaser pursuant to a Stock Purchase Agreement.

ARTICLE 9 LIMITATIONS ON SUBSCRIPTIONS AND PURCHASES OF COMMON STOCK.

9.01 Maximum Number of Shares That May be Purchased. The following additional limitations and exceptions shall apply to all purchases of Common Stock in the Offering:

(a) To the extent that shares are available, no Person may purchase fewer than the lesser of (i) 50 shares of Common Stock or (ii) shares of Common Stock having an aggregate purchase price of \$500.00 in the Offering.

(b) In addition to the other restrictions and limitations set forth herein, except for (i) purchases by any Significant Purchaser, and (ii) the purchase by the ESOP, the maximum amount of Common Stock which any Person together with any Affiliate may, directly or indirectly, subscribe for or purchase in the Offering (including without limitation the Subscription Offering and/or Public Offering), shall not exceed five percent (5%) of the total shares of Common Stock sold in the Offering, provided that any purchase of greater than five percent (5%) of the total shares of Common Stock sold in the Offering must be approved by the Commissioner as otherwise provided under the D.C. Code. The limit set forth in this section applies irrespective of the different capacities in which such person may have received Subscription Rights or other rights or options to place orders for shares of Common Stock under this Plan.

(c) For purposes of the foregoing limitations and the determination of Subscription Rights, (i) Trustees, Officers, and Employees shall not be deemed to be Affiliates or a group acting in concert solely as a result of their capacities as such, and (ii) shares of Common Stock purchased by any plan participant in any tax-qualified retirement account using personal funds or funds held in any tax-qualified retirement account pursuant to the exercise of Subscription Rights granted to such plan participant in his individual capacity as an Eligible Member or as a Trustee or Officer and/or purchases by such plan participant in the Public Offering in such plan participant's capacity as an employee, Trustee, Officer, or Employee shall not be deemed to be purchases by the tax-qualified retirement account for purposes of calculating the maximum amount of Common Stock that the tax-qualified retirement account may purchase, but shall count towards the individual limitations on purchases set forth in this Plan.

(d) Each Person who purchases Common Stock in the Offering shall be deemed to confirm that such purchase does not conflict with the purchase limitations under this Plan or otherwise imposed by law. ACIC shall have the right to take any action as it may, in its sole discretion, deem necessary, appropriate or advisable in order to monitor and enforce the terms, conditions, limitations and restrictions contained in this Section and elsewhere in this Plan and the terms, conditions and representations contained in the Order Form, including, but not limited to, the absolute right of ACIC and HoldCo to reject, limit or revoke acceptance of any order and to delay, terminate or refuse to consummate any sale of Common Stock that they believe might violate, or is designed to, or is any part of a plan to, evade or circumvent such terms, conditions, limitations, restrictions and representations. Any such action shall be final, conclusive and binding on all Persons, and HoldCo and ACIC shall be free from any liability to any Person on account of any such action.

ARTICLE 10
TIMING OF THE OFFERINGS, MANNER OF
PURCHASING COMMON STOCK AND ORDER FORMS.

10.01 Commencement of the Offering. The exact timing of the commencement of the Offering shall be determined by HoldCo in consultation with any financial advisory or investment banking firm retained by it in connection with the Offering. HoldCo may consider a number of factors in determining the exact timing of the commencement of the Offering, including, but not limited to, its pro forma current and projected future earnings, local and national economic conditions and the prevailing market for stocks in general and stocks of insurance companies in particular. HoldCo shall have the right to withdraw, terminate, suspend, delay, revoke or modify the Offering at any time and from time to time, as it in its sole discretion may determine, without liability to any Person, subject to any necessary regulatory approval or concurrence.

