



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 3183

DATE FILMED 4-1-94 CAMERA NO. 2

CAMERAMAN JMH

94030964531

REPORTS ANALYSIS REFERRAL
TO
OFFICE OF GENERAL COUNSEL

DATE: September 10, 1990

ANALYST: Andrew Dodson

I. COMMITTEE:

Insurance Coalition of America
(C00226365)
John D. Regan, Treasurer^{1/}
P.O. Box 751145^{2/}
Petaluma, CA 94975

II. RELEVANT STATUTE:

2 U.S.C. §434(a)(4)(A)(i), (iii) and (iv)
2 U.S.C. §441b
11 CFR §102.6(c)
11 CFR §102.8(b)
11 CFR §104.5(c)(1)(i) and (iii)
11 CFR §104.5(c)(2)(i)(A)
11 CFR §114.5(b)

III. BACKGROUND:

- A. Failure to Timely File Reports - 2 U.S.C. §434(a)(4)(A)(i), (iii) and (iv), 11 CFR §104.5(c)(1)(i) and (iii), and 11 CFR §104.5(c)(2)(i)(A)

The Insurance Coalition of America ("INCA-PAC") failed to timely file five (5) Reports of Receipts and Disbursements during the 1988 calendar year (see attached chart). Three (3) of these reports were not filed by Election Day, November 8, 1988. INCA-PAC also failed to timely file the 1989 Mid-Year Report.

^{1/} In a April 30, 1990 phone conversation, INCA-PAC indicated that Lynda Regan had been recently elected treasurer of INCA-PAC; however, subsequent filings by INCA-PAC still list John D. Regan as treasurer.

^{2/} On May 30, 1990, INCA-PAC informed the Commission that it had changed its address from 201 Alameda Del Prado, Novato, CA 94949 to the above-listed address.

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INSURANCE COALITION OF AMERICA
REPORTS ANALYSIS OGC REFERRAL
PAGE 2

Prior Notices were sent to INCA-PAC on June 21, 1988, September 21, 1988, October 3, 1988, December 27, 1988, and June 26, 1989 for the 1988 July Quarterly, 1988 October Quarterly, 1988 30 Day Post-General, 1988 Year End, and 1989 Mid-Year Reports, respectively (Attachments 3, 5, 7, 8, and 10).

On October 31, 1989, INCA-PAC was sent a Non-Filer Notice for the 1989 Mid-Year Report (Attachment 11). On January 25, 1990, INCA-PAC filed the 1988 April Quarterly, 1988 July Quarterly, 1988 October Quarterly, 1988 Year End, and 1989 Mid-Year Reports with the Commission (Attachments 2, 4, 6, 9, and 12).^{3/} A cover letter was attached to the reports which stated that INCA-PAC was "currently setting up a system for timely preparation of all future reports" (Attachment 15).

B. Apparent Commingling of Corporate and Committee Monies -
2 U.S.C. §441b, 11 CFR 102.6(c), 11 CFR §102.8(b), 11 CFR §114.5(b)

On April 13, 1988, INCA-PAC registered with the Commission as a separate segregated fund (Attachment 13). On December 28, 1989 INCA-PAC's treasurer, John Regan, provided the Commission with a letter that outlined the Committee's activities (Attachment 14). Mr. Regan explained that INCA-PAC's connected organization, the Insurance Coalition of America ("INCA"), acted as a collecting agent by soliciting contributions for INCA-PAC "since late 1985.". However, Mr. Regan continued, "...due to a lack of communication and some administrative confusion within INCA, funds contributed to INCA-PAC have been held in an INCA bank account. INCA is currently in the process of reviewing contributor records and making fund transfers to the INCA-PAC account." This resulted in an apparent commingling of corporate and committee funds.

On January 25, 1990, INCA-PAC filed reports with the Commission that covered financial activity from September 9, 1984 through June 30, 1989. A cover letter attached to these filings stated that INCA had transferred \$25,500 to INCA-PAC during 1988 (Attachment 15).

On February 28, 1990, a Request for Additional Information ("RFAI") for the 1988 April Quarterly, 1988 July Quarterly, 1988 October Quarterly, and 1988 Year End Reports was sent to INCA-PAC. The RFAI advised that all funds

^{3/} The 1988 Year End Report included the reporting period of the 1988 30 Day Post-General Report.

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INSURANCE COALITION OF AMERICA
REPORTS ANALYSIS OGC REFERRAL
PAGE 3

collected by a collecting agent must be handled in accordance with 11 CFR §102.8. The RFAI also advised that the commingling of permissible and impermissible funds is a violation of 11 CFR §102.5 (Attachment 16).

A Second Notice was sent to INCA-PAC on March 22, 1990 due to the Committee's failure to respond to the RFAI of February 28, 1990 (Attachment 17).

On April 30, 1990, the Reports Analysis Division ("RAD") analyst contacted INCA-PAC's newly elected treasurer, Lynda Regan. Ms. Regan explained that the Committee recently moved and that she had not received the RFAI or the Second Notice from the Commission. The RAD analyst informed Ms. Regan that this situation was in the process of being referred to the Commission's Office of General Counsel (Attachment 18).

On May 1, 1990, the RAD analyst was contacted by INCA-PAC's attorney, Laurie Z. Kullby. Ms. Kullby stated that the RFAI and Second Notice must have been lost in the mail and requested that a copy of the RFAI be sent to the Committee. The RAD analyst complied with Ms. Kullby's request (Attachment 19).

On May 2, 1990, the RAD analyst received a letter from Ms. Kullby confirming the content of the telephone conversation on May 1, 1990 (Attachment 20).

On May 10, 1990, the RAD analyst received a letter from Ms. Kullby stating that, "In an effort to remedy this noncompliance, INCA-PAC established a separate bank account for itself in 1988, and INCA and INCA-PAC expect to complete the segregation of INCA-PAC's funds into this separate bank account by May 15, 1990." (Attachment 21).

As of this date, no further response has been received from INCA-PAC.

IV. OTHER PENDING MATTERS INITIATED BY RAD:

None.

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INSURANCE COALITION OF AMERICA
REPORTS ANALYSIS OGC REFERRAL

LATE FILING HISTORY

REPORT TYPE	PRIOR NOTICE	DUE DATE	NON-FILER NOTICE	DATE FILED
1988 April Quarterly (9/1/84-3/31/88)	N/A	4/15/88	N/A	1/25/90 (Attachment 2)
1988 July Quarterly (4/1/88-6/30/88)	6/21/88 (Attachment 3)	7/15/88	N/A	1/25/90 (Attachment 4)
1988 October Quarterly (7/1/88-9/30/88)	9/21/88 (Attachment 5)	10/15/88	N/A	1/25/90 (Attachment 6)
1988 30 Day Post General (10/1/88-11/20/88)	10/3/88 (Attachment 7)	12/8/88	N/A	1/25/90 ^{1/} (Attachment 9)
1988 Year End (11/29/88-12/31/88)	12/27/88 (Attachment 8)	1/31/89	N/A	1/25/90 (Attachment 9)
1989 Mid-Year (1/1/89-6/30/89)	6/26/89 (Attachment 10)	7/31/89	10/31/89 (Attachment 11)	1/25/90 (Attachment 12)

1/ The 1988 Year End Report contains the 30 Day Post-General Report.

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FEDERAL ELECTION COMMISSION
1989-1990
COMMITTEE INDEX OF DISCLOSURE DOCUMENTS - (C)

DATE 16AUG90

PAGE 1

COMMITTEE	DOCUMENT	RECEIPTS	DISBURSEMENTS	COVERAGE DATES	# OF PAGES	MICROFILM LOCATION
						TYPE OF FILER
INSURANCE COALITION OF AMERICA				ID #C00226365 NON-PARTY QUALIFIED		
CONNECTED ORGANIZATION: INSURANCE COALITION OF AMERICA (INCA)						
1989	MISCELLANEOUS REPORT TO FEC			28DEC89	3	89FEC/618/1944
	MID-YEAR REPORT	9,200	8,180	1JAN89 -30JUN89	4	90FEC/621/3700
	MID-YEAR REPORT - AMENDMENT	9,200	8,180	1JAN89 -30JUN89	4	90FEC/641/3784
	MID-YEAR REPORT - AMENDMENT	9,200	8,180	1JAN89 -30JUN89	5	90FEC/643/3249
	NOTICE OF FAILURE TO FILE			1JAN89 -30JUN89	1	89FEC/614/1321
	YEAR-END	4,115	11,020	1JUL89 -31DEC89	4	90FEC/629/2468
	YEAR-END - AMENDMENT	4,115	11,020	1JUL89 -31DEC89	3	90FEC/641/3789
	YEAR-END - AMENDMENT	4,115	11,020	1JUL89 -31DEC89	4	90FEC/643/3254
1990	MISCELLANEOUS REPORT TO FEC			2MAY90	6	90FEC/638/5104
	MISCELLANEOUS NOTICE FROM FEC			11MAY90	1	90FEC/639/1869
	STATEMENT OF ORGANIZATION - AMENDMENT			4JUN90	3	90FEC/641/4922
	APRIL QUARTERLY	10,806	0	1JAN90 -31MAR90	3	90FEC/641/3768
	NOTICE OF FAILURE TO FILE			1JAN90 -31MAR90	1	90FEC/639/0888
	JULY QUARTERLY	6,365	0	1APR90 -30JUN90	5	90FEC/646/3172
	TOTAL	30,486	0 19,200 0		47	TOTAL PAGES

Attachment 1
page 1 of 2

All reports have been reviewed:

Cash-on-hand as of 6/30/90 : \$58,432.16

Debts owed to the Committee : \$0

Debts owed by the Committee : \$0

9 4 0 3 0 9 6 4 5 3 6

FEDERAL ELECTION COMMISSION
1987-1988
COMMITTEE INDEX OF DISCLOSURE DOCUMENTS - (C)

DATE 16AUG90

PAGE 1

COMMITTEE	DOCUMENT	RECEIPTS	DISBURSEMENTS	COVERAGE DATES	# OF PAGES	MICROFILM LOCATION
					TYPE OF FILER	
INSURANCE COALITION OF AMERICA				ID #C00226365	NON-PARTY QUALIFIED	
CONNECTED ORGANIZATION: INSURANCE COALITION OF AMERICA (INCA)						
1988 STATEMENT OF ORGANIZATION						
	APRIL QUARTERLY	47,915	1,068	13APR88	2	88FEC/523/2067
	APRIL QUARTERLY - AMENDMENT	-	-	1SEP84 -31MAR88	7	90FEC/621/3681
	APRIL QUARTERLY - AMENDMENT	-	-	9JAN84 -31MAR88	2	90FEC/639/2600
	REQUEST FOR ADDITIONAL INFORMATION			1SEP84 -31MAR88	2	90FEC/644/0780
	REQUEST FOR ADDITIONAL INFORMATION			1SEP84 -31MAR88	1	90FEC/629/5032
	REQUEST FOR ADDITIONAL INFORMATION 2ND			1SEP84 -31MAR88	1	90FEC/629/5037
	REQUEST FOR ADDITIONAL INFORMATION			1SEP84 -31MAR88	3	90FEC/631/4240
	JULY QUARTERLY	5,535	4,714	1SEP84 -31MAR88	1	90FEC/642/2139
	JULY QUARTERLY - AMENDMENT	-	-	1APR88 -30JUN88	2	90FEC/621/3689
	JULY QUARTERLY - AMENDMENT	5,535	170	1APR88 -30JUN88	1	90FEC/639/3242
	JULY QUARTERLY - AMENDMENT	5,535	170	1APR88 -30JUN88	3	90FEC/641/3772
	REQUEST FOR ADDITIONAL INFORMATION			1APR88 -30JUN88	5	90FEC/643/3236
	REQUEST FOR ADDITIONAL INFORMATION 2ND			1APR88 -30JUN88	1	90FEC/629/5033
	REQUEST FOR ADDITIONAL INFORMATION			1APR88 -30JUN88	103	90FEC/631/4243
	OCTOBER QUARTERLY	5,025	4,535	1APR88 -30JUN88	1	90FEC/642/2065
	OCTOBER QUARTERLY - AMENDMENT	-	-	1JUL88 -30SEP88	2	90FEC/621/3692
	OCTOBER QUARTERLY - AMENDMENT	5,025	144	1JUL88 -30SEP88	1	90FEC/639/3243
	OCTOBER QUARTERLY - AMENDMENT	5,025	144	1JUL88 -30SEP88	2	90FEC/641/3776
	REQUEST FOR ADDITIONAL INFORMATION			1JUL88 -30SEP88	3	90FEC/643/3241
	REQUEST FOR ADDITIONAL INFORMATION 2ND			1JUL88 -30SEP88	1	90FEC/629/5034
	REQUEST FOR ADDITIONAL INFORMATION			1JUL88 -30SEP88	3	90FEC/631/4246
	YEAR-END	9,185	27,061	1JUL88 -30SEP88	1	90FEC/642/2066
	YEAR-END - AMENDMENT	-	-	1OCT88 -31DEC88	4	90FEC/639/3244
	YEAR-END - AMENDMENT	9,185	19,129	1OCT88 -31DEC88	4	90FEC/641/3779
	YEAR-END - AMENDMENT	9,185	19,129	1OCT88 -31DEC88	5	90FEC/643/3244
	REQUEST FOR ADDITIONAL INFORMATION			1OCT88 -31DEC88	1	90FEC/629/5035
	REQUEST FOR ADDITIONAL INFORMATION 2ND			1OCT88 -31DEC88	3	90FEC/631/4249
	REQUEST FOR ADDITIONAL INFORMATION			1OCT88 -31DEC88	1	90FEC/642/2067
TOTAL		67,660	0	20,511	0	167 TOTAL PAGES

All reports have been reviewed.

Cash-on-hand as of 12/31/88

\$47,146

Debts owed to the Committee

\$0

Debts owed by the Committee

\$0

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REPORT OF RECEIPTS AND DISBURSEMENTSFor Other Than An Authorized Committee
(Summary Page)

FEC FORM 3X JAN 1997

1 NAME OF COMMITTEE (Print) Insurance Coalition of America Political Action Committee		90 JAN 25 AM 10:29
2 ADDRESS (Number and street) Check if different than previously reported 2199 South McDowell Extension		3 FEC IDENTIFICATION NUMBER C00226365
CITY, STATE and ZIP CODE Petaluma, CA 94954		4 This committee qualified as a multicandidate committee DURING THIS Reporting Period on _____ (date)

4. TYPE OF REPORT(a) ☒ April 15 Quarterly Report☐ July 15 Quarterly Report☐ October 15 Quarterly Report☐ January 31 Year End Report☐ July 31 Mid Year Report (Non-election Year Only)☒ Opening Report -- See explanatory note attached.☐ Termination Report

Monthly Report Due On

<input type="checkbox"/> February 20	<input type="checkbox"/> June 20	<input type="checkbox"/> October 20
<input type="checkbox"/> March 20	<input type="checkbox"/> July 20	<input type="checkbox"/> November 20
<input type="checkbox"/> April 20	<input type="checkbox"/> August 20	<input type="checkbox"/> December 20
<input type="checkbox"/> May 20	<input type="checkbox"/> September 20	<input type="checkbox"/> January 31

☐ Twelfth day report (preceding _____ (Type of Election)

election on _____ in the State of _____

☐ Thirtieth day report following the General Election on _____ in the State of _____(b) Is this Report an Amendment? ☐ YES ☒ NO**SUMMARY**

	COLUMN A This Period	COLUMN B Calendar Year-to-Date
2 Covering Period <u>9/84</u> through <u>3/31/88</u>		
6 (a) Cash on Hand January 1, 1988		\$38,736.01
(b) Cash on Hand at Beginning of Reporting Period	\$ -0-	
(c) Total Receipts (From Line 18)	\$47,915.00	\$ 0,290.00
(d) Subtotal (add Lines 6(b) and 9(c) for Column A and Lines 6(a) and 9(c) for Column B)	\$47,915.00	\$47,026.01
7 Total Disbursements (From Line 20)	\$ 1,068.99	\$ 180.00
8 Cash on Hand at Close of Reporting Period (Subtract Line 7 from Line 6(d))	\$46,846.01	\$46,846.01
9 Debts and Obligations Owed TO the Committee (Itemize on Schedule C and/or Schedule D)	\$ -0-	For further information (contact: Federal Election Commission 900 E Street NW Washington, DC 20463 Toll Free 800-424-9530 Local 202-376-3120)
10 Debts and Obligations Owed BY the Committee (Itemize on Schedule C and/or Schedule D)	\$ -0-	

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete

Type or Print Name of Treasurer John D. Regan

Signature of Treasurer

Date

January 24, 1988

NOTE: Submission of false information or incomplete information may (subject the person signing) this Report to the penalties of 18 U.S.C. (437)

FEC FORM 3X

REV-900 4-87

90036213691

USE PRE-PAID LABEL
TYPE ON FRONT

QUARTERLY REPORT NOTICE

FEDERAL ELECTION COMMISSION

PARTIES AND PACS

June 21, 1988

REPORT	REPORTING PERIOD	REG./CERT.	FILING
		MAILING DATE*	DATE
July Quarterly	04/01/88**-06/30/88	07/15/88	07/15/88

WHO MUST FILE

PARTY COMMITTEES AND PACs (NONCONNECTED COMMITTEES AND SEPARATE SEGREGATED FUNDS) filing on a quarterly basis must file a quarterly report in July.