10.02 Right to Reject Orders. Subject to the terms of any Stock Purchase Agreement, ACIC and HoldCo shall have the absolute right, in their sole discretion and without liability to any Person, to reject any Order Form as to which there appears to be an irregularity, including, but not limited to, any Order Form that is (i) improperly completed or executed, (ii) not timely received, (iii) not accompanied by the proper payment, or (iv) submitted by a Person whose representations ACIC or HoldCo believes to be false or who it otherwise believes, either alone, or acting in concert with others, is violating, evading or circumventing, or intends to violate, evade or circumvent, the terms and conditions of this Plan. HoldCo and ACIC may, but will not be required to, waive any irregularity on any Order Form or may require the submission of corrected Order Forms or the remittance of full payment for shares of Common Stock by such date as ACIC and HoldCo may specify. The interpretation of ACIC and HoldCo of the terms and conditions of the Order Forms shall be final and conclusive. Once HoldCo receives an Order Form, the order shall be deemed placed and will be irrevocable; *provided, however*, that no Order Form shall be accepted until the Offering Circular has been filed with the SEC and mailed or otherwise made available to the Persons entitled to Subscription Rights in the Offering, and any Order Form received prior to that time shall be rejected and no sale of Common Stock shall be made in respect thereof.

10.03 Policyholders Outside the United States. HoldCo shall make reasonable efforts to comply with the securities laws of all jurisdictions in the United States in which Persons entitled to subscribe reside. However, HoldCo has no obligation to offer or sell shares to any Person under the Plan if such Person resides in a foreign country or in a jurisdiction of the United States with respect to which (i) there are few Persons otherwise eligible to subscribe for shares under this Plan who reside in such jurisdiction, (ii) the granting of Subscription Rights or the offer or sale of shares of Common Stock to such Persons would require HoldCo or its trustees, Officers or employees, under the laws of such jurisdiction, to register as a broker or dealer, salesman or selling agent or to register or otherwise qualify the Common Stock for sale in such jurisdiction, or HoldCo would be required to qualify as a foreign corporation or file a consent to service of process in such jurisdiction, or (iii) such registration or qualification in the judgment of HoldCo would be impracticable or unduly burdensome for reasons of cost or otherwise.

ARTICLE 11

PAYMENT FOR COMMON STOCK.

11.01 Purchase Price for Shares. Payment for shares of Common Stock ordered by Persons in the Offering shall be equal to the Purchase Price per share multiplied by the number

of shares that are being ordered. Payment for shares subscribed for or ordered in the Subscription Offering or the Public Offering shall be made by bank draft, check, or money order at the time the Order Form is delivered to HoldCo, or in HoldCo's sole and absolute discretion by delivery of a wire transfer of immediately available funds. Payment for all shares of Common Stock subscribed for must be received in full and collected by HoldCo or by any subscription agent engaged by HoldCo. All subscription payments will be deposited by HoldCo in an escrow account at a bank designated by HoldCo and ACIC and any wire transfers will be delivered directly to such escrow account.

11.02 Payment for Shares by ESOP. Consistent with applicable laws and regulations, payment for shares of Common Stock ordered by the ESOP may be made with funds contributed or loaned by HoldCo or ACIC and/or funds obtained pursuant to a loan from an unrelated financial institution pursuant to a loan commitment which is in force from the time that any such plan submits an Order Form until the closing of the transactions contemplated hereby.

11.03 Shares Nonassessable. Each share of Common Stock issued in the Offering shall be fully-paid and nonassessable upon payment in full of the Purchase Price.

ARTICLE 12

CONDITIONS OF THE OFFERING

12.01 Closing Conditions. Consummation of the Offering is subject to (i) the receipt of all required federal and state approvals for the issuance of Common Stock in the Offering, (ii) approval of the Plan by the members of ACIC as provided in Section 31-904(c) of the D.C. Code, and (iii) the sale in the Offering of such minimum number of shares of Common Stock within the Valuation Range as may be determined by the Board.

ARTICLE 13

APPROVAL BY ELIGIBLE MEMBERS

13.01 Special Meeting.

(a) After the approval of the Application by the Commissioner, ACIC shall hold a special meeting of Eligible Members to vote on this Plan of Conversion (the "Special Meeting"). At the Special Meeting, each Eligible Member shall be entitled to vote on a single proposal (the "Proposal") to (i) adopt and approve this Plan of Conversion and the other transactions contemplated by this Plan of Conversion, and (ii) amend and restate the articles of incorporation of ACIC to read in the form attached as Exhibit A (the "Amended and Restated Articles of Incorporation"). The number of votes that each Eligible Member is entitled to cast at the Special Meeting shall be governed by the Bylaws of ACIC. In order to establish a quorum at the Special Meeting, at least a majority of the Eligible Members must be present, either in person or by proxy. Eligible Members will be permitted to vote at the Special Meeting with respect to each Proposal by written proxy or by telephone or internet voting pursuant to the Bylaws of ACIC and such rules and conditions consistent with such Bylaws as are established by the Board.

(b) Adoption of this Plan of Conversion and the Amended and Restated Articles of Incorporation, pursuant to Section 31-904(c) of the D.C. Code, is subject to the approval of at

least a majority of the votes cast by Eligible Members who are present in person or by proxy at the Special Meeting.

13.02 Notice of the Special Meeting.

(a) ACIC shall mail notice of the Special Meeting in a form satisfactory to the Department (the “Notice of Special Meeting”). The Notice of Special Meeting shall be mailed within forty-five (45) days following the Commissioner’s approval of this Plan of Conversion. Such notice shall inform each Eligible Member of such Eligible Member’s right to vote upon the Proposal and the place, the day, and the hour of the Special Meeting. Such notice and other materials set forth in Section 13.02(b) shall be mailed by first class or priority mail or an equivalent of first class or priority mail, to the last-known address of each Eligible Member as it appears on the ACIC Records, at least thirty (30) days prior to the date of the Special Meeting, and shall be in a form satisfactory to the Commissioner.

Beginning on the date that the first Notice of Special Meeting is mailed pursuant to Section 13.02(a) and continuing until the Plan Effective Date, ACIC shall also make available at its statutory home office located at 8401 Connecticut Avenue #105, Chevy Chase, Maryland 20815, during regular business hours, copies of the Notice of Special Meeting, this Plan of Conversion and its Exhibits, each in its entirety, for inspection by Eligible Members.

(b) The Notice of the Special Meeting shall be accompanied by information relevant to the Special Meeting, including a copy or summary of this Plan of Conversion, a form of proxy allowing the Eligible Members to vote for or against the Plan of Conversion, a policyholder information statement regarding this Plan of Conversion, and such other explanatory information that the Commissioner approves or requires, all of which shall be in a form satisfactory to the Commissioner. With the prior approval of the Commissioner, ACIC may also send supplemental information relating to this Plan of Conversion to Eligible Members either before or after the date of the Special Meeting.

ARTICLE 14 **THE CONVERSION**

14.01 Effect on ACIC. On the Plan Effective Date, ACIC shall be converted from a mutual insurance company into a stock insurance company in accordance with Section 31-911 of the D.C. Code and the closing of the Offering shall occur in accordance with this Plan of Conversion. Under the terms of this Plan of Conversion, HoldCo will acquire all of the ACIC Shares. HoldCo thereupon will become the sole shareholder of ACIC and will have all the rights, privileges, immunities and powers and will be subject to all of the duties and liabilities to the extent provided by law of a shareholder of a corporation organized under the laws of the District of Columbia.

14.02 Effect on Existing Policies. Any Policy In Force on the Plan Effective Date will remain In Force under the terms of such Policy, except that the following rights, to the extent they existed in ACIC, shall be extinguished on the Plan Effective Date:

(a) any voting rights of the policyholder provided under or as a result of the Policy;

(b) any right to share in the surplus of ACIC.

14.03 Filing of Plan of Conversion and Amended and Restated Articles. As soon as practicable following (i) the receipt of the Decision and Order, (ii) the Commissioner's determination that all conditions to such approval contained in the Decision and Order have been satisfied, except for those conditions required by the Decision and Order to be satisfied after the Plan Effective Date and with respect to which the Commissioner has received commitments, acceptable to the Commissioner, from ACIC and/or HoldCo to satisfy after the Plan Effective Date, (iii) the adoption of this Plan of Conversion and the Amended and Restated Articles of Incorporation by the Eligible Members as provided in this Plan of Conversion, and (iv) the satisfaction or waiver of all of the conditions contained in this Plan of Conversion, ACIC shall file with the Commissioner (A) the minutes of the Special Meeting, and (B) the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws of ACIC (the filing described in clauses (A) and (B), the "Effective Date Filing").

14.04 Effectiveness of Plan of Conversion.

(a) The "Plan Effective Date" of the Plan of Conversion shall be the date and time as of which all of the following steps have been completed: (i) the Plan of Conversion has been approved by the Commissioner, (ii) the Eligible Members have approved the Plan of Conversion by the requisite vote, (iii) the Amended and Restated Articles of Incorporation have been duly adopted, (iv) the Effective Date Filing shall have been made by ACIC, and (v) the Articles of Incorporation of HoldCo have been filed with the Pennsylvania Secretary of State. Subsequent to the Plan Effective Date, the bylaws of ACIC shall be substantially in the form attached hereto as Exhibit B (the "Amended and Restated Bylaws"). This Plan of Conversion shall be deemed to have become effective at the Effective Time.