WHAT MUST BE REPORTED

All financial activity (not previously reported) that occurred during the reporting period.

REPORTING FORMS

Party committees and PACs use Form 3X (enclosed).

WHERE TO FILE

Consult the instructions on the back of the Form 3X Summary Page. Note state filing requirements also.

LABEL

Committees should affix the peel-off label from the envelope to Line 1 of the report. Corrections should be made on the label.

PRE-ELECTION REPORTING

Committees which make contributions or expenditures (including independent expenditures) in connection with a candidate's primary election, must also file a 12-day Pre-Election Report if the activity was not previously reported. See the January Record.

LAST-MINUTE INDEPENDENT EXPENDITURES

Committees which make an independent expenditure of \$1,000 or more, after the 20th day, but more than 24 hours before an election, must report it within 24 hours.

COMPLIANCE

TREASURERS OF POLITICAL COMMITTEES ARE RESPONSIBLE FOR FILING ALL REPORTS ON TIME. FAILURE TO DO SO IS SUBJECT TO ENFORCEMENT ACTION. COMMITTEES FILING ILLEGIBLE REPORTS OR USING NON-FEC FORMS WILL BE REQUIRED TO REFILE.

*Reports sent by registered or certified mail must be postmarked by the mailing date. Otherwise, they must be received by the filing date.

**From the date of registration, or the close of books of the last report filed, whichever is later.

FOR INFORMATION, Call: 202/376-3120 or 800/424-9530

94030964539

REPORT OF RECEIPTS AND DISBURSEMENTS

For Other Than An Authorized Committee
(Summary Page)

Attachment 4

RECEIVED JAN 25 1989

90 JAN 25 AM 10:29

1 NAME OF COMMITTEE (in full) Insurance Coalition of America Political Action Committee		2 FEC IDENTIFICATION NUMBER C00226365
ADDRESS (number and street) <input type="checkbox"/> Check if different than previously reported 2199 South McDowell Extension		3 This committee qualified as a noncandidate committee DURING THIS Reporting Period on _____ date _____
CITY STATE and ZIP CODE Petaluma, CA 94954		

4. TYPE OF REPORT

(a) ☐ April 15 Quarterly Report

☒ July 15 Quarterly Report

☐ October 15 Quarterly Report

☐ January 31 Year End Report

☐ July 31 Mid Year Report (Non-election Year Only)

☐ Termination Report

Monthly Report Due On

<input type="checkbox"/> February 20	<input type="checkbox"/> June 20	<input type="checkbox"/> October 20
<input type="checkbox"/> March 20	<input type="checkbox"/> July 20	<input type="checkbox"/> November 20
<input type="checkbox"/> April 20	<input type="checkbox"/> August 20	<input type="checkbox"/> December 20
<input type="checkbox"/> May 20	<input type="checkbox"/> September 20	<input type="checkbox"/> January 31

☐ Twelfth day report preceding

election on _____

in the State of _____

☐ Thirtieth day report following the General Election on

in the State of _____

(b) Is this Report an Amendment? ☐ YES ☒ NO

SUMMARY

5	Covering Period <u>4/1/88</u> through <u>6/30/88</u>	COLUMN A This Period	COLUMN B Calendar Year to-Date
6	(a) Cash on Hand January 1, 1988		\$ 38,726.01
	(b) Cash on Hand at Beginning of Reporting Period	\$ 46,846.01	
	(c) Total Receipts (from Line 18)	\$ 5,535.00	\$ 13,825.00
	(d) Subtotal (add Lines 6(b) and 6(c) for Column A and Lines 6(a) and 6(c) for Column B)	\$ 52,381.01	\$ 52,561.01
7	Total Disbursements (from Line 28)	\$ 4,714.00	\$ 4,894.00
8	Cash on Hand at Close of Reporting Period (subtract Line 7 from Line 6(d))	\$ 47,667.01	\$ 47,667.01
9	Debts and Obligations Owed TO the Committee (itemize on Schedule C and/or Schedule D)	\$ -0-	For further information contact: Federal Election Commission 999 E Street NW Washington, DC 20463 Toll Free 800-424-9530 Local 202-376-3120
10	Debts and Obligations Owed BY the Committee (itemize on Schedule C and/or Schedule D)	\$ -0-	

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete

Type or Print Name of Treasurer

John D. Regan

Signature of Treasurer

Date

January 24, 1989

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 USC 5412.

FEC FORM 3X

Rev. 5-87 3-88

97736216637

USE PREPARED LABEL

TYPE ON PREP

QUARTERLY REPORT NOTICE

Attachment 5

FEDERAL ELECTION COMMISSION

PARTIES AND PACS

September 21, 1988

REPORT	REPORTING PERIOD	REG./CERT.	FILING DATE
		MAILING DATE*	
October Quarterly	07/01/88**-09/30/88	10/15/88	10/15/88

WHO MUST FILE

PARTY COMMITTEES AND PACS (NONCONNECTED COMMITTEES AND SEPARATE SEGREGATED FUNDS) filing on a quarterly basis must file a quarterly report in October.

WHAT MUST BE REPORTED

All financial activity (not previously reported) that occurred during the reporting period.

REPORTING FORMS

Party committees and PACs use Form 3X (enclosed).

WHERE TO FILE

Consult the instructions on the back of the Form 3X Summary Page. Note State filing requirements also.

LABEL

Committees should affix the peel-off label from the envelope to Line 1 of the report. Corrections should be made on the label.

PRE-ELECTION REPORTING

Committees which make contributions or expenditures (including independent expenditures) in connection with a candidate's primary or general election, must also file a 12-day Pre-Election Report if the activity was not previously reported. See the January Record.

LAST-MINUTE INDEPENDENT EXPENDITURES

Committees which make an independent expenditure of \$1,000 or more, after the 20th day, but more than 24 hours before an election, must report it within 24 hours.

COMPLIANCE

TREASURERS OF POLITICAL COMMITTEES ARE RESPONSIBLE FOR FILING ALL REPORTS ON TIME. FAILURE TO DO SO IS SUBJECT TO ENFORCEMENT ACTION. COMMITTEES FILING ILLEGIBLE REPORTS OR USING NON-FEC FORMS WILL BE REQUIRED TO REFILE.

*Reports sent by registered or certified mail must be postmarked by the mailing date. Otherwise, they must be received by the filing date.

**From the date of registration, or the close of books of the last report filed, whichever is later.

FOR INFORMATION, Call: 202/376-3120 or 800/424-9530

94030964-541

REPORT OF RECEIPTS AND DISBURSEMENTS

For One or More Than An Authorized Committee
(Summary Page)

90 JAN 25 AM 10:29

1 NAME OF COMMITTEE (In full) Insurance Coalition of America Political Action Committee		2 FEC IDENTIFICATION NUMBER C00226365	
ADDRESS (Number and street) <input type="checkbox"/> Check if different than previously reported 2199 South McDowell Extension		3 <input type="checkbox"/> This committee qualified as a multicandidate committee DURING THIS Reporting Period on _____ day	
CITY, STATE and ZIP CODE Petaluma, CA 94954			

4. TYPE OF REPORT

(a) ☐ April 15 Quarterly Report☐ July 15 Quarterly Report☒ October 15 Quarterly Report☐ January 31 Year End Report☐ July 31 Mid Year Report (Non-election Year Only)☐ Termination Report

(Monthly Report Due On)

☐ February 20 ☐ June 20 ☐ October 20☐ March 20 ☐ July 20 ☐ November 20☐ April 20 ☐ August 20 ☐ December 20☐ May 20 ☐ September 20 ☐ January 20☐ Twelfth day report preceding _____ Type of Election

election on _____ in the State of _____

☐ Thirtieth day report following the General Election

_____ in the State of _____

(b) Is this Report an Amendment? ☐ YES ☒ NO

SUMMARY		COLUMN A This Period	COLUMN B Calendar Year-to-Date
5	Covering Period <u>7/1/88</u> through <u>9/30/88</u>		
6	(a) Cash on Hand January 1, 19 <u>88</u>		\$ 38,736.01
	(b) Cash on Hand at Beginning of Reporting Period	\$ 47,647.01	
	(c) Total Receipts (from Line 18)	\$ 5,025.00	\$ 18,950.00
	(d) Subtotal (add Lines 6(b) and 6(c) for Column A and Lines 6(a) and 6(c) for Column B)	\$ 52,692.01	\$ 57,586.01
	Total Disbursements (from Line 28)	\$ 4,535.00	\$ 9,429.01
8	Cash on Hand at Close of Reporting Period (subtract Line 7 from Line 6(d))	\$ 48,157.01	\$ 48,157.01
9	(Debits and Obligations Owed TO the Committee (Itemize on Schedule C and/or Schedule D))	\$ -0-	
10	(Debits and Obligations Owed BY the Committee (Itemize on Schedule C and/or Schedule D))	\$	

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Type or Print Name of Treasurer: John D. Regan

Signature of Treasurer: _____

Date: January 24, 1989

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. 4373.

FEC FORM 3X

1984 SEC 4-8

GENERAL ELECTION REPORT NOTICE

FEDERAL ELECTION COMMISSION

PARTIES AND PACs

October 3, 1988

I. ALL MONTHLY FILERS

Report	Reporting Period	Reg./Cert. Mailing Date*	Filing Date
Pre-General	10/01/88**-10/19/88	10/24/88	10/27/88
Post-General	10/20/88 -11/28/88	12/08/88	12/08/88

II. QUARTERLY FILERS THAT MAKE GENERAL ELECTION CONTRIBUTIONS OR EXPENDITURES FROM OCTOBER 1 THROUGH OCTOBER 19***

Report	Reporting period	Reg./Cert. Mailing Date*	Filing Date
Pre-General	10/01/88**-10/19/88	10/24/88	10/27/88
Post-General	10/20/88 -11/28/88	12/08/88	12/08/88

III. QUARTERLY FILERS WHICH DO NOT MAKE GENERAL ELECTION CONTRIBUTIONS OR EXPENDITURES FROM OCTOBER 1 THROUGH OCTOBER 19***

Report	Reporting Period	Reg./Cert. Mailing Date*	Filing Date
Post-General	10/01/88**-11/28/88	12/08/88	12/08/88

WHO MUST FILE

Party committees and PACs must follow the above charts in order to determine whether they must file the pre-general election report. All Party committees and PACs, regardless of financial activity, must file the post-general election report.

WHAT MUST BE REPORTED

All financial activity (not previously reported) that occurred during the reporting period.

*Reports sent by registered or certified mail must be postmarked by the mailing date. Otherwise, they must be received by the filing date.

**Or from the date of registration, or the close of books of the last report filed, whichever is later.

***Committees that made general election contributions or expenditures prior to October 1 which have not been previously reported must also follow the Chart II reporting requirements.

FOR INFORMATION, Call: 202/376-3120 or 800/424-9530

(over)

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REPORTING FORMS

Party committees and PACs use Form 3X (enclosed).

WHERE TO FILE

Consult the instructions on the back of the Form 3X Summary Page.
Note State filing requirements also.

LABEL

Committees should affix the peel-off label from the envelope to Line 1 of the report. Corrections should be made on the label.

LAST-MINUTE INDEPENDENT EXPENDITURES

Any PAC which makes any independent expenditures aggregating \$1,000 or more during the period beginning October 20 and ending November 6 must report them within 24 hours. Call the FEC for more information.

COMPLIANCE

TREASURERS OF POLITICAL COMMITTEES ARE RESPONSIBLE FOR FILING ALL REPORTS ON TIME. FAILURE TO DO SO IS SUBJECT TO ENFORCEMENT ACTION. COMMITTEES FILING ILLEGIBLE REPORTS OR USING NON-FEC FORMS WILL BE REQUIRED TO REFILE.

94030964544

YEAR-END REPORT NOTICE

Attachment 8
Page 1 of 2

FEDERAL ELECTION COMMISSION

PARTIES AND PACs

December 27, 1988

REPORT	REPORTING PERIOD	REG./CERT. MAILING DATE*	FILING DATE
Year-End	11/29/88**-12/31/88	01/31/89	01/31/89

WHO MUST FILE

ALL PARTY COMMITTEES AND PACs (NONCONNECTED COMMITTEES AND SEPARATE SEGREGATED FUNDS) must file a Year-End Report.

WHAT MUST BE REPORTED

All financial activity (not previously reported) that occurred during the reporting period must be disclosed.

REPORTING FORMS

Party committees and PACs use Form 3X (enclosed).

WHERE TO FILE

Consult the instructions on the back of the Form 3X Summary Page. Note State filing requirements also.

LABEL

Committees should affix the peel-off label from the envelope to Line 1 of the report. Corrections should be made on the label.

COMPLIANCE

TREASURERS OF POLITICAL COMMITTEES ARE RESPONSIBLE FOR FILING ALL REPORTS ON TIME. FAILURE TO DO SO IS SUBJECT TO ENFORCEMENT ACTION. COMMITTEES FILING ILLEGIBLE REPORTS OR USING NON-FEC FORMS WILL BE REQUIRED TO REFILE.

*Reports sent by registered or certified mail must be postmarked by the mailing date. Otherwise, they must be received by the filing date.

**Or from the date of registration, or the close of books of the last report filed, whichever is later.

FOR INFORMATION, Call: Information Services Division
202/376-3120 or 800/424-9530

(over)

94030964545

**1989 REPORTING SCHEDULE
PARTIES AND PACS**

I. SEMIANNUAL FILERS*

REPORT	PERIOD COVERED	REG./CERT.	FILING DATE
		MAILING DATE**	
Mid-Year	01/01/89-06/30/89	07/31/89	07/31/89
Year-End	07/01/89-12/31/89	01/31/90	01/31/90

II. MONTHLY FILERS***

REPORT	PERIOD COVERED	REG./CERT.	FILING DATE
		MAILING DATE	
February	01/01/89-01/31/89	02/20/89	02/20/89
March	02/01/89-02/28/89	03/20/89	03/20/89
April	03/01/89-03/31/89	04/20/89	04/20/89
May	04/01/89-04/30/89	05/20/89	05/20/89
June	05/01/89-05/31/89	06/20/89	06/20/89
July	06/01/89-06/30/89	07/20/89	07/20/89
August	07/01/89-07/31/89	08/20/89	08/20/89
September	08/01/89-08/31/89	09/20/89	09/20/89
October	09/01/89-09/30/89	10/20/89	10/20/89
November	10/01/89-10/31/89	11/20/89	11/20/89
December	11/01/89-11/30/89	12/20/89	12/20/89
Year-End	12/01/89-12/31/89	01/31/90	01/31/90

*Committees that filed quarterly reports in 1988 are only required to file semiannually in 1989.

**Reports sent by registered or certified mail must be postmarked by the mailing date. Otherwise, they must be received by the filing date.

***Monthly filers that wish to change their filing status must notify the Commission in writing.

94030964546

REPORT OF RECEIPTS AND DISBURSEMENTS

For Other Than An Authorized Committee
(Summary Page)

Attachment 3

90 JAN 25 AM 10:29

1 NAME OF COMMITTEE (with) Insurance Coalition of America Political Action Committee		2 FEC IDENTIFICATION NUMBER C00226365
ADDRESS (number and street) Check if different than previously reported 2199 South McDowell Extension		
CITY STATE and ZIP CODE Petaluma, CA 94954		
3 This committee qualified as a municipal or committee during this reporting period on _____ date _____		

4. TYPE OF REPORT

(a) ☐ April 15 Quarterly Report

☐ July 15 Quarterly Report

☐ October 15 Quarterly Report

☒ January 31 Year End Report

☐ July 31 Mid Year Report (Non-election Year Only)

☐ Termination Report

Monthly Report Due on:

<input type="checkbox"/> February 20	<input type="checkbox"/> June 20	<input type="checkbox"/> October 20
<input type="checkbox"/> March 20	<input type="checkbox"/> July 20	<input type="checkbox"/> November 20
<input type="checkbox"/> April 20	<input type="checkbox"/> August 20	<input type="checkbox"/> December 20
<input type="checkbox"/> May 20	<input type="checkbox"/> September 20	<input type="checkbox"/> January 31

☐ Twelfth day report preceding _____ Type of Election
election on _____ in the State of _____

☐ Twelfth day report following the General Election
_____ in the State of _____

(b) Is this Report an Amendment? ☐ YES ☒ NO

SUMMARY		COLUMN A	COLUMN B
Covering Period: 10/1/88 - 12/31/88		This Period	Calendar Year-to-Date
5 (a)	Cash on Hand January 1, 1988		\$ 20,735.01
5 (b)	Cash on Hand at Beginning of Reporting Period	\$ 48,157.01	
5 (c)	Total Receipts (from Line 1b)	\$ 9,185.00	\$ 20,035.00
5 (d)	Subtotal (add Lines 5(b) and 5(c) for Column A and Lines 5(a) and 5(c) for Column B)	\$ 57,342.01	\$ 66,771.01
6	Total Disbursements (from Line 2b)	\$ 27,061.00	\$ 31,490.00
6	Cash on Hand at Close of Reporting Period (Subtotal Line 7 from Line 5(d))	\$ 35,281.01	\$ 35,281.01
7	Debits and Obligations Owed TO the Committee (Items 2) on Schedule C and/or Schedule D)	\$ -0-	
7	Debits and Obligations Owed BY the Committee (Items 2) on Schedule C and/or Schedule D)	\$ -0-	

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct, and complete.