(b) At the Effective Time:

(1) ACIC shall by operation of Section 31-911 of the D.C. Code become a stock insurance company;

(2) the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws shall without further action become effective; and

(3) all of the Membership Interests shall be extinguished.

(c) On the Plan Effective Date:

(1) ACIC shall issue all of the authorized ACIC Shares to HoldCo, representing all of the issued and outstanding common stock of ACIC; and

(2) HoldCo shall issue shares of Common Stock to Persons whose subscriptions and orders were accepted in the Offering.

14.05 Tax Considerations. This Plan of Conversion shall not become effective and the Conversion shall not occur unless, on or prior to the Plan Effective Date, ACIC shall have received a favorable opinion of Stevens & Lee, P.C., special counsel to ACIC, or other

nationally-recognized independent tax counsel to ACIC, dated as of the Plan Effective Date, addressed to the Board and in form and substance satisfactory to ACIC, which, notwithstanding any qualifications expressed therein, is substantially to the effect that ACIC will not recognize any gain or loss for U.S. federal income tax purposes as a result of the Conversion.

14.06 Producer. This Plan of Conversion shall not become effective and the Conversion shall not occur unless, on or prior to the Plan Effective Date, HoldCo shall have acquired or shall simultaneously acquire all of the outstanding voting stock of American Risk Management, Inc., a District of Columbia corporation and the controlling producer of ACIC (“ARM”), such that ARM shall on the Plan Effective Date be a wholly-owned subsidiary of HoldCo.

ARTICLE 15

POLICIES

15.01 Policies.

(a) For the purposes of this Plan of Conversion, the term “Policy” means each insurance policy that has been issued or will be issued or assumed through assumption reinsurance, if any, by ACIC.

(b) The following policies and contracts shall be deemed not to be Policies for purposes of this Plan of Conversion:

(1) any reinsurance assumed by ACIC as a reinsurer on an indemnity basis (but assumption certificates may constitute Policies if they otherwise fall within the definition of Policies as provided in Section 15.01(a));

(2) all administrative services agreements; and

(3) any policy or contract issued by ACIC and ceded to another insurance company through assumption reinsurance.

15.02 Determination of Ownership. Unless otherwise stated herein, the Owner of any Policy as of any date shall be determined on the basis of the ACIC Records as of such date in accordance with the following provisions:

(a) the Owner shall be the owner of the Policy as shown on the ACIC Records;

(b) an additional insured under a Policy shall not be an Owner of the Policy and shall not be a Member;

(c) except as otherwise set forth in this Section 15.02, the identity of the Owner of a Policy shall be determined without giving effect to any interest of any other Person in such Policy;

(d) in any situation not expressly covered by the foregoing provisions of this Section 15.02, the owner of the Policy, as reflected on the ACIC Records, and as determined in good faith by ACIC, shall conclusively be presumed to be the Owner of such Policy for purposes

of this Section 15.02, and except for administrative errors, ACIC shall not be required to examine or consider any other facts or circumstances;

(e) the mailing address of an Owner as of any date for purposes of this Plan of Conversion shall be the Owner's last known address as shown on the ACIC Records as of such date;

(f) in no event may there be more than one Owner of a Policy, although more than one Person may constitute a single Owner. If a Person owns a Policy with one or more other Persons, they will constitute a single Owner with respect to the Policy; and

(g) any dispute as to the identity of the Owner of a Policy or the right to vote shall be resolved in accordance with the foregoing and such other procedures as ACIC may determine. Any determinations made by ACIC shall be conclusive as between ACIC and any Owner of a Policy or any other Person with an interest therein but shall not preclude any actions among such Persons.

15.03 In Force.

(a) A Policy shall be deemed to be in force ("In Force") as of any date if, as shown in the ACIC Records:

(1) the Policy has been issued or coverage has been bound by ACIC or assumed by ACIC through assumption reinsurance as of such date; and

(2) such Policy has not expired, cancelled, non-renewed or otherwise terminated, provided that a Policy shall be deemed to be In Force after lapse for nonpayment of premiums until expiration of any applicable grace period (or similar period however designated in such Policy) during which the Policy is in full force for its basic benefits.

(b) The date of expiration, cancellation or termination of a Policy shall be as shown on the ACIC Records.

(c) A Policy shall not be deemed to be In Force as of a given date if the Policy is returned to ACIC and all premiums are refunded within thirty (30) days of such date.

(d) Any dispute as to whether a Policy is In Force shall be resolved in accordance with the foregoing.

ARTICLE 16 **SUBSEQUENT POLICYHOLDERS**

16.01 Notice to Subsequent Policyholders. Upon the issuance of a Policy that becomes effective after the Adoption Date and before the Plan Effective Date (excluding renewals of Policies In Force on the Adoption Date), ACIC shall send to the Owner of such Policy (a "Subsequent Policyholder") a written notice regarding this Plan of Conversion in accordance with Section 31-910 of the D.C. Code. Such notice shall specify such Subsequent Policyholder's right to rescind such Policy as provided in Section 16.02 within thirty (30) days after the Plan

Effective Date and shall be accompanied by a copy or summary of this Plan of Conversion. The form of such notice shall be filed with and approved by the Commissioner.

16.02 Option to Rescind. Each Subsequent Policyholder shall be entitled to rescind his Policy and receive a full refund of any amounts paid for the Policy within fifteen (15) days after the receipt by ACIC of the notice of rescission by such Subsequent Policyholder. No Subsequent Policyholder, the estate of such Subsequent Policyholder, or any beneficiary under such policy that has made or filed a claim under a Policy will be entitled to rescission or refund of any premiums paid for such policy. If a Subsequent Policyholder rescinds its Policy pursuant to the right described in this Section 16.02, such Subsequent Policyholder, the estate of such Subsequent Policyholder, or any beneficiary under such policy will have no insurance coverage under such Policy and may not make or file a claim under such Policy.

ARTICLE 17

OFFICERS AND TRUSTEES

17.01 Trustees. Each of the members of ACIC's Board immediately prior to the Effective Time shall remain as a Trustee of ACIC as of the Effective Time, and thereafter, HoldCo, as the sole shareholder of ACIC, shall have the right to elect the Trustees of ACIC.

17.02 Officers. The Officers of ACIC immediately prior to the Effective Time shall serve as Officers of ACIC after the Effective Time until new Officers are duly elected pursuant to the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws.

ARTICLE 18

ADDITIONAL PROVISIONS

18.01 Continuation of Corporate Existence. Upon the conversion of ACIC to a stock insurance company in accordance with the terms of this Plan of Conversion and the provisions of Section 31-911 of the D.C. Code:

- (a) the corporate existence of ACIC as a mutual insurance company shall be continued in ACIC's corporate existence as a stock insurance company;
- (b) all the rights, franchises and interests of ACIC as a mutual insurance company in and to every type of property, real, personal and mixed, and things in action thereunto belonging, shall be deemed transferred to and vested in ACIC as a stock insurance company without any deed or transfer;
- (c) ACIC (as converted to a stock insurance company) shall be deemed to have assumed all the obligations and liabilities of ACIC (as the former mutual insurance company);
- (d) Except to the extent any surplus note or other convertible instrument is converted to shares of HoldCo common stock in accordance with its terms, all outstanding surplus notes, guaranty fund interests or other surplus debentures issued by ACIC prior to the Effective Time shall remain in full force and effect following the Conversion.

18.02 Conflict of Interest. No Trustee, Officer, agent or Employee of ACIC, or any of its subsidiaries or affiliates or any other person shall receive any fee, commission or other valuable consideration whatsoever, other than his or her usual regular salary and compensation, for in any manner aiding, promoting or assisting in the transactions contemplated by this Plan of Conversion; *provided*, that ACIC may pay reasonable fees and compensation to attorneys, accountants and actuaries for services performed in the independent practice of their professions, even if such attorney, accountant or actuary is also a Trustee or agent of ACIC or any of its subsidiaries.