Type or Print Name of Treasurer

John D. Regan

Signature of Treasurer

Date

January 24, 1989

NOTE: Submission of false, erroneous, or misleading information may subject the person signing this Report to the penalties of 2 U.S.C. §4376.

FEC FORM 3X

(Revised 4-87)

91736213677

SEMI-ANNUAL REPORT NOTICE

FEDERAL ELECTION COMMISSION

PARTIES AND PACS

June 26, 1989

REPORT	REPORTING PERIOD	REG./CERT. MAILING DATE*	FILING DATE
Mid-Year	01/01/89**-06/30/89	07/31/89	07/31/89

WHO MUST FILE

PARTY COMMITTEES AND PACS (NONCONNECTED COMMITTEES AND SEPARATE SEGREGATED FUNDS) which normally file on a quarterly basis must file a Mid-Year Report in July.

WHAT MUST BE REPORTED

All financial activity (not previously reported) that occurred during the reporting period.

REPORTING FORMS

Party committees and PACs use Form 3X (enclosed).

WHERE TO FILE

Consult the instructions on the back of the Form 3X Summary Page. Note State filing requirements also.

LABEL

Committees should affix the peel-off label from the envelope to Line 1 of the report. Corrections should be made on the label.

COMPLIANCE

TREASURERS OF POLITICAL COMMITTEES ARE RESPONSIBLE FOR FILING ALL REPORTS ON TIME. FAILURE TO DO SO IS SUBJECT TO ENFORCEMENT ACTION. COMMITTEES FILING ILLEGIBLE REPORTS OR USING NON-FEC FORMS OR UNAPPROVED SCHEDULES WILL BE REQUIRED TO REFILE.

*Reports sent by registered or certified mail must be postmarked by the mailing date. Otherwise, they must be received by the filing date.

**Or from the close of books of the last report filed. If no previous reports filed, the date of the committee's first activity.

FOR INFORMATION, Call: 800/424-5530 or 202/376-3120

94030964548



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

88-7

John D. Regan, Treasurer
Insurance Coalition of America
201 Alameda Del Prado
Novato, CA 94949

OCT 31 1989

Identification Number: C00226365

Reference: Mid-Year Report (1/1/89-6/30/89)

Dear Mr. Regan:

It has come to the attention of the Federal Election Commission ("the Commission") that your committee may be in violation of 2 U.S.C. §434(a) for failing to file the above referenced Report of Receipts and Disbursements. You were notified previously of the due date for this report.

It is important that you file this report immediately with the Federal Election Commission, 999 E Street, NW, Washington, DC 20463 (or with the Clerk of the House or the Secretary of the Senate, as appropriate). A copy of the report or the relevant portions should also be filed with the Secretary of State or equivalent State officer. See 2 U.S.C. §439.

Although the Commission may initiate an audit or legal enforcement action concerning this matter, your prompt response and a letter of explanation will be taken into consideration.

If you have any questions, please contact Todd Hageman on our toll-free number (800) 424-9530. Our local number is (202) 376-2480.

Sincerely,

John D. Gibson
Assistant Staff Director
Reports Analysis Division

94030064549
1003614131

REPORT OF RECEIPTS AND DISBURSEMENTS

For Other Than An Authorized Committee
(Summary Page)

Attachment 12

90 JAN 25 AM 10:29

NAME OF COMMITTEE OR CANDIDATE Insurance Coalition of America Political Action Committee		FEC IDENTIFICATION NUMBER C00226365
ADDRESS (number and street) <input type="checkbox"/> Check if different than previously reported 2199 South McDowell Extension		
CITY, STATE and ZIP CODE Petaluma, CA 94954		
<input type="checkbox"/> This committee qualified as a non-union care committee during this reporting period. <input type="checkbox"/>		

4. TYPE OF REPORT

- (a) ☐ April 15 Quarterly Report
☐ July 15 Quarterly Report
☐ October 15 Quarterly Report
☐ January 31 Year End Report
☒ July 31 Mid Year Report (Non-election Year Only)
☐ Termination Report
- (Monthly Report Due On)
☐ February 20 ☐ June 20 ☐ October 20
☐ March 20 ☐ July 20 ☐ November 20
☐ April 20 ☐ August 20 ☐ December 20
☐ May 20 ☐ September 20 ☐ January 31
- ☐ Twelfth day report preceding ☐ Year of Election
election on ☐ in the State of ☐
- ☐ Twelfth day report following the General Election of ☐
in the State of ☐

(b) Is this Report an Amendment? ☐ YES ☒ NO

SUMMARY		COLUMN A This Period	COLUMN B Calendar Year-to-Date
5	Covering Period <u>1/1/89</u> through <u>6/30/89</u>		
6	(a) Cash on Hand January 1, 19 <u>89</u>		\$35,281.01
	(b) Cash on Hand at Beginning of Reporting Period	\$35,281.01	
	(c) Total Receipts (from Line 18)	\$9,200.00	\$9,200.00
	(d) Subtotal (add Lines 6(b) and 6(c) for Column A and Lines 6(a) and 6(c) for Column B)	\$44,481.01	\$44,481.01
	Total Disbursements (from Line 28)	\$8,180.00	\$8,180.00
8	Cash on Hand at Close of Reporting Period (subtract Line 7 from Line 6(d))	\$36,301.01	\$36,301.01
9	Debits and Obligations Owed TO the Committee (itemize on Schedule C and/or Schedule D)	\$ -0-	
10	Debits and Obligations Owed BY the Committee (itemize on Schedule C and/or Schedule D)	\$ -0-	

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Type or Print Name of Treasurer

John D. Began

Signature of Treasurer

Date

January 24, 1989

NOTE: Submission of false, misleading or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. § 1901.

FEC FORM 3X

Revised 6-87

STATEMENT OF ORGANIZATION

(See reverse side for instructions)

Attachment 13
Page 1 of 2

NAME OF COMMITTEE IN FULL ☐ Check if new & changed Insurance Coalition of America

DATE RECEIVED BY THE COMMISSION April 11, 1988

NUMBER AND STREET ADDRESS ☐ Check if address & changed 201 Alameda Del Prado

CITY, STATE AND ZIP CODE Novato, CA 94949

REGISTRATION NUMBER 88-0022 PH 12:34

NOT APPLICABLE - NEW COMMITTEE

IS THIS STATEMENT AN AMENDMENT? YES NO

5 TYPE OF COMMITTEE (Check one)

- (a) This committee is a prepaid campaign committee. (Complete the candidate information below.)
- (b) This committee is an authorized committee, and is NOT a prepaid campaign committee. (Complete the candidate information below.)
- | Name of Candidate | Candidate Party Affiliation | Office Sought | State/District |
|-------------------|-----------------------------|---------------|----------------|
| | | | |
- (c) This committee supports/opposes only one candidate _____ (name of candidate) _____ and is NOT an authorized committee.
- (d) This committee is a _____ committee of the _____ Party.
(National, State or subordinate) (Democratic, Republican, etc.)
- (e) This committee is a separate segregated fund.
- (f) This committee supports/opposes more than one Federal candidate and is NOT a separate segregated fund or a party committee.

Name of Any Connected Organization or Affiliated Committee	Mailing Address and ZIP Code	Relationship
Insurance Coalition of America (ICA)	201 Alameda Del Prado Novato, CA 94949	Connected

Type of Connected Organization
☐ Corporation ☐ Corporation w/o Capital Stock ☐ Labor Organization ☐ Membership Organization ☒ Trade Association ☐ Cooperative

7. **Description of Records:** Identify by name, address (phone number -- optional), and position of the person in possession of committee books and records.

Full Name	Mailing Address	Title or Position
JOHN D. REGAN	SAME AS ABOVE	TREASURER

6. Treasurer: List the name and address (phone number – optional) of the treasurer of the committee, and the name and address of any designated agent (e.g., act "hot" treasurer).

Full Name	Mailing Address	Title or Position
JOHN D. REGAN	SAME AS ABOVE	TREASURER

• **Banks or Other Depositories:** List all banks or other depositories in which the committee deposits funds, holds accounts, rents safety deposit boxes or maintains funds.

Name of Bank, Depository, etc.	Mailing Address and ZIP Code
Union Bank	50 California Street, 3rd Floor San Francisco, Ca 94111

I declare that I have examined this Statement and to the best of my knowledge and belief it is true, correct and complete.

THE NEW YORK PUBLIC LIBRARY

POSTAGE WILL BE PAID BY ADDRESSEE

DATE _____

JOHN D. REGAN

NOTE: Submission of false or misleading information may subject the submitter to the penalties of 18 U.S.C. 1431. ANY CHANGE IN INFORMATION SHOULD BE REPORTED WITHIN 90 DAYS.

For further information contact
Federal Election Commission
Toll-free 800-424-9530
Local 202-376-1400

FEC FORM 4

Attachment 13
Page 2 of 2

[illegible]

THE NEW YORK PUBLIC LIBRARY



THE A. J. JOHNSON

RECEIVED

JOHN D. ROSS
CORREY, PHILIP & HARRISON
2725 STREET TOWNE
ONE MARKET PLAZA
SAN FRANCISCO, CALIFORNIA 94102

MAIL

INSURANCE CO. OF AMERICA

2119 L Street, N.W.
Washington, D.C. 20037

FEDERAL ELECTION COMMISSION
FAC 101-11

DEC 20 1989

December 22, 1989

Mr. John D. Gibson
Assistant Staff Director
Reports Analysis Division
Federal Election Commission
909 E. Street, N.W.
Washington, D.C. 20463

Dear Mr. Gibson:

This letter is in response to your recent inquiry regarding the Insurance Coalition of America Political Action Committee ("INCA-PAC"), FEC Identification Number: C002263665. INCA-PAC is currently in the process of preparing all reports required under the Federal Election Campaign law and will forward such material to you within 30 days. What follows is a brief report on the status of INCA-PAC.

INCA-PAC was legally registered as a separately segregated fund on April 13, 1988, with the Insurance Coalition of America ("INCA"), a trade association, as a connected organization. INCA has solicited contributions for INCA-PAC since late 1985. However, due to a lack of communication and some administrative confusion within INCA, funds contributed to INCA-PAC have been held in an INCA bank account. INCA is currently in the process of reviewing contributor records and making fund transfers to the INCA-PAC account.

No contributions to political candidates or committees have been made before INCA-PAC was legally registered with the Federal Election Commission. No contributions are currently being made. After reviewing the status of INCA-PAC in the spring of 1988, INCA registered INCA-PAC with the Federal Election Commission ("FEC") in April and has continued to conduct a careful review of the records of contributors to INCA-PAC. INCA-PAC recognizes that it has not been in compliance with the reporting and fund transfer requirements applicable to PACs. It has, however, reviewed its records to assure that no contributions from prohibited sources (from corporate sources, for example) have been received. INCA-PAC has further put into place procedures, effective immediately, to provide in the future for prompt transfer of contributions collected by INCA to INCA-PAC and prompt compliance with the reporting requirements of the FEC.

Mr. John D. Olson
December 22, 1989

Both the INCA and INCA-PAC bank accounts will now be located in the same bank and funds earmarked as contributions to INCA-PAC will be transferred at least every week to the INCA-PAC bank account.

In summary, INCA and INCA-PAC fully appreciate the importance of full compliance with the federal election laws. They believe they have now put in place procedures sufficient to ensure that oversights like those that have occurred in the past will not recur.

If you have further questions on any filings, please contact me at (707) 762-6525.

Very truly yours,


John D. Olson
Treasurer

cc: Laurie L. Kulby, Esquire
Brobeck, Platter & Harrison

87036181913

BROBECK, PHLEGER & HARRISON

ATTORNEYS AT LAW
SPEAR STREET TOWER
ONE MARKET PLAZA
SAN FRANCISCO, CALIFORNIA 94105
FACSIMILE (415) 442-1010
TELETYPE (415) 442-1010
TELEPHONE (415) 442-0800

January 24, 1990

(415) 442-1711

VIA FEDERAL EXPRESS

Mr. John D. Gibson
Assistant Staff Director
Reports Analysis Division
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

HAND DELIVERED

90 JAN 25 AM 10:29

On behalf of our client, the Insurance Coalition of America Political Action Committee ("INCA-PAC"), Federal Election Commission Identification Number C002263665, please find enclosed the following reports required under the Federal Election Campaign Laws:

1. An opening report, which covers the period from which INCA-PAC was first formed (September 1984) up through the period before INCA-PAC was legally registered (April 13, 1988);
2. July 15, 1988 Quarterly Report;
3. October 15, 1988 Quarterly Report;
4. January 31, 1989 Year End Report; and
5. July 31, 1989 Mid Year Report.

The January 31, 1990 Year End Report will be furnished once the 1989 fourth quarter financials for INCA-PAC are completed.

The enclosed Reports were prepared by INCA-PAC following a review by INCA-PAC of its records. INCA-PAC advises that it has reviewed all available contribution records to confirm that none of its funds came from prohibited sources, such as corporate sources. Accounting procedures have been instituted to insure that any contributions from prohibited sources in the future will be rejected, and INCA-PAC is currently setting up a system for timely preparation of all future reports.

GROBECK PHLEGGER & HARRISON

Mr. John D. Gibson
January 24, 1990

Page 2

As was set forth in John Regan's letter dated December 22, 1989, INCA-PAC recognizes that through oversights in the past it has not complied with the fund transfer requirements applicable to PACs. Contributions for INCA-PAC were mistakenly held for some time in a bank account of the Life Insurance Coalition of America ("INCA"), a connected organization of INCA-PAC. A separate bank account was set up for INCA-PAC in 1988, and \$25,500 worth of contributions to INCA-PAC were transferred from the INCA account in 1988. INCA will be processing the final fund transfers to the INCA-PAC account in the next month or two. As explained in our earlier letter, INCA-PAC and INCA have now set up procedures to provide for timely transfer of contributions collected by INCA to the INCA-PAC account. Both the INCA and INCA-PAC bank accounts will be located in the same bank, and funds earmarked as contributions to INCA-PAC will be transferred at least every week to the INCA-PAC bank account. AJD

INCA and INCA-PAC both understand and acknowledge the importance of full compliance with the federal election laws. In recognition of this, they have instituted the procedures outlined above, in order that the past mistakes experienced by INCA-PAC will not recur again.

If you have further questions regarding this filing, we request that you direct your correspondence to the undersigned.

Very truly yours,

Laurie Z. Kullby

LZK:td
Enclosures

cc: Richard J. Kypta
Michael M. Moore



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20461

RQ-2

John D. Regan, Treasurer
Insurance Coalition of America
201 Alameda Del Prado
Novato, CA 94949

Identification Number: C00226365

Reference: April Quarterly (9/1/84-3/31/88), July Quarterly (4/1/88-6/30/88), October Quarterly (7/1/88-9/30/88), and Year End (10/1/88-12/31/88) Reports

Dear Mr. Regan:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Cover letters submitted by your committee indicate that your committee's connected organization has acted as a collecting agent. Please be advised that it is acceptable for a connected organization to act as a collecting agent provided that all funds are transferred to the separate segregated fund within ten (10) or thirty (30) days of the original receipt as required by 11 CFR §102.8. Additionally, 11 CFR §102.5 prohibits the commingling of permissible funds with impermissible funds for the purpose of influencing federal elections.

Although the Commission may take further legal steps concerning this matter, prompt action by your committee will be taken into consideration.

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 376-2480.

Sincerely,

Rodd S. Hageman
Rodd S. Hageman
Reports Analyst
Reports Analysis Division

94030964557



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20541

BQ-1

March 22, 1990

John D. Regan, Treasurer
Insurance Coalition of America
201 Alameda Del Prado
Novato, CA 94949

Identification Number: C00226365

Reference: April Quarterly (9/1/84-3/31/88), July Quarterly
(4/1/88-6/30/88), October Quarterly (7/1/88-9/30/88),
and Year End (10/1/88-12/31/88) Reports

Dear Mr. Regan:

This letter is to inform you that as of March 21, 1990, the Commission has not received your response to our requests for additional information dated February 28, 1990. Those notices requested information essential to full public disclosure of your federal election financial activity and to ensure compliance with provisions of the Federal Election Campaign Act (the Act). Copies of our original requests are enclosed.

If no response is received within fifteen (15) days from the date of this notice, the Commission may choose to initiate audit or legal enforcement action.

If you should have any questions related to this matter, please contact Todd Hageman on our toll-free number (800) 424-9530 or our local number (202) 376-2480.

Sincerely,

John D. Gibson
Assistant Staff Director
Reports Analysis Division

Enclosures

97736314247

ANALYST: Todd Hageman

CONVERSATION WITH: Ms. Lynda Regan, Treasurer

COMMITTEE: Insurance Coalition of America (C00226365)

DATE: April 30, 1990

SUBJECT(S): RFAI of February 28, 1990

I spoke with Ms. Lynda Regan, the Committee's treasurer today concerning the RFAI of February 28, 1990 that had not been answered.

Ms. Regan explained that the Committee's offices had been moved in November and that the address that the RFAI was sent was obsolete. Furthermore, she stated that she was recently elected treasurer and she was unaware of any correspondence sent to the Committee by the Commission.

I explained that since the time period given to the Committee in which to respond had elapsed, I was in the process of referring the Committee to the Commission's Office of General Counsel. Ms. Regan said she would consult the Committee's attorney and contact me shortly.

94030964559

ANALYST: Todd Hageman

CONVERSATION WITH: Laurie Kullby, the Committee's attorney

COMMITTEE: Insurance Coalition of America (C00336365)

DATE: May 1, 1990

SUBJECT(S): Previous conversation with the Committee's treasurer

Ms. Laurie Kullby, the Committee's attorney contacted me today concerning yesterday's conversation with the Committee's treasurer.

Ms. Kullby stated that the Commission's correspondence sent to the Committee must have got lost in the mail. She requested that I send the Committee a copy of the RFAI as they are willing to work out any problems. I complied with the request and sent a copy of the original RFAI to the Committee's treasurer.

BROBECK, PHLEGER & HARRISON

ATTORNEYS AT LAW

SPEAR STREET TOWER

ONE MARKET PLAZA

SAN FRANCISCO, CALIFORNIA 94105

TELEPHONE: (415) 442-1040

TELEX: INT'L 677600 BPH UN DOMESTIC 34885 BPH BPO

TELEPHONE: (415) 442-0900

LOS ANGELES OFFICE
400 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90071
(213) 488-4000

SAN DIEGO OFFICE
550 WEST C STREET
SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1500

PAULO ALTO OFFICE
700 SHARPCREAST PLACE
2200 GENE ROAD
PAULO ALTO, CALIFORNIA 94021
(415) 424-0400

SEMPER BEACH OFFICE
4875 SHARPCREAST COURT
SUITE 1000
SEMPER BEACH, CALIFORNIA 90260
(310) 793-7939

May 1, 1990

VIA FEDERAL EXPRESS

Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Insurance Coalition of America Political Action
Committee - Identification Number C002263665

Dear Sir or Madam:

This letter is in response to a telephone inquiry Ms. Lynda Regan of the Insurance Coalition of America Political Action Committee ("INCA-PAC") received on April 30, 1990, from Mr. Todd Hageman of the Federal Election Commission ("FEC"). Hageman informed Ms. Regan that the FEC had responded in two letters during February and March, 1990, to the letter dated December 22, 1989, from Mr. John Regan, INCA-PAC's treasurer, and that, due to a lack of response from INCA-PAC, the matter was being forwarded to your office.

Due to a recent move of headquarters, INCA-PAC never received the two letters from the FEC. The two FEC letters were addressed to INCA-PAC's former address and were apparently lost in the forwarding process. INCA-PAC is aware that it has not amended its Statement of Organization to incorporate the new address; however, INCA-PAC's new address was listed on all of its FEC Forms 3X and in all its correspondence with the FEC, including the letter dated December 22, 1989. We also requested in our transmittal letters for the Forms 3X that correspondence regarding INCA-PAC be directed to this firm. (Please see the copies enclosed.)

INCA-PAC wishes to reassure the FEC, as it stated in its letter of December 22, 1989, that it has every plan and intention to fully comply in the future with the federal election laws and to cooperate with the FEC. As your files indicate, INCA-PAC has filed with the FEC all its past Reports on Form 3X.

RECEIVED
MAY 2 1990

MAY 2 1990

90 MAY -2 PM 2:14

RECEIVED
FEDERAL ELECTION COMMISSION

BRIDGES, PHILIP & HARRISON

Office of the General Counsel
May 1, 1990

2.

In an effort to resolve this matter expeditiously, we hereby request that copies of the two FEC letters be sent to the undersigned so that INCA-PAC may respond to the FEC's comments. In the meantime, INCA-PAC is currently preparing an amendment to its Statement of Organization, to reflect the change in address.

Should you have any questions or comments regarding this letter, please do not hesitate to call the undersigned or Michael M. Moore at (415) 442-0900. We thank you in advance for your patience and cooperation in this matter.

Very truly yours,

Laurie Z. Kullby
Laurie Z. Kullby

LZK:mg

cc: Todd Hageman
John D. Regan
Lynda Regan
Richard J. Kypka
Michael M. Moore

BROBECK, PHLEGER & HARRISON

ATTORNEYS AT LAW

SPEAR STREET TOWER

ONE MARKET PLAZA

SAN FRANCISCO, CALIFORNIA 94105

FACSIMILE: (415) 442-1010

TELEX: INT'L 6771160 BPH UW DOMESTIC 34228 BPH SFO

TELEPHONE: (415) 442-0900

LOS ANGELES OFFICE
444 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90017
(213) 488-4080

SAN DIEGO OFFICE
550 WEST C STREET
SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1988

PALO ALTO OFFICE
TWO EMBARCADERO PLACE
2200 GENG ROAD
PALO ALTO, CALIFORNIA 94303
(415) 424-0160

NEWPORT BEACH OFFICE
4675 MACARTHUR COURT
SUITE 1000
NEWPORT BEACH, CALIFORNIA 92660
(714) 752-7535

May 9, 1990

VIA FEDERAL EXPRESS

Mr. Todd S. Hageman
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Insurance Coalition of America Political Action
Committee - Identification Number C002263665

Dear Mr. Hageman:

Thank you for sending a copy of your letter dated February 23, 1990, to our client, the Insurance Coalition of America Political Action Committee ("INCA-PAC").

As your letter states, INCA-PAC's connected organization, the Insurance Coalition of America ("INCA"), has acted in the past, and continues to act, as INCA-PAC's collecting agent. INCA and INCA-PAC are aware that INCA must transfer all funds it collects for INCA-PAC within ten or thirty days of the original receipt, and that permissible funds may not be commingled with impermissible funds.

As Mr. John Regan, Treasurer of INCA-PAC, stated in his letter dated December 22, 1989, to Mr. Gibson of the Federal Election Commission, due to a lack of communication and some administrative confusion within INCA, funds contributed to INCA-PAC have been held in prior years in an INCA bank account. In an effort to remedy this noncompliance, INCA-PAC established a separate bank account for itself in 1988, and INCA and INCA-PAC expect to complete the segregation of INCA-PAC's funds into this separate bank account by May 15, 1990.

INCA and INCA-PAC have also instituted internal administrative procedures to provide for timely transfer of INCA-PAC contributions collected by INCA to the INCA-PAC account. As was stated in our letter dated January 24, 1990 to Mr. Gibson, INCA is in the process of moving its account to the same bank in

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AJD

BROBECK, PHLEGER & HARRISON

Mr. Todd Hageman
May 9, 1990

Page 2

which the INCA-PAC account is located, to ensure prompt transfer of INCA-PAC contributions to the INCA-PAC account on a weekly basis.

INCA and INCA-PAC have developed a review procedure for all incoming contributions made to INCA-PAC to ensure that impermissible contributions such as corporate contributions are returned to the contributors. To the best of INCA-PAC's knowledge, it has not accepted any impermissible funds.

We would like to reiterate that INCA-PAC has every plan and intention to fully comply in the future with the federal election laws and to cooperate with the Federal Election Commission. Should you have any questions or comments regarding this letter, please do not hesitate to call the undersigned or Michael M. Moore at (415) 442-0900.

Very truly yours,

Laurie Z. Kullby
Laurie Z. Kullby

LZK:mg

cc: Office of the General Counsel
John D. Regan
Lynda Regan
Richard J. Kypka
Michael M. Moore

SENSITIVE

FEDERAL ELECTION COMMISSION
999 E. Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

RAD Referral 90L-41
STAFF MEMBER: Mary L. Taksar

SOURCE: I N T E R N A L L Y G E N E R A T E D

RESPONDENTS: Insurance Coalition of America
(INCA-PAC) and John D. Regan, as
treasurer

Insurance Coalition of America,
Inc. (INCA)

RELEVANT STATUTES:

2 U.S.C. § 434(a)(4)(A)
2 U.S.C. § 433(a)
2 U.S.C. § 432(h)
2 U.S.C. § 432(b)(2)
2 U.S.C. § 433(c)
2 U.S.C. § 441b
11 C.F.R. § 102.8(b)
11 C.F.R. § 102.6
11 C.F.R. § 114.5
11 C.F.R. § 114.7
11 C.F.R. § 114.8

INTERNAL REPORTS CHECKED: 1990 October Quarterly
1988 April Quarterly

AGENCIES CHECKED: None

I. GENERATION OF MATTER

On September 10, 1990, the Reports Analysis Division referred the Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, for failure to timely file reports and apparent commingling of corporate and committee monies. See Attachment 1, page 1.

INCA-PAC registered with the Commission as a separate segregated fund on April 11, 1988. See Attachment 1, page 21. INCA-PAC's connected organization is identified in the B Index

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as the Insurance Coalition of America ("INCA"), which apparently is a trade association.¹ It appears that INCA acts as a collecting agent for INCA-PAC. See Attachment 1, page 23.

II. FACTUAL AND LEGAL ANALYSIS

A. Late Filing of Reports

The Federal Election Campaign Act of 1971, as amended ("the Act"), requires that during an election year, all political committees, other than authorized committees, file quarterly reports. 2 U.S.C. § 434(a)(4)(A)(i). Quarterly reports are due on the 15th day after the last day of each calendar quarter; however, for the last quarter, reports are due no later than January 31 of the next calendar year. Id.

The Act also requires that political committees, other than authorized committees, file a post-general election report. 2 U.S.C. § 434(a)(4)(A)(iii). This report is due on the 30th day after the election and should be complete as of the 20th day after the election. Id.

In addition, in a non-election year, a political committee other than an authorized committee must file a report covering January 1 through June 30. 2 U.S.C. § 434(a)(4)(A)(iv). This report is due on July 31. Id. The Act also requires that a

1. The respondent's Statement of Organization identified its connected organization, Insurance Coalition of America, as a trade association. However, the reference directories for associations do not list Insurance Coalition of America.

According to the Texas Secretary of State's office, the Insurance Coalition of America is a Texas non-profit corporation incorporated on 10/3/83. The California Secretary of State's office identified the Insurance Coalition of America as a Texas corporation qualified to do business in California.

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political committee other than an authorized committee must file a report covering July 1 through December 31. Id. This report is due on January 31 of the following calendar year. Id.

According to the B Index, INCA-PAC is a quarterly filer. INCA-PAC must comply with all of the above-mentioned reporting requirements because pursuant to 2 U.S.C. § 431(4)(B), a separate segregated fund established under 2 U.S.C. § 441b(b) is a political committee. INCA-PAC failed to timely file six reports. (See Table Below for Late Filing History).

LATE FILING HISTORY²

<u>Report</u>	<u>Due Date</u>	<u>Date Filed</u>
1988 April Quarterly	4/15/88	1/25/90
1988 July Quarterly	7/15/88	1/25/90
1988 October Quarterly	10/15/88	1/25/90
1988 30 Day Post General	12/8/88	1/25/90
1988 Year End	1/31/89	1/25/90
1989 Mid-Year	7/31/89	1/25/90

2. According to INCA-PAC's counsel, INCA-PAC was established in September 1984. See Attachment 1, page 25. However, INCA-PAC did not register with the Commission until April 11, 1988. INCA-PAC failed to file any reports with the Commission until January 25, 1990. See Attachment 1, page 5.

On January 25, 1990, INCA-PAC filed its first report, the 1988 April Quarterly Report. INCA-PAC completed the 1988 April Quarterly Report and indicated that it covered the period between September 1984 through March 1988.

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Accordingly, the Office of the General Counsel recommends that the Commission find reason to believe that INCA-PAC and its treasurer violated 2 U.S.C. § 434(a)(4)(A) by failing to timely file its 1988 April, July, and October Quarterly Reports, 1988 Post General Report, 1988 Year End and 1989 Mid-Year Reports.

B. Late Filing of Statement of Organization

Each separate segregated fund must file a Statement of Organization within 10 days of establishment. 2 U.S.C. § 433(a). A letter from INCA-PAC's attorney, dated January 24, 1990, indicates that INCA-PAC was established in September 1984. See Attachment 1, page 25. In late 1985, INCA began soliciting funds for INCA-PAC. See Attachment 1, page 23. However, INCA-PAC did not file a Statement of Organization until April 11, 1988. See Attachment 1, page 21. Therefore, this Office recommends that the Commission find reason to believe that INCA-PAC violated 2 U.S.C. § 433(a) by failing to file a Statement of Organization within 10 days of establishment.

C. Failure to Timely Forward Contributions

Every person who receives a contribution of \$50 or less for a political committee, which is not an authorized committee, must forward such contribution to the treasurer of the committee within 30 days of receipt. 2 U.S.C. § 432(b)(2)(A) and 11 C.F.R. § 102.8(b)(1). Every person who receives a contribution in excess of \$50 for a political committee, which is not an authorized committee, must forward the contribution to the treasurer within 10 days along with the name and address of

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the contributor and the date of the receipt of the contribution.
2 U.S.C. § 432(b)(2)(B) and 11 C.F.R. § 102.8(b)(2).

Pursuant to § 102.6(c)(4), collecting agents are required to meet the transmittal requirements of 11 C.F.R. § 102.8. A collecting agent is an organization or committee which collects and transmits contributions to a separate segregated fund to which the collecting agent is related. 11 C.F.R. § 102.6(b)(1). A collecting agent maybe the connected organization of the separate segregated fund. 11 C.F.R. § 102.6(b)(ii). A separate segregated fund is responsible for ensuring that its collecting agent meets the recordkeeping, reporting, and transmittal requirements of 11 C.F.R. § 102.6. 11 C.F.R. § 102.6(c)(1).

It appears that INCA, the connected organization of INCA-PAC, is a collecting agent for INCA-PAC and that it has been soliciting contributions for INCA-PAC since 1985. See Attachment 1, page 23. According to INCA-PAC's counsel, from late 1985 until sometime in 1988, INCA deposited INCA-PAC contributions into INCA's account without transmitting the funds to INCA-PAC. See Attachment 1, page 25-26. Counsel also stated that at the time INCA-PAC set up a bank account in 1988, INCA transferred \$25,500 worth of contributions from the INCA account to the INCA-PAC account. See Attachment 1, page 26.

However, from its inception through March 1988, INCA-PAC reported \$47,915 in receipts. INCA transferred only \$25,500 of these funds to INCA-PAC's account; therefore, an additional \$22,415 in contributions should also have been transferred to the INCA-PAC account. INCA-PAC's counsel

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indicated that as of January 24, 1990, all the funds had not yet been transferred to INCA-PAC's account. Id.

It appears that INCA, as collecting agent, failed to comply with the transmittal requirements of 2 U.S.C. § 432(b)(2) because it did not transmit INCA-PAC funds to INCA-PAC's treasurer within the 10 or 30 day required time period. It appears that INCA-PAC, a separate segregated fund, also violated 2 U.S.C. § 432(b)(2) because INCA-PAC failed to ensure that its collecting agent complied with the transmittal requirements of 11 C.F.R. § 102.8(b), which are the same transmittal requirements of 2 U.S.C. § 432(b)(2). Therefore, this Office recommends that the Commission find reason to believe that both INCA and INCA-PAC violated 2 U.S.C. § 432(b)(2).³

D. Failure to Timely Establish a Campaign Account

Each political committee must designate a state bank, federally chartered depository institution, or a depository institution insured by the FDIC, FSLIC, or NCUA as its campaign depository. 2 U.S.C. § 432(h). Each political committee must maintain at least one checking account at the depository into which all receipts are deposited and all disbursements are made. Id. The term "political committee" means any separate

3. The regulations state that a separate segregated fund is responsible for ensuring that the transmittal requirements are met. 11 C.F.R. § 102.6(c)(1). Therefore, the Office of the General Counsel would normally recommend that only INCA-PAC violated 2 U.S.C. § 432(b)(2). In this case, however, INCA began raising funds for federal elections up to three years before INCA-PAC registered with the Commission. Therefore, in these unusual circumstances, the Office of the General Counsel is recommending that both INCA and INCA-PAC violated 2 U.S.C. § 432(b)(2).