18.03 Restrictions on Transfer of Common Stock.

(a) All shares of the Common Stock which are purchased in the Offering by Persons other than Trustees and Officers of ACIC or by a Significant Purchaser shall be transferable without restriction. Shares of Common Stock purchased by trustees and Officers of ACIC in the Offering shall be subject to the restriction that such shares shall not be sold for a period of one year following the date of purchase. Shares of Common Stock purchased by a Significant Purchaser shall be subject such restrictions as are set forth in the applicable Stock Purchase Agreement. The shares of Common Stock issued by HoldCo to Officers and trustees of ACIC shall bear the following legend giving appropriate notice of such one year restriction:

The shares represented by this Certificate may not be sold by the registered holder hereof for a period of one year from the date of the issuance printed hereon. This restrictive legend shall be deemed null and void after one year from the date of this Certificate.

In addition, HoldCo shall give appropriate instructions to the transfer agent for its Common Stock with respect to the applicable restrictions relating to the transfer of restricted stock. Any shares issued at a later date as a stock dividend, stock split or otherwise with respect to any such restricted stock shall be subject to the same holding period restrictions as may then be applicable to such restricted stock.

(b) The foregoing restriction on transfer shall be in addition to any restrictions on transfer that may be imposed by federal and state securities laws.

18.04 No Preemptive Rights. No Member or other Person shall have any preemptive right to acquire ACIC shares in connection with this Plan of Conversion.

18.05 Amendment or Withdrawal of Plan of Conversion.

(a) At any time prior to the Plan Effective Date, ACIC may, by resolution of not less than a majority of the Board, amend or withdraw this Plan of Conversion (including the Exhibits hereto). Any amendment shall require the written consent of the Commissioner. No amendment may change the Plan of Conversion after its approval by the Eligible Members in a manner that the Commissioner determines is material unless the Plan of Conversion, as amended, is submitted for reconsideration by the Eligible Members of ACIC pursuant to the provisions of Sections 13.01 and 13.02. No amendment may change the Adoption Date of the Plan of Conversion.

(b) After the Plan Effective Date, the Amended and Restated Articles of Incorporation adopted pursuant to this Plan of Conversion may be amended pursuant to the provisions of such articles of incorporation, the D.C. Code and the statutory provisions generally applicable to the amendment of the articles of incorporation of insurance companies, or such other statutory provisions as may be applicable at the time of the amendment.

18.06 Corrections. Prior to the Plan Effective Date, ACIC, with the prior consent of the Commissioner, may make such modifications as are appropriate to correct errors, cure ambiguities, clarify existing items or make additions to correct manifest omissions in this Plan of Conversion or any exhibits hereto.

18.07 Notices. If ACIC complies substantially and in good faith with the notice requirements of the Demutualization Act with respect to the giving of any required notice to Members, the failure of ACIC to give any Member any required notice does not impair the validity of any action taken under the Demutualization Act.

18.08 Limitation of Actions. Any action or proceeding challenging the validity of or arising out of acts taken or proposed to be taken pursuant to the Demutualization Act shall be commenced within 30 days after the Plan Effective Date. No Person shall have any rights or claims against ACIC or its Board based upon the withdrawal or termination of this Plan of Conversion.

18.09 Costs and Expenses. All the costs and expenses related to the Plan of Conversion, including the costs of outside advisors and consultants of the regulatory agencies, shall be borne, directly or indirectly, by ACIC or HoldCo.

18.10 Headings. Article and Section headings contained in this Plan of Conversion are for convenience only and shall not be considered in construing or interpreting any of the provisions hereof.

18.11 Governing Law. The Plan of Conversion shall be governed by and construed in accordance with the laws of the District of Columbia, without regard to such State's principles of conflicts of law.

18.12 Limitation on Acquisition of Shares of Common Stock. In accordance with Section 31-906(1) of the D.C. Code, no person or group of persons acting in concert may acquire more than 5% of the outstanding shares of Common Stock, through a public offering or subscription rights, for a period of five (5) years after the Effective Time without the prior approval of the Commissioner.

18.13 Payment of Special Dividend to Policyholders. On the Plan Effective Date, ACIC shall pay to each Eligible Member, a special cash dividend equal to the quotient of (x) \$7,300,000 divided by (y) the number of Eligible Members.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, ACIC by authority of its Board, has caused this Amended and Restated Plan of Conversion to be duly executed as of the day and year first above written.

Amalgamated Casualty Insurance Company

By: _____
Name: Patrick Bracewell
Title: Chairman and Chief Executive Officer