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segregated fund established under the provision of 2 U.S.C. § 441b(b). 2 U.S.C. § 431(4)(B).

Therefore, as a political committee, INCA-PAC was required to designate a campaign depository and establish a checking account at the depository upon establishment. However, it appears that when INCA-PAC was established in September 1984, it failed to designate a campaign depository and establish a checking account at the depository. See Attachment 1, page 26. Instead, its funds were placed in INCA's account and kept there for up to three or more years. Id. Therefore, this Office recommends that the Commission find reason to believe that INCA-PAC violated 2 U.S.C. § 432(h) because it failed to designate a campaign depository and maintain a separate checking account at the depository until approximately four years after the Committee was established.

E. Use of Treasury Account

It is unlawful for any corporation to make a contribution or expenditure in connection with a Federal candidate in connection with an election, primary, political convention, or caucus. 2 U.S.C. §441b(a). It is unlawful for a political committee to knowingly accept or receive any contribution prohibited by 2 U.S.C. § 441b. Id. Pursuant to 11 C.F.R. § 102.6(c)(4), a collecting agent may use a treasury account as a transmittal account; however, the collecting agent is still required to transmit the funds in a timely manner according to 2 U.S.C. § 432(b)(2) and 11 C.F.R. § 102.8. Thus, the use of a corporate treasury account as a transmittal account by a

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collecting agent is a limited exception to the prohibition on corporate contributions and expenditures.

It appears that INCA, a corporation, received contributions for INCA-PAC as early as 1985 and retained these contributions in its own treasury account until sometime in 1988 and perhaps even later. See Attachment 1, page 23. INCA established a separate bank account for INCA-PAC in 1988. See Attachment 1, page 26. Thus, it appears that corporate funds and INCA-PAC contributions were maintained in the same account for up to three years. This alone would constitute a violation of Section 441b because it does not comport with the collecting agent regulations.

Furthermore, there was a long delay in transmitting any funds to INCA-PAC, and all funds raised for it were not transferred in 1988 when INCA-PAC's account was set up. It is possible that INCA-PAC funds were used for corporate purposes and that the funds which INCA eventually transferred and deposited into INCA-PAC's account may have included corporate funds rather than funds raised solely for election purposes. Thus, INCA-PAC may have received corporate funds and used them to make contributions to Federal candidates.⁴

4. INCA-PAC's treasurer stated that no contributions to Federal candidates had been made prior to registration with the Commission. See Attachment 1, page 23. In its 1988 April Quarterly, filed on January 25, 1990, the treasurer indicated that this report covered the period from September 1984 through March 1988. See Attachment 3, page 2. In its 1988 April Quarterly Report, the treasurer also indicated that INCA-PAC made no contributions to Federal candidates or other political committees from September 1984 through March 1988. Id.

The receipt of contributions from prohibited sources is

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Accordingly, this Office recommends that the Commission find reason to believe that both INCA and INCA-PAC violated 2 U.S.C. § 441b(a).

F. Other Issues

There are additional issues raised by the referral which need to be addressed.

1. Corporate Solicitations

Except as provided in 2 U.S.C. § 441b(b), it is unlawful for a corporation or a separate segregated fund established by a corporation to solicit contributions to such a fund from any person other than its stockholders and their families and its executive and administrative personnel and their families. In the case of a membership organization, a corporation or trade association may solicit the individual members and their families or, if prior approval is given, the executive and administrative personnel of its corporate members. 11 C.F.R. §§ 114.7 and 114.8. "Executive and administrative" means individuals employed by a corporation who are paid on a salary, rather than hourly, basis and who have policymaking, professional, or supervisory responsibilities. 2 U.S.C. § 441b(b)(7). Separate segregated funds must meet several

(Footnote 4 continued from previous page)
also an issue requiring further investigation. In a December 22, 1989 letter to the Commission, INCA-PAC's treasurer indicated that it had reviewed its records to make sure that no contributions were received from prohibited sources. See Attachment 1, page 23. However, in its 1988 April Quarterly Report, INCA-PAC reported \$47,700 in unitemized contributions and only \$215 in itemized contributions. See Attachment 3, page 2. Therefore, as explained in the text, a question remains whether INCA-PAC accepted contributions from prohibited sources.

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solicitation requirements under 2 U.S.C. § 441b(b) and 11 C.F.R. § 114.5.⁵

As noted, INCA-PAC was established in September 1984 but did not register with the Commission until 1988 or report to the Commission until 1990. INCA began soliciting contributions for INCA-PAC in 1985 but did not begin transmitting the funds to INCA-PAC until sometime in 1988. Therefore, this referral also raises questions whether both INCA and INCA-PAC complied with the solicitation requirements. Questions arise as to whether solicitations were made to the proper class of persons and whether the solicitations themselves meet the requirements of the Act. This Office will ask questions regarding these issues.

2. Possible Change of Treasurer

The Statement of Organization of a political committee must include the name and address of the treasurer. 2 U.S.C.

5. According to 11 C.F.R. § 102.5(a)(2), only contributions which result from a solicitation which expressly states that that the contribution will be used in connection with a federal election and only contributions from contributors who are informed that all contributions are subject to the prohibitions and limitations of the Act may be deposited into a federal account. Donors in some circumstances must be given notice of a proposed change in the use of funds, if originally donated for a different purpose, and be given an opportunity to object to such a use. See Advisory Opinion 1985-18.

A written solicitation may suggest a contribution amount provided the solicitation informs potential contributors that the guideline is merely a suggestion and that an individual is free to contribute more or less without fear of discriminatory treatment. 11 C.F.R. 114.5(a)(2). A solicitation directed toward an employee or member must inform that individual of the political purposes of the fund. 2 U.S.C. 441b(b)(3)(B) and 11 C.F.R. 114.5(a)(3). Any person soliciting an employee or member must inform the potential contributor of the rights to refuse to contribute without fear of reprisal. 2 U.S.C. § 441b(b)(3)(C) and 11 C.F.R. 114.5(a)(4).

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§ 433(b). Any change in information previously submitted in a Statement of Organization must be reported to the Commission within 10 days of the date of change. 2 U.S.C. § 433(c). Therefore, a change in treasurer must be reported to the Commission within 10 days of the change.

In a conversation with a RAD analyst on April 30, 1990, Lynda Regan indicated that she was the newly-elected treasurer of INCA-PAC. See Attachment 1, page 29. INCA-PAC has not filed an amendment to its Statement of Organization to indicate this change.

INCA-PAC's most recent report, the 1990 October Quarterly Report, was signed by John Regan. INCA-PAC's original Statement of Organization, filed with the Commission on April 11, 1988, identifies John Regan as treasurer. See Attachment 1, page 21. This Office will also ask questions regarding who the treasurer is and whether a change in treasurer has occurred.

II. RECOMMENDATIONS

1. Open a MUR.
2. Find reason to believe that the Insurance Coalition of America (INCA-PAC) and John D. Regan, as treasurer, violated 2 U.S.C. §§ 434(a)(4)(A), 433(a), 432(h), 432(b)(2), and 441b(a).
3. Find reason to believe that the Insurance Coalition of America (INCA) violated 2 U.S.C. §§ 432(b)(2) and 441b(a).
4. Approve the attached Factual and Legal Analyses.

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5. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

Date 11/15/90

BY:

LGJ
Lois G. Lerner
Associate General Counsel

Attachments:

1. Referral Materials
2. Factual and Legal Analyses
3. 1988 April Quarterly

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FEDERAL ELECTION COMMISSION
WASHINGTON DC 20461

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/DELORES HARRIS *PH*
COMMISSION SECRETARY

DATE: NOVEMBER 21, 1990

SUBJECT: RAD REFERRAL 90L-41 - 1st GENERAL COUNSEL'S REPORT
DATED NOVEMBER 15, 1990

The above-captioned document was circulated to the
Commission on Monday, November 19, 1990 at 11:00 a.m.

Objection(s) have been received from the Commissioner(s)
as indicated by the name(s) checked below:

Commissioner Aikens	_____
Commissioner Elliott	_____
Commissioner Josefiak	_____
Commissioner McDonald	_____
Commissioner McGarry	XXX
Commissioner Thomas	XXX

This matter will be placed on the meeting agenda
for TUESDAY, NOVEMBER 27, 1990.

Please notify us who will represent your Division before the
Commission on this matter.

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Insurance Coalition of America
(INCA-PAC) and John D. Regan, as
treasurer;
Insurance Coalition of America, Inc.
(INCA).

(MUR 3183)

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of November 27, 1990, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions with respect to RAD Referral 90L-41:

1. Open a MUR.
2. Find reason to believe that the Insurance Coalition of America (INCA-PAC) and John D. Regan, as treasurer, violated 2 U.S.C. §§ 434(a)(4)(A), 433(a), 432(h), 432(b)(2), and 441b(a).
3. Find reason to believe that the Insurance Coalition of America (INCA) violated 2 U.S.C. §§ 432(b)(2) and 441b(a).

(continued)

Federal Election Commission
Certification for RAD Referral
#90L-41
November 27, 1990

Page 2

4. Approve the Factual and Legal Analyses attached to the General Counsel's report dated November 15, 1990.
5. Approve the appropriate letters as recommended in the General Counsel's report dated November 15, 1990.

Commissioners Aikens, Elliott, Josefiak, McDonald, McGarry, and Thomas voted affirmatively for the decision.

Attest:

11-28-90
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

December 5, 1990

John D. Regan, Treasurer
Insurance Coalition of America (INCA-PAC)
201 Alameda Del Prado
Novato, CA 94949

RE: MUR 3183
Insurance Coalition of
America (INCA-PAC) and
John D. Regan, as
treasurer

Dear Mr. Regan:

On November 27, 1990, the Federal Election Commission found that there is reason to believe the Insurance Coalition of America (INCA-PAC) ("Committee") and you, as treasurer, violated 2 U.S.C. §§ 434(a)(4)(A), 433(a), 432(h), 432(b)(2), and 441b(a), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against the Committee and you, as treasurer. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office along with answers to the enclosed questions within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against the Committee and you, as treasurer, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause

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John D. Regan, Treasurer
MUR 3183
Page 2

have been mailed to the respondent.

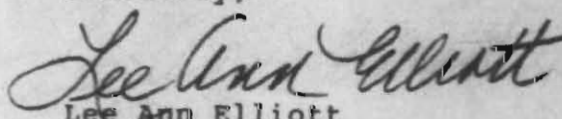
Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Mary Taksar, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,


Lee Ann Elliott
Chairman

Enclosures

Factual and Legal Analysis
Procedures
Designation of Counsel Form
Questions

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Insurance Coalition of
America ("INCA-PAC")

MUR: 3183

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This matter was generated based on information ascertained by the Federal Election Commission ("the Commission") in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437(g)(a)(2). INCA-PAC registered with the Commission as a separate segregated fund on April 11, 1988. INCA-PAC's connected organization is identified in Commission records as the Insurance Coalition of America ("INCA"), which apparently is a trade association.¹ It appears that INCA acts as a collecting agent for INCA-PAC.

A. Late Filing of Reports

The Federal Election Campaign Act of 1971, as amended ("the Act"), requires that during an election year, all political committees, other than authorized committees, file quarterly reports. 2 U.S.C. § 434(a)(4)(A)(i). Quarterly reports are due on the 15th day after the last day of each calendar quarter; however, for the last quarter, reports are due no later than January 31 of the next calendar year. Id.

1. The respondent's Statement of Organization identified its connected organization, Insurance Coalition of America, as a trade association. However the reference directories for associations do not list Insurance Coalition of America.

According to the Texas Secretary of State's Office, the Insurance Coalition of America is a Texas non-profit corporation incorporated on 10/3/83. The California Secretary of State's Office identified the Insurance Coalition of America as a Texas corporation qualified to do business in California.

The Act also requires that political committees, other than authorized committees, file a post-general election report. 2 U.S.C. § 434(a)(4)(A)(iii). This report is due on the 30th day after the election and should be complete as of the 20th day after the election. Id.

In addition, in a non-election year, a political committee other than an authorized committee must file a report covering January 1 through June 30. 2 U.S.C. § 434(a)(4)(A)(iv). This report is due on July 31. Id. The Act also requires that a political committee other than an authorized committee must file a report covering July 1 through December 31. Id. This report is due on January 31 of the following calendar year. Id.

According to Commission records, INCA-PAC is a quarterly filer. INCA-PAC must comply with all of the above-mentioned reporting requirements because pursuant to 2 U.S.C. § 431(4)(B), a separate segregated fund established under 2 U.S.C. § 441b(b) is a political committee. INCA-PAC failed to timely file six reports. (See Table on Page 3 for Late Filing History).

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LATE FILING HISTORY²

<u>Report</u>	<u>Due Date</u>	<u>Date Filed</u>
1988 April Quarterly	4/15/88	1/25/90
1988 July Quarterly	7/15/88	1/25/90
1988 October Quarterly	10/15/88	1/25/90
1988 30 Day Post General	12/8/88	1/25/90
1988 Year End	1/31/89	1/25/90
1989 Mid-Year	7/31/89	1/25/90

Therefore, there is reason to believe that INCA-PAC and its treasurer violated 2 U.S.C. § 434(a)(4)(A) by failing to timely file its 1988 April, July, and October Quarterly Reports, 1988 Post General Report, 1988 Year End and 1989 Mid-Year Reports.

B. Late Filing of Statement of Organization

Each separate segregated fund must file a Statement of Organization within 10 days of establishment. 2 U.S.C. § 433(a). A letter from INCA-PAC's attorney, dated January 24, 1990, indicates that INCA-PAC was established in September 1984. In late 1985, INCA began soliciting funds for INCA-PAC. However, INCA-PAC did not file a Statement of Organization until April 11, 1988. Therefore, there is reason to believe that INCA-PAC violated 2 U.S.C. § 433(a) by failing to file a

2. According to INCA-PAC's counsel, INCA-PAC was established in September 1984. However, INCA-PAC did not register with the Commission until April 11, 1988. INCA-PAC failed to file any reports with the Commission until January 25, 1990.

On January 25, 1990, INCA-PAC filed its first report, the 1988 April Quarterly Report. INCA-PAC completed the 1988 April Quarterly Report and indicated that it covered the period between September 1984 through March 1988.

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Statement of Organization within 10 days of establishment.

C. Failure to Timely Forward Contributions

Every person who receives a contribution of \$50 or less for a political committee, which is not an authorized committee, must forward such contribution to the treasurer of the committee within 30 days of receipt. 2 U.S.C. § 432(b)(2)(A) and 11 C.F.R. § 102.8(b)(1). Every person who receives a contribution in excess of \$50 for a political committee, which is not an authorized committee, must forward the contribution to the treasurer within 10 days along with the name and address of the contributor and the date of the receipt of the contribution. 2 U.S.C. § 432(b)(2)(B) and 11 C.F.R. § 102.8(b)(2).

Pursuant to § 102.6(c)(4), collecting agents are required to meet the transmittal requirements of 11 C.F.R. § 102.8. A collecting agent is an organization or committee which collects and transmits contributions to a separate segregated fund to which the collecting agent is related. 11 C.F.R. § 102.6(b)(1). A collecting agent maybe the connected organization of the separate segregated fund. 11 C.F.R. § 102.6(b)(ii). A separate segregated fund is responsible for ensuring that its collecting agent meets the recordkeeping, reporting, and transmittal requirements of 11 C.F.R. § 102.6. 11 C.F.R. § 102.6(c)(1).

It appears that INCA, the connected organization of INCA-PAC, is a collecting agent for INCA-PAC and that it has been soliciting contributions for INCA-PAC since 1985. According to INCA-PAC's counsel, from late 1985 until sometime in 1988, INCA deposited INCA-PAC contributions into INCA's

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account without transmitting the funds to INCA-PAC. Counsel also stated that at the time INCA-PAC set up a bank account in 1988, INCA transferred \$25,500 worth of contributions from the INCA account to the INCA-PAC account.

However, from its inception through March 1988, INCA-PAC reported \$47,915 in receipts. INCA transferred only \$25,500 of these funds to INCA-PAC's account; therefore, an additional \$22,415 in contributions should also have been transferred to the INCA-PAC account. INCA-PAC's counsel indicated that as of January 24, 1990, all the funds had not yet been transferred to INCA-PAC's account.

It appears that INCA, as collecting agent, failed to comply with the transmittal requirements of 2 U.S.C. § 432(b)(2) because it did not transmit INCA-PAC funds to INCA-PAC's treasurer within the 10 or 30 day required time period. It appears that INCA-PAC, a separate segregated fund, also violated 2 U.S.C. § 432(b)(2) because INCA-PAC failed to ensure that its collecting agent complied with the transmittal requirements of 11 C.F.R. § 102.8(b), which are the same transmittal requirements of 2 U.S.C. § 432(b)(2). Therefore, there is reason to believe that INCA-PAC violated 2 U.S.C. § 432(b)(2).

D. Failure to Timely Establish a Campaign Account

Each political committee must designate a state bank, federally chartered depository institution, or a depository institution insured by the FDIC, FSLIC, or NCUA as its campaign depository. 2 U.S.C. § 432(h). Each political committee must maintain at least one checking account at the depository into

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which all receipts are deposited and all disbursements are made.

Id. The term "political committee" means any separate segregated fund established under the provision of 2 U.S.C. § 441b(b). 2 U.S.C. § 431(4)(B).

Therefore, as a political committee, INCA-PAC was required to designate a campaign depository and establish a checking account at the depository upon establishment. However, it appears that when INCA-PAC was established in September 1984, it failed to designate a campaign depository and establish a checking account at the depository. Instead, its funds were placed in INCA's account and kept there for up to three or more years. Therefore, there is reason to believe that INCA-PAC violated 2 U.S.C. § 432(h) because it failed to designate a campaign depository and maintain a separate checking account at the depository until approximately four years after the Committee was established.

E. Use of Treasury Account

It is unlawful for any corporation to make a contribution or expenditure in connection with a Federal candidate in connection with an election, primary, political convention, or caucus. 2 U.S.C. § 441b(a). It is unlawful for a political committee to knowingly accept or receive any contribution prohibited by 2 U.S.C. § 441b. Id. Pursuant to 11 C.F.R. § 102.6(c)(4), a collecting agent may use a treasury account as a transmittal account; however, the collecting agent is still required to transmit the funds in a timely manner according to 2 U.S.C. § 432(b)(2) and 11 C.F.R. § 102.8. Thus, the use of a

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corporate treasury account as a transmittal account by a collecting agent is a limited exception to the prohibition on corporate contributions and expenditures.

It appears that INCA, a corporation, received contributions for INCA-PAC as early as 1985 and retained these contributions in its own treasury account until sometime in 1988 and perhaps even later. INCA established a separate bank account for INCA-PAC in 1988. Thus, it appears that corporate funds and INCA-PAC contributions were maintained in the same account for up to three years. It is possible that INCA-PAC funds were used for corporate purposes and that the funds which INCA eventually transferred and deposited into INCA-PAC's account may have included corporate funds rather than funds raised solely for election purposes. Thus, INCA-PAC may have received corporate funds and used them to make contributions to Federal candidates.³

Therefore, there is reason to believe that INCA-PAC violated 2 U.S.C. § 441b(a).

3. INCA-PAC's treasurer stated that no contributions to Federal candidates had been made prior to registration with the Commission. In its 1988 April Quarterly Report, filed on January 25, 1990, the treasurer indicated that this report covered the period from September 1984 through March 1988. In this report, the treasurer also indicated that INCA-PAC made no contributions to Federal candidates or other political committees from September 1984 through March 1988.

In a December 22, 1989 letter to the Commission, INCA-PAC's treasurer indicated that it had reviewed its records to make sure that no contributions were received from prohibited sources. However, in its 1988 April Quarterly Report, INCA-PAC reported \$47,700 in unitemized contributions and only \$215 in itemized contributions. Therefore, a question remains whether INCA-PAC accepted contributions from prohibited sources.

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F. Other Issues

There are additional issues raised by the referral which need to be addressed.

1. Corporate Solicitations

Except as provided in 2 U.S.C. § 441b(b), it is unlawful for a corporation or a separate segregated fund established by a corporation to solicit contributions to such a fund from any person other than its stockholders and their families and its executive and administrative personnel and their families. In the case of a membership organization, a corporation or trade association may solicit the individual members and their families or, if prior approval is given, the executive and administrative personnel of its corporate members. 11 C.F.R. §§ 114.7 and 114.8. "Executive and administrative" means individuals employed by a corporation who are paid on a salary, rather than hourly, basis and who have policymaking, professional, or supervisory responsibilities. 2 U.S.C. § 441b(b)(7). Separate segregated funds must meet several solicitation requirements under 2 U.S.C. § 441b(b) and 11 C.F.R. § 114.5.⁴

4. According to 11 C.F.R. § 102.5(a)(2), only contributions which result from a solicitation which expressly states that that the contribution will be used in connection with a federal election and only contributions from contributors who are informed that all contributions are subject to the prohibitions and limitations of the Act may be deposited into a federal account. Donors in some circumstances must be given notice of a proposed change in the use of funds, if originally donated for a different purpose, and be given an opportunity to object to such a use. See Advisory Opinion 1985-18.

A written solicitation may suggest a contribution amount provided the solicitation informs potential contributors that

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As noted, INCA-PAC was established in September 1984 but did not register with the Commission until 1988 or report to the Commission until 1990. INCA began soliciting contributions for INCA-PAC in 1985 but did not begin transmitting the funds to INCA-PAC until sometime in 1988. Therefore, there are questions whether INCA-PAC complied with the solicitation requirements, whether solicitations were made to the proper class of persons, and whether the solicitations themselves met the requirements of the Act.

2. Possible Change of Treasurer

The Statement of Organization of a political committee must include the name and address of the treasurer. 2 U.S.C. § 433(b). Any change in information previously submitted in a Statement of Organization must be reported to the Commission within 10 days of the date of change. 2 U.S.C. § 433(c). Therefore, a change in treasurer must be reported to the Commission within 10 days of the change.

In a conversation with Commission staff on April 30, 1990, Lynda Regan indicated that she was the newly-elected treasurer of INCA-PAC. INCA-PAC has not filed an amendment to its Statement of Organization to indicate this change.

(Footnote 4 continued from previous page)
the guideline is merely a suggestion and that an individual is free to contribute more or less without fear of discriminatory treatment. 11 C.F.R. 114.5(a)(2). A solicitation directed toward an employee or member must inform that individual of the political purposes of the fund. 2 U.S.C. 441b(b)(3)(B) and 11 C.F.R. 114.5(a)(3). Any person soliciting an employee or member must inform the potential contributor of the rights to refuse to contribute without fear of reprisal. 2 U.S.C. § 441b(b)(3)(C) and 11 C.F.R. 114.5(a)(4).

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INCA-PAC's most recent report, the 1990 October Quarterly Report, was signed by John Regan. INCA-PAC's original Statement of Organization, filed with the Commission on April 11, 1986, identifies John Regan as treasurer. Therefore, there is a question regarding who the treasurer is and whether a change in treasurer has occurred.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 3183

INTERROGATORIES AND REQUEST
FOR PRODUCTION OF DOCUMENTS

TO: John D. Regan, Treasurer
Insurance Coalition of America (INCA-PAC)
201 Alameda Del Prado
Novato, CA 94949

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In furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby requests that you submit answers in writing and under oath to the questions set forth below within 15 days of your receipt of this request. In addition, the Commission hereby requests that you produce the documents specified below, in their entirety, for inspection and copying at the Office of the General Counsel, Federal Election Commission, Room 659, 999 E Street, N.W., Washington, D.C. 20463, on or before the same deadline, and continue to produce those documents each day thereafter as may be necessary for counsel for the Commission to complete their examination and reproduction of those documents. Clear and legible copies or duplicates of the documents which, where applicable, show both sides of the documents may be submitted in lieu of the production of the originals.

INSTRUCTIONS

In answering these interrogatories and request for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery request shall refer to the time period from September 1984 to the present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

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DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondent in this action to whom these discovery requests are addressed, including all officers, employees, agents or attorneys thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

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John D. Regan, Treasurer
MUR 3183
Page 4

1. a. Identify the connected organization of the Insurance Coalition of America political action committee (INCA-PAC).
b. State whether INCA-PAC or INCA is related in any organizational manner to any national organization or political committee and, if so, identify them.
2. a. State the date on which INCA-PAC was established.
b. Identify the officers and directors of INCA-PAC.
c. Provide a copy of the by-laws for INCA-PAC.
3. a. Identify who solicits contributions to INCA-PAC and describe all methods used to solicit contributions.
b. Identify, by category, to whom solicitations on behalf of INCA-PAC were made since 1984.
c. Identify and provide a copy of all written solicitations or phone scripts used to make solicitations since 1984.
4. a. Identify all INCA-PAC bank accounts, indicate the date established and purpose of each account, and identify the signatories on each account.
b. State the date on which INCA-PAC actually started using these accounts.
c. Provide copies of checks or receipts for transfers from INCA into INCA-PAC's bank account.
d. Provide a copy of all contribution checks since 1984.
e. Identify all INCA-PAC funds which have not yet been transferred from INCA to INCA-PAC's account.
5. Identify the current treasurer of INCA-PAC and indicate the date on which this individual became treasurer.

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

December 5, 1990

Insurance Coalition of America (INCA)
201 Alameda Del Prado
Novato, CA 94949

RE: MUR 3183
Insurance Coalition of
America (INCA)

Dear Gentlemen:

On November 27, 1990, the Federal Election Commission found that there is reason to believe the Insurance Coalition of America (INCA) violated 2 U.S.C. §§ 432(b)(2) and 441b(a), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against the Insurance Coalition of America (INCA). You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office along with answers to the enclosed questions within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against the Insurance Coalition of America (INCA), the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

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Insurance Coalition of America (INCA)
MUR 3183
Page 2

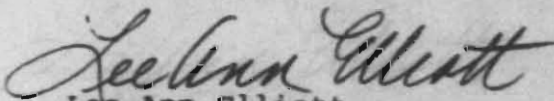
Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Mary Taksar, the staff member attorney assigned to this matter, at (202) 376-5690.

Sincerely,


Lee Ann Elliott
Chairman

Enclosures

Factual and Legal Analysis
Procedures
Designation of Counsel Form
Questions

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Insurance Coalition of
America ("INCA")

MUR: 3183

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This matter was generated based on information ascertained by the Federal Election Commission ("the Commission") in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437(g)(a)(2). The Insurance Coalition of America ("INCA-PAC") registered with the Commission as a separate segregated fund on April 11, 1988. INCA-PAC's connected organization is identified in Commission records as the Insurance Coalition of America (INCA), which apparently is a trade association.¹ It appears that INCA acts as a collecting agent for INCA-PAC.

A. Failure to Timely Forward Contributions

Every person who receives a contribution of \$50 or less for a political committee, which is not an authorized committee, must forward such contribution to the treasurer of the committee within 30 days of receipt. 2 U.S.C. § 432(b)(2)(A) and 11 C.F.R. § 102.8(b)(1). Every person who receives a contribution in excess of \$50 for a political committee, which is not an authorized committee, must forward the contribution to

1. The respondent's Statement of Organization identified its connected organization, Insurance Coalition of America, as a trade association. However the reference directories for associations do not list Insurance Coalition of America.

According to the Texas Secretary of State's Office, the Insurance Coalition of America is a Texas non-profit corporation incorporated on 10/3/83. The California Secretary of State's Office identified the Insurance Coalition of America as a Texas corporation qualified to do business in California.

the treasurer within 10 days along with the name and address of the contributor and the date of the receipt of the contribution. 2 U.S.C. § 432(b)(2)(B) and 11 C.F.R. § 102.8(b)(2).

Pursuant to § 102.6(c)(4), collecting agents are required to meet the transmittal requirements of 11 C.F.R. § 102.8. A collecting agent is an organization or committee which collects and transmits contributions to a separate segregated fund to which the collecting agent is related. 11 C.F.R. § 102.6(b)(1). A collecting agent maybe the connected organization of the separate segregated fund. 11 C.F.R. § 102.6(b)(ii). A separate segregated fund is responsible for ensuring that its collecting agent meets the recordkeeping, reporting, and transmittal requirements of 11 C.F.R. § 102.6. 11 C.F.R. § 102.6(c)(1).

It appears that INCA, the connected organization of INCA-PAC, is a collecting agent for INCA-PAC and that it has been soliciting contributions for INCA-PAC since 1985. According to INCA-PAC's counsel, from late 1985 until sometime in 1988, INCA deposited INCA-PAC contributions into INCA's account without transmitting the funds to INCA-PAC. Counsel also stated that at the time INCA-PAC set up a bank account in 1988, INCA transferred \$25,500 worth of contributions from the INCA account to the INCA-PAC account.

However, from its inception through March 1988, INCA-PAC reported \$47,915 in receipts. INCA transferred only \$25,500 of these funds to INCA-PAC's account; therefore, an additional \$22,415 in contributions should also have been transferred to the INCA-PAC account. INCA-PAC's counsel

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indicated that as of January 24, 1990, all the funds had not yet been transferred to INCA-PAC's account.

It appears that INCA, as collecting agent, failed to comply with the transmittal requirements of 2 U.S.C. § 432(b)(2) because it did not transmit INCA-PAC funds to INCA-PAC's treasurer within the 10 or 30 day required time period. Therefore, there is reason to believe that INCA violated 2 U.S.C. § 432(b)(2).

B. Use of Treasury Account

It is unlawful for any corporation to make a contribution or expenditure in connection with a Federal candidate in connection with an election, primary, political convention, or caucus. 2 U.S.C. §441b(a). It is unlawful for a political committee to knowingly accept or receive any contribution prohibited by 2 U.S.C. § 441b. Id. Pursuant to 11 C.F.R. § 102.6(c)(4), a collecting agent may use a treasury account as a transmittal account; however, the collecting agent is still required to transmit the funds in a timely manner according to 2 U.S.C. § 432(b)(2) and 11 C.F.R. § 102.8. Thus, the use of a corporate treasury account as a transmittal account by a collecting agent is a limited exception to the prohibition on corporate contributions and expenditures.

It appears that INCA, a corporation, received contributions for INCA-PAC as early as 1985 and retained these contributions in its own treasury account until sometime in 1988 and perhaps even later. INCA established a separate bank account for INCA-PAC in 1988. Thus, it appears that corporate

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funds and INCA-PAC contributions were maintained in the same account for up to three years. This alone would constitute a violation of Section 441b because it does not comport with the collecting agent regulations.

Furthermore, there was a long delay in transmitting any funds to INCA-PAC, and all funds raised for it were not transferred in 1988 when INCA-PAC's account was set up. It is possible that INCA-PAC funds were used for corporate purposes and that the funds which INCA eventually transferred and deposited into INCA-PAC's account may have included corporate funds rather than funds raised solely for election purposes. Accordingly, there is reason to believe that INCA violated 2 U.S.C. § 441b(a).

C. Corporate Solicitations

This is an additional issue raised by the referral which needs to be addressed. Except as provided in 2 U.S.C. § 441b(b), it is unlawful for a corporation or a separate segregated fund established by a corporation to solicit contributions to such a fund from any person other than its stockholders and their families and its executive and administrative personnel and their families. In the case of a membership organization, a corporation or trade association may solicit the individual members and their families or, if prior approval is given, the executive and administrative personnel of its corporate members. 11 C.F.R. §§ 114.7 and 114.8.

"Executive and administrative" means individuals employed by a corporation who are paid on a salary, rather than hourly, basis

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and who have policymaking, professional, or supervisory responsibilities. 2 U.S.C. § 441b(b)(7). Separate segregated funds must meet several solicitation requirements under 2 U.S.C. § 441b(b) and 11 C.F.R. § 114.5.²

As noted, INCA-PAC was established in September 1984 but did not register with the Commission until 1988 or report to the Commission until 1990. INCA began soliciting contributions for INCA-PAC in 1985 but did not begin transmitting the funds to INCA-PAC until sometime in 1988. Therefore, there are also questions whether INCA complied with the solicitation requirements, whether solicitations were made to the proper class of persons, and whether the solicitations themselves met the requirements of the Act.

2. According to 11 C.F.R. § 102.5(a)(2), only contributions which result from a solicitation which expressly states that that the contribution will be used in connection with a federal election and only contributions from contributors who are informed that all contributions are subject to the prohibitions and limitations of the Act may be deposited into a federal account. Donors in some circumstances must be given notice of a proposed change in the use of funds, if originally donated for a different purpose, and be given an opportunity to object to such a use. See Advisory Opinion 1985-18.

A written solicitation may suggest a contribution amount provided the solicitation informs potential contributors that the guideline is merely a suggestion and that an individual is free to contribute more or less without fear of discriminatory treatment. 11 C.F.R. 114.5(a)(2). A solicitation directed toward an employee or member must inform that individual of the political purposes of the fund. 2 U.S.C. 441b(b)(3)(B) and 11 C.F.R. 114.5(a)(3). Any person soliciting an employee or member must inform the potential contributor of the rights to refuse to contribute without fear of reprisal. 2 U.S.C. § 441b(b)(3)(C) and 11 C.F.R. 114.5(a)(4).

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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)
) MUR 3183

INTERROGATORIES AND REQUEST
FOR PRODUCTION OF DOCUMENTS

TO: Insurance Coalition of America (INCA)
201 Alameda Del Prado
Novato, CA 94949

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In furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby requests that you submit answers in writing and under oath to the questions set forth below within 15 days of your receipt of this request. In addition, the Commission hereby requests that you produce the documents specified below, in their entirety, for inspection and copying at the Office of the General Counsel, Federal Election Commission, Room 659, 999 E Street, N.W., Washington, D.C. 20463, on or before the same deadline, and continue to produce those documents each day thereafter as may be necessary for counsel for the Commission to complete their examination and reproduction of those documents. Clear and legible copies or duplicates of the documents which, where applicable, show both sides of the documents may be submitted in lieu of the production of the original.

INSTRUCTIONS

In answering these interrogatories and request for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery request shall refer to the time period from September 1984 to the present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

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DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondent in this action to whom these discovery requests are addressed, including all officers, employees, agents or attorneys thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

94030964605

1. a. State your relation to INCA-PAC.

b. State whether INCA is a trade association and whether it is incorporated. If incorporated, state when and where it was incorporated and provide a copy of its bylaws and articles of incorporation. State how INCA is classified for federal tax purposes.

c. Describe the categories of membership in INCA, identify the number of members in each category, and identify the members of INCA which are corporations.

2. a. Identify the INCA account into which INCA-PAC's funds are or were deposited and indicate the date and amount of each deposit made since INCA-PAC was established.

b. Provide all records such as checks or other documents which indicate when and what amounts were transferred into INCA-PAC's account.

c. Provide a copy of all contribution checks.

3. a. Identify who solicited contributions to INCA-PAC and describe all methods used to solicit contributions.

b. Identify, by category, to whom solicitations on behalf of INCA-PAC were made since 1984.

c. Identify and provide a copy of all written solicitations or phone scripts used to make solicitations since 1984.

d. State whether INCA-PAC paid any solicitation or other administrative expense from its account. Itemize such payments.

4. a. State whether executive and administrative personnel of corporate members were solicited.

b. State whether prior approval was obtained from the member corporations.

c. Provide a copy of the requests for prior approval and the documents evidencing the granting of such prior approval.

94030964606

STATEMENT OF DESIGNATION OF COUNSEL

NOA 3183

NAME OF COUNSEL: Brobeck, Phleger & Harrison

ADDRESS: Spear Street Tower

One Market Plaza

San Francisco, CA 94105

TELEPHONE: (415) 442-0900

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

January 2, 1991
Date

INSURANCE COALITION OF AMERICA

By
Signature: John Regan

DESIGNATOR'S NAME:

John Regan

ADDRESS:

Insurance Coalition of America

201 Alameda Del Prado

Novato, California 94949

HOME PHONE:

(707) 778-8465

WORKING PHONE:

(707) 778-8638

94030964607

STATEMENT OF DESIGNATION OF COUNSEL

NOV 3183

NAME OF COUNSEL: Brobeck, Phleger & Harrison

ADDRESS: Spear Street Tower

One Market Plaza

San Francisco, CA 94105

TELEPHONE: (415) 442-0900

The above-named individual is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

INCA-PAC

January 2, 1991
Date

By


Signature Lynda Regan, Treasurer

RESPONDENT'S NAME: Lynda Regan, Treasurer

ADDRESS: INCA-PAC

201 Alameda Del Prado

Novato, California 94949

HOME PHONE: (707) 778-8465

BUSINESS PHONE: (707) 778-8638

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06-C 9818

BROBECK, PHLEGER & HARRISON

LOS ANGELES OFFICE
444 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90017
(213) 489-4080

SAN DIEGO OFFICE
550 WEST C STREET
SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1966

ATTORNEYS AT LAW
SPEAR STREET TOWER
ONE MARKET PLAZA
SAN FRANCISCO, CALIFORNIA 94105

FACSIMILE: (415) 442-1010
TELEX: INT'L 6771160 8PH UW DOMESTIC 34228 8PH SFO
TELEPHONE: (415) 442-0900

PALO ALTO OFFICE
TWO EMBARCADERO PLACE
2200 GENG ROAD
PALO ALTO, CALIFORNIA 94303
(415) 424-0180

NEWPORT BEACH OFFICE
4675 MACARTHUR COURT
SUITE 1000
NEWPORT BEACH, CALIFORNIA 92660
(714) 752-7535

January 9, 1991

Via Telecopier and Mail

Ms. Mary Taksar
Federal Election Commission
Washington, D.C. 20463

Re: MUR 3183-Insurance Coalition of America
(INCA-PAC) and John D. Regan, as Treasurer;
Insurance Coalition of America

Dear Ms. Taksar:

As we discussed, on behalf of the above-captioned parties, we hereby request for the reasons set forth below a 20-day extension of time in which to provide the information requested by the interrogatories enclosed in the above-referenced notice of investigation and findings by the Federal Election Commission ("FEC") and to provide additional materials relevant to the investigation. The specific reasons for this request are as follows:

1. The letters from the FEC arrived on December 26 and December 31, 1990, during the holidays. (We are treating December 31, 1990 as the date on which the complete notice of the investigation regarding all of the above parties was received). Because of holiday schedules and vacations, work to assemble

91 JAN 14 AM 10:18

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FEDERAL ELECTION COMMISSION
MAIL ROOM

91 JAN 14 PM 3:58

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FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

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Ms. Mary Taksar
January 9, 1991

Page 2

materials in response to the FEC request could not begin in earnest until January 7.

2. The nature of the information requested, in particular, copies of the personal checks delivered to INCA-PAC will take considerable time to assemble (INCA-PAC estimates there are over 3,000 such checks from various individual contributors).

3. In order to assure an accurate and complete response to the interrogatories both INCA-PAC and INCA would like additional time to review carefully the assembled information before submitting it to the FEC.

As I mentioned, the above parties plan to request at the appropriate time pre-probable cause conciliation on this matter after they have had an opportunity to demonstrate to the Commission that based on INCA-PAC's records no corporate contributions were received by INCA-PAC. We recognize that such a request is premature at this time but wish to assure the Commission of these parties' intentions to cooperate with the FEC in resolving this matter. We would appreciate your advising us of the proper time to make such a conciliation request.

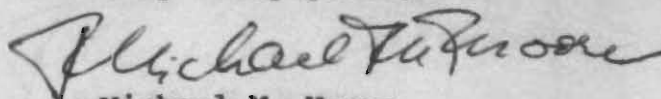
94030964610

Ms. Mary Taksar
January 9, 1991

Page 3

Please contact the undersigned if you have questions
regarding the above matters.

Very truly yours,


Michael M. Moore

MMM:mt

cc: John Regan
Molly Thurmond
Richard Kypta
Debra DePue

94030964611



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

January 10, 1991

Michael M. Moore, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, CA 94105

RE: MUR 3183
Insurance Coalition of America
(INCA) and Insurance Coalition
of America (INCA-PAC) and
John D. Regan, as treasurer

Dear Mr. Moore:

This is in response to your letter dated January 9, 1991, which we received on January 9, 1991, requesting an extension of 20 days to respond to the Commission's Reason to Believe findings and interrogatories. After considering the circumstances presented in your letter, I have granted the requested extension. Accordingly, your response is due by the close of business on February 4, 1991.

The Commission does not normally enter into preprobable cause conciliation until an investigation is complete. Therefore, it would be appropriate to request preprobable cause conciliation at the time you file a complete response to the Commission's findings and interrogatories/request for documents.

If you have any questions, please contact Mary Taksar, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

BY: George F. Rishel
Assistant General Counsel

94030964612

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RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

BROBECK, PHLEGER & HARRISON

ATTORNEYS AT LAW

SPEAR STREET TOWER

ONE MARKET PLAZA

SAN FRANCISCO, CALIFORNIA 94105

FACSIMILE: (415) 442-1010

TELEX: INT'L 6771160 BPH UW DOMESTIC 34221 BPH SFO

TELEPHONE: (415) 442-0900

91 FEB -4 PM 1:20

TWO EMBARCADERO PLACE

2200 GENG ROAD

PALO ALTO, CALIFORNIA 94303

(415) 484-0180

NEWPORT BEACH OFFICE

4875 MACARTHUR COURT

SUITE 1000

NEWPORT BEACH, CALIFORNIA 92660

(714) 752-7535

LOS ANGELES OFFICE
444 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90017
(213) 489-4060

SAN DIEGO OFFICE
550 WEST C STREET
SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1966

February 1, 1991

VIA FEDERAL EXPRESS

Ms. Mary Taksar
999 E Street, N.W.
Federal Election Commission
Washington, D.C. 20463

Re: MUR 3183 - Insurance Coalition of America ("INCA")
and John D. Regan, Treasurer of Insurance
Coalition of America Political Action Committee
("INCA-PAC")

91 FEB -5 AM 10:21

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

Dear Ms. Taksar:

On behalf of the above-captioned parties please find enclosed the information requested in the Federal Election Commission's (the "Commission's") Reason to Believe findings and interrogatories. The responses were prepared by Ms. Debra DePue, the Administrative Assistant of INCA and Mr. Richard Kypta, a former director of INCA, with the assistance of outside counsel.

INCA-PAC recognizes that in the past it has not been in compliance with the reporting and fund transfer requirements applicable to PACs. To this end, INCA and INCA-PAC have instituted a compliance program, and have put into place the resources and personnel necessary to correct these problems and keep INCA-PAC in compliance with the federal election laws in the future. As you are aware, INCA-PAC is now up-to-date on the filing of its FEC Form 3X Reports. INCA plans to transfer the remaining funds owed to INCA-PAC based on past contributions by March 31, 1991.

Based on a review of its records, INCA believes it has complied with the solicitation requirements under the federal election laws. As noted herein, INCA is a trade association composed primarily of individuals who have purchased life insurance policies from insurance agents who are INCA supporters or members. As is explained more fully in the responses, while

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Ms. Mary Taksar
February 1, 1991

Page 2

some contribution checks appear to be written on corporate accounts, it is INCA's belief that such checks were from insurance agencies on behalf of individual policyholders. INCA instituted procedures in 1987 which assure that checks written on corporate accounts are in no circumstances accepted as contributions to INCA-PAC.

INCA and INCA-PAC would like to reiterate that they fully intend to comply with the federal election laws in the future. To this end, they wish to resolve MUR 3183 in a cooperative manner, and hereby request preprobable cause conciliation for MUR 3183.

Please note, for future reference, the correct address for INCA and INCA-PAC, as set forth in the Amended Statement of Organization for INCA-PAC filed with the Commission on June 1, 1990:

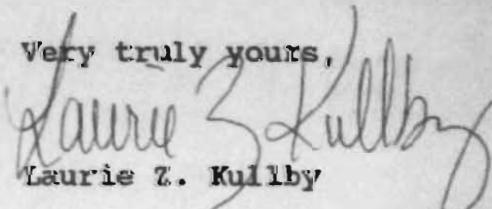
P.O. Box 751145
Petaluma, California 94975-1145

For your convenience a copy of the Amended Statement of Organization is attached hereto.

Please acknowledge receipt of this response by file-stamping the enclosed copy of this letter and returning it to us in the envelope provided.

Should you have any further questions or comments, please feel free to contact the undersigned or Michael M. Moore at (415) 442-0900.

Very truly yours,


Laurie Z. Kullby

LZK:mm

Enclosures

cc: John D. Regan
Richard J. Kypka
Debra DePue
Michael M. Moore

CERTIFICATION

I, John D. Regan, President of the Insurance Coalition of America, a Texas nonprofit corporation ("INCA") and Treasurer of the Insurance Coalition of America Political Action Committee, a separate segregated fund ("INCA-PAC"), hereby certify that I have examined the attached responses to the Federal Election Commissions's Reason to Believe findings and interrogatories in MUR 3183 for the Insurance Coalition of America ("INCA") and John D. Regan, Treasurer of INCA-PAC, and to the best of my knowledge and belief such responses are true, correct and complete.

February 1, 1991



John D. Regan

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1. a. The Insurance Coalition of America ("INCA") is the connected organization of the Insurance Coalition of America Political Action Committee ("INCA-PAC").

INCA is a lobbying and trade association whose members have an interest in the life insurance industry as policyholders and insurance agents. The overwhelming majority of INCA's members are policyholders. Apart from their interest in maintaining certain tax benefits related to their life insurance policies, INCA members also have a common interest in participating in the benefits of certain group life insurance policies available through INCA to its members.

1. b. INCA is a Texas nonprofit corporation whose purpose is to function as a trade association. INCA was incorporated in the State of Texas on October 3, 1983. A copy of INCA's articles of incorporation, with amendments thereto, and bylaws are attached hereto as Exhibit 1.b.

INCA is currently classified as a profit corporation for federal tax purposes. INCA has filed a Form 1024, Application for Recognition of Exemption under 501(a), and determination of nonprofit status is pending.

1. c. INCA does not have categories of members. As of January 14, 1991, INCA had 7871 members. The following members of INCA are businesses which appear to be corporations:

B & B Webb, Inc.
RR Box 17A
Kansas, IL 61933
217-948-5370
ID #4895

Busy Beavers, Inc.
Rt. 3 Box 3
Ellijay, GA 30540
ID #0656

CNC Services
Rt. 1 Box 240B
Genoa, IL 60135
ID #2720

Erwin Industries
PO Box 1465
Tampa, FL 33601
ID #2534

Joseph Life Insurance
Agency, Inc.
73 Harrison Ave.
Garfield, NJ 07026
ID #2802

King Liquor & Deli
1526 Placentia Ave.
Newport Beach, CA 92663
ID #4048

Pole Road Water
Association
840 E. Pole Rd.
Lynden, WA 98264
206-354-2636
ID #5290

Real Estate Capitol
12400 Wilshire Blvd.,
Ste. 360
Los Angeles, CA 90025
ID #4046

Rourcer Truck Co.
8051 E. Maplewood Ave.
Englewood, CO 80111
303-694-2917
ID #4392

SIA Landscaping Inc.
2405 S. Birch St.
Santa Ana, CA 92707
ID #0926

Southern Nevada Nine Ball
Assoc.
31 Nevada
Las Vegas, NV 89101
ID #0978

Sun Valley Roofing
120 Jackson Wy.
Pleasant Hill, CA 94523
ID #9557

Thornhill & Associates
900 Lafayette St.,
Ste. 703
Santa Clara, CA 95050
ID #3089

Western States Stone
PO Box 668
Santa Clara, CA 95052
ID #2961

Thomas & Larry Wood Farms
Box 143
Joplin, MT 59531
ID #3593

INCA does not have any further information on the above
businesses, including the telephone numbers, and each
business' chief executive officer or agent for service
of process, if any.

2. a. The INCA account into which INCA-PAC's funds have been deposited is:

Washington Federal Bank
Herndon, Virginia 22070-4820
(800) 537-8744
Account number 12-10209485

The dates and amount of each deposit made into INCA's account since INCA-PAC was established are as follows:

<u>Date</u>	<u>Amount</u>
6/12/85	\$ 1430.00
6/13/85	600.00
7/26/85	75.00
8/20/85	75.00
8/26/85	75.00
9/3/85	75.00
9/12/85	40.00
10/30/85	50.00
11/1/85	100.00
11/29/85	60.00
12/9/85	25.00
12/18/85	125.00
12/30/85	<u>175.00</u>
Total	\$ 2,905.00
1/10/86	\$ 100.00
3/19/86	640.00
4/3/86	150.00
7/21/86	650.00
7/22/86	1160.00
10/7/86	1360.00
10/14/86	1275.00
11/12/86	1450.00
11/13/86	<u>420.00</u>
Total	\$ 7,205.00

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3/3/87 & 3/4/87	\$ 4035.00
3/10/87	2755.00
5/21/87	50.00
5/21/87	5980.00
6/16/87 & 6/17/87	3085.00
7/16/87	3035.00
8/14/87	1075.00
8/18/87	1375.00
9/2/87 & 9/3/87	1025.00
10/28/87	3750.00
12/22/87	<u>3350.00</u>

Total \$29,515.00

1/5/88	\$ 75.00
1/8/88	1775.00
2/1/88 & 2/3/88	1625.00
2/17/88	1990.00
2/18/88	450.00
2/29/88	550.00
3/31/88	1825.00
4/7/88	1550.00
5/3/88	50.00
5/4/88	125.00
5/5/88	1975.00
6/2/88	1560.00
6/29/88	275.00
7/6/88	2000.00
8/2/88	1400.00
8/3/88	725.00
8/23/88	900.00
10/11/88	1125.00
11/8/88	1950.00
11/8/88	525.00
11/16/88	3050.00
11/16/88	50.00
12/5/88 & 12/22/88	1225.00
12/22/88	<u>1260.00</u>

Total \$28,035.00

2/1/89 & 2/2/89	\$ 2000.00
2/10/89	795.00
3/11/89, 4/14/89, 4/17/89	4140.00
3/16/89	40.00
4/20/89	20.00
5/4/89	935.00
5/24/89	385.00
6/12/89	885.00
7/5/89	20.00
7/26/89	1010.00
8/16/89	1140.00
8/17/89, 8/24/89	1060.00
9/28/89	40.00
10/20/89	20.00
10/25/89	<u>825.00</u>

Total \$13,315.00

2/15/90	\$ 20.00
2/21/90	20.00
2/23/90	1265.00
2/23/90	125.00
2/23/90	1135.00
2/23/90	1065.00
2/25/90	730.00
2/26/90	1080.00
3/8/90	1070.00
3/8/90	980.00
3/13/90	495.00
3/13/90	365.00
3/13/90	645.00
3/13/90	396.00
3/20/90	625.00
3/23/90	620.00
3/26/90	460.00
4/3/90	425.00
4/11/90	470.00
4/12/90	325.00
4/18/90	250.00
5/1/90	435.00
5/1/90	505.00
5/8/90	390.00
5/14/90	310.00
5/21/90	305.00
5/29/90	420.00
6/5/90	160.00
6/11/90	305.00

6/15/90	590.00
6/18/90	795.00
7/2/90	340.00
7/5/90	160.00
7/13/90	<u>140.00</u>

Total	\$17,621.00
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7/17/90	\$ 60.00
7/24/90	40.00
7/30/90	40.00
8/6/90	25.00
8/13/90	20.00
8/20/90	20.00
8/27/90	40.00
9/4/90	<u>40.00</u>

Total	\$ 285.00
-------	-----------

10/1/90	\$ 40.00
10/9/90	60.00
10/15/90	20.00
10/22/90	25.00
10/29/90	20.00
11/5/90	20.00
11/13/90	65.00
11/27/90	40.00
12/3/90	40.00
12/10/90	30.00
12/17/90	45.00
12/21/90	<u>40.00</u>

Total	445.00
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SUMMARY

INCA-PAC Cash Receipts
into INCA Account

1985	\$ 2,905.00
1986	7,205.00
1987	29,515.00
1988	28,035.00
1989	13,315.00
1990	<u>18,351.00</u>

99,326.00

(1,803.99)

\$ 97,522.01

Checks returned by the bank 1985-1990

2. b.

Copies of the checks and deposit slips which indicate when and what amounts were transferred into INCA-PAC's account are attached hereto as Exhibit 2.b. Briefly, the following amounts were transferred from INCA's account into INCA-PAC's account:

<u>CHECK NO</u>	<u>DATE</u>	<u>AMOUNT</u>
115	3/29/88	\$ 500.00
128	10/28/88	25,000.00
52726*	3/2/89	29,575.78
149	6/4/90	24,430.23
1001	7/30/90	500.00
1002	8/8/90	280.00
1009	9/24/90	40.00
1013	10/1/90	105.00
1014	10/15/90	120.00
1022	11/13/90	130.00
1030	12/26/90	195.00
1032	1/15/91	<u>3,000.00</u>
		83,876.01

- * This transfer was from The Regan Group Insurance Marketing ("TRG"), a marketing company which offered INCA various insurance policies. TRG was merged with and into CSL Holding Corp. as of December 31, 1989. John D. Regan was the Chairman of the Board of TRG. TRG transferred this money

as a capital contribution on behalf of INCA to cover certain administrative expenses (primarily accounting fees) which had been previously paid by INCA from funds that should have been transferred to INCA-PAC.

INCA-PAC CASH RECEIPTS 1984-1990	\$ 99,326.00
RETURNED CHECKS 1984-1990	<u>(1,803.99)</u>
	97,522.10
TRANSFERS FROM INCA to INCA-PAC	<u>(83,876.01)</u>
TOTAL DUE INCA-PAC	13,646.00

INCA plans to transfer the remaining funds owed to INCA-PAC by March 31, 1991.

2. c. Copies of the contribution checks are attached hereto as Exhibit 2.c. This Exhibit consists of eighteen folders labelled as follows:

#1	1984-1985 Listing	\$ 2,905
#2	1986	7,205
#3	1st Quarter 1987	6,690
#4	2nd Quarter 1987	9,115
#5	3rd Quarter 1987	6,560
#6	4th Quarter 1987	7,100
#7	1st Quarter 1988	8,745
#8	2nd Quarter 1988	4,685
#9	3rd Quarter 1988	4,200
#10	4th Quarter 1988	6,200
#11	4th Quarter 1988	2,380
#12	1st Quarter 1989	3,620
#13	2nd Quarter 1989	5,480
#14	3rd Quarter 1989	4,075
	4th Quarter 1989	
#15	1st Quarter 1990	4,900
#16	1st Quarter 1990	6,196
#17	2nd Quarter 1990	5,885
#18	3rd Quarter 1990	1,370
	4th Quarter 1990	
		<u>97,311</u>
	Direct Deposits (Checks Unavailable)	<u>2,015</u>
		99,326

Copies of the INCA-PAC contribution checks are grouped by year and quarter. From 1984 through September 1988 the entire check amount was attributed to INCA-PAC. From October 1988 through June 1990 five dollars of the check was attributable to INCA membership, with the remainder of each check representing a contribution to INCA-PAC.

There are no copies of INCA-PAC contribution checks for the period 1984 through 1985. A computer listing is supplied instead.

BDO Seidman, an accounting firm, handled the depositing of contribution checks for INCA and INCA-PAC from 1985 through September 1990. In the summary that follows, asterisks are placed next to entries for which there are no contribution check copies readily available to INCA. INCA is not able to identify which of its members are represented by such checks. While such checks are located in BDO Seidman's offices, the search for such few checks would require the review of lengthy records and entail an excessive amount of time.

Based on INCA's review of its records, it has not solicited contributions to INCA-PAC from its corporate members. While some contribution checks appear to be written on corporate accounts, it is INCA's belief that such checks were from insurance agencies on behalf of individual policyholders. The substantial majority of such checks either (i) have notations indicating the individual policyholder for whom the contribution is to be credited, or (ii) have attached to them copies of the corresponding membership application written out for an individual policyholder, which shows that such contribution was actually made on behalf of such individual.

Summary of Contribution Checks

1984-1985	\$ 2,905
1986	7,205
1st Quarter 1987	6,690
2nd Quarter 1987	9,115
	50*
3rd Quarter 1987	6,560
4th Quarter 1987	7,100
	=====
Total 1987	29,515
1st Quarter 1988	8,745
	75*
2nd Quarter 1988	4,685
	450*
3rd Quarter 1988	4,200
	725*
4th Quarter 1988	8,580
	575*
	=====
Total 1988	28,035
1st Quarter 1989	3,620
	40*
2nd Quarter 1989	5,480
	20*
3rd Quarter 1989	3,230
	60*
4th Quarter 1989	845
	20*
	=====
Total 1989	13,315
1st Quarter 1990	11,051
	45*
2nd Quarter 1990	5,825
	60*
3rd Quarter 1990	925
4th Quarter 1990	445
	=====
Total 1990	18,351
Total 1984-1990	<u>99,326</u>

CASH RECEIPTS TOTALS

1984-1985	\$ 2,905
1986	7,205
1987	29,515
1988	28,035
1989	13,315
1990	18,351
	=====
	99,326

3. a. INCA has solicited, and continues to solicit, all contributions to INCA-PAC. INCA solicits such contributions through its membership application.
3. b. Since 1984, solicitations on behalf of INCA-PAC have been made to those members of INCA who are individuals. INCA does not make solicitations on behalf of INCA-PAC to corporations.
3. c. Written solicitations on behalf of INCA-PAC since 1984 have been in the form of INCA membership applications. INCA and INCA-PAC have no other solicitation method other than such membership applications. Attached hereto as Exhibit 3.c. are copies of all such membership applications since 1984. Such applications are identified as follows:
- #1 INCA Application. Dated 1986. Date of Origin unknown. One page.
 - #2 INCA Application. Origin 1986. One page, front and back.
 - #3 INCA Application. Origin 1986. One page, front and back.
 - #4 INCA Application. Origin 1987. One page, front and back.
 - #5 INCA Application. Dated 10/12/88. Origin 10/12/88. One page, front and back. \$5 INCA fee separated from INCA-PAC Contribution.

- #6 INCA Application. Dated 1/1/90. Origin 1/1/90.
One page, front and back.
- #7 INCA Application. Dated 1/1/90. Origin 7/1/90.
One page, front and back. INCA membership fee
increased to \$25.
- #8 INCA Application. Dated 8/20/90. Origin 8/20/90.
Errors on 7/1/90 Application were corrected.

3. d. INCA-PAC has not paid any solicitation expenses from
its account. Administrative expenses paid from its
account are itemized as follows:

<u>Date</u>	<u>Amount</u>	<u>Explanation</u>
4/22/88	\$ 13.86	Check printing charge
5/25/88	17.25	Account Analysis Deficit Charge
6/24/88	14.78	Account Analysis Deficit Charge
7/25/88	14.85	Account Analysis Deficit Charge
8/31/88	14.78	Account Analysis Deficit Charge
9/29/88	14.72	Account Analysis Deficit Charge
10/28/88	14.81	Account Analysis Deficit Charge
11/29/88	14.80	Account Analysis Deficit Charge
10/3/90	<u>12.92</u>	Check printing charge
	132.77	

4. a. No executive or administrative personnel of corporate
members were solicited.
4. b. Not applicable.
4. c. Not applicable.

1. a. The connected organization of the Insurance Coalition of America Political Action Committee ("INCA-PAC") is:

Insurance Coalition of America ("INCA")
P.O. Box 751145
Petaluma, California 94975-1145
(707) 769-2282

President:

John D. Regan
199 Petaluma Blvd. No.
Petaluma, California 94952
(707) 778-8638

Designated Agent:

Lynda L. Regan
199 Petaluma Blvd. No.
Petaluma, California 94952
(707) 778-8638

1. b. Neither INCA-PAC nor INCA are related in any organizational manner to any national organization or political committee.

2. a. INCA-PAC was established as a separate segregated fund on April 13, 1988.

2. b. John D. Regan is the treasurer of INCA-PAC. INCA-PAC has no other officers or directors.

2. c. INCA-PAC does not have any bylaws.

3. a. INCA has solicited, and continues to solicit all contributions to INCA-PAC. INCA solicits contributions through its membership application.

3. b. Since 1984, solicitations on behalf of INCA-PAC have been made to those members of INCA who are individuals. INCA does not make solicitations to corporations

3. c. Written solicitations on behalf of INCA-PAC since 1984 have been in the form of INCA membership applications. INCA and INCA-PAC have no other solicitation method other than such membership applications. Please see Insurance Coalition of America ("INCA") Exhibit 3.c. for copies of all such membership applications since 1984. Such applications are identified as follows:

- #1 INCA Application. Dated 1986. Date of Origin unknown. One page.
- #2 INCA Application. Origin 1986. One page, front and back.
- #3 INCA Application. Origin 1986. One page, front and back.
- #4 INCA Application. Origin 1987. One page, front and back.
- #5 INCA Application. Dated 10/12/88. Origin 10/12/88. One page, front and back. \$5 INCA fee separated from INCA-PAC Contribution.
- #6 INCA Application. Dated 1/1/90. Origin 1/1/90. One page, front and back.
- #7 INCA Application. Dated 1/1/90. Origin 7/1/90. One page, front and back. INCA membership fee increased to \$25.
- #8 INCA Application. Dated 8/20/90. Origin 8/20/90. Errors on 7/1/90 Application were corrected.

4. a. INCA-PAC has one bank account with:

Union Bank
50 California Street
San Francisco, California 94111-4696
(800) 631-6318
Account number 70074-3660

This account was established in April 1988. John D. Regan is the sole signatory. The purpose of this account is to serve as a depository for contributions to INCA-PAC.

4. b. INCA-PAC started using the above account on April 4, 1988.

4. c. Please see Insurance Coalition of America (INCA) Exhibit 2.b. for copies of checks or receipts for transfers from INCA into INCA-PAC's bank account.

4. d. Please see Insurance Coalition of America (INCA) Exhibit 2.c. for copies of all contribution checks since 1984. This exhibit consists of eighteen folders labeled as follows:

#1	1984-1985 Listing	\$ 2,905
#2	1986	7,205
#3	1st Quarter 1987	6,690
#4	2nd Quarter 1987	9,115
#5	3rd Quarter 1987	6,560
#6	4th Quarter 1987	7,100
#7	1st Quarter 1988	8,745
#8	2nd Quarter 1988	4,685
#9	3rd Quarter 1988	4,200
#10	4th Quarter 1988	6,200
#11	4th Quarter 1988	2,380
#12	1st Quarter 1989	3,620
#13	2nd Quarter 1989	5,480
#14	3rd Quarter 1989	4,075
	4th Quarter 1989	
#15	1st Quarter 1990	4,900
#16	1st Quarter 1990	6,196
#17	2nd Quarter 1990	5,885
#18	3rd Quarter 1990	1,370
	4th Quarter 1990	
		<hr/> 97,311
	Direct Deposits (Checks Unavailable)	<u>2,015</u>
		99,326

4. e. The INCA-PAC funds which have not yet been transferred from INCA to INCA-PAC's account total \$13,646.00. Please see the responses to Insurance Coalition of America's Items 2.a. and 2.b. for further explanation of this total.

INCA plans to transfer the remaining funds owed to INCA-PAC by March 31, 1991.

5. The current treasurer of INCA-PAC is John D. Regan. Mr. Regan became treasurer of INCA-PAC in 1988.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

February 26, 1991

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Laurie Z. Kullby, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, CA 94105

RE: MUR 3183
Insurance Coalition of
America, Inc. (INCA) and
Insurance Coalition of
America ("INCA-PAC") and
John D. Regan, as
treasurer

Dear Ms. Kullby:

On December 31, 1990, your clients, Insurance Coalition of America, Inc. (INCA) and Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, were notified that the Federal Election Commission had found reason to believe the Insurance Coalition of America (INCA-PAC) and John D. Regan, as treasurer, violated 2 U.S.C. §§ 434(a)(4)(A), 433(a), 432(h), 432(b)(2), and 441b(a) and the Insurance Coalition of America ("INCA") violated 2 U.S.C. §§ 432(b)(2) and 441b(a), provisions of the Federal Election Campaign Act of 1971, as amended.

Pursuant to its investigation of this matter, the Commission sent interrogatories to Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, and Insurance Coalition of America ("INCA") to assist the Commission in carrying out its statutory duty of enforcing the Act. After reviewing the responses which you submitted on behalf of your clients on February 1, 1991, additional questions are being issued. Please submit all answers to questions within 15 days of your receipt of this letter.

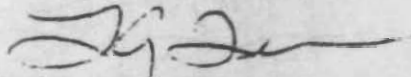
94030964632

Laurie Z. Rullby, Esq.
MUR 3183
Page 2

If you have any questions, please contact Mary Taksar, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel



BY: Lois G. Lerner
Associate General Counsel

Enclosure
Questions

94030964633

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

)
)
)

MUR 3183

INTERROGATORIES AND REQUEST
FOR PRODUCTION OF DOCUMENTS

TO: Insurance Coalition of America (INCA)
c/o Laurie Z. Kullby, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, CA 94105

94030964634

In furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby requests that you submit answers in writing and under oath to the questions set forth below within 15 days of your receipt of this request. In addition, the Commission hereby requests that you produce the documents specified below, in their entirety, for inspection and copying at the Office of the General Counsel, Federal Election Commission, Room 659, 999 E Street, N.W., Washington, D.C. 20463, on or before the same deadline, and continue to produce those documents each day thereafter as may be necessary for counsel for the Commission to complete their examination and reproduction of those documents. Clear and legible copies or duplicates of the documents which, where applicable, show both sides of the documents may be submitted in lieu of the production of the originals.

1. In its February 1, 1991 response, INCA included the return forms for membership applications. These forms indicate that the people being solicited were not already members of INCA but that they were joining INCA by making a contribution to INCA-PAC.

a. State what source was used to obtain names for making solicitations to these people.

b. Provide a copy of solicitation materials.

2. In its February 1, 1991 response, INCA states that INCA-PAC has not paid any solicitation costs from its account.

State who has paid for solicitation costs, the source of funds used to make such payments, and the amount of such payments since 1984.

3. In its February 1, 1991 response, INCA indicated that the Regan Group Insurance Marketing ("Regan Group") paid \$29,575.78 into INCA-PAC's account for certain administrative expenses which had previously been paid by INCA from funds that should have been transferred to INCA-PAC.

a. State whether these administrative expenses were INCA's or INCA-PAC's.

b. Clarify why the Regan Group made this payment and state in detail why the transaction was handled in this manner.

4. In its February 1, 1991 response, INCA indicated that for receipts from 1984 through September 1988, the entire check amount was attributed to INCA-PAC. Because the entire check amount was indicated to be a contribution to INCA-PAC, it appears that some of these funds were used to cover INCA's expenses.

a. For 1984-1988, state whether the entire receipt received for membership to INCA which was attributed to INCA-PAC was also used in part to fund INCA.

b. State how it was allocated.

c. State whether INCA's administrative and lobbying expenses were paid from INCA-PAC contributions.

d. If so, state whether this accounts for the delay in transferring funds to INCA-PAC.

94030964635

Insurance Coalition of America (INCA)

MUR 3183

Page 3

5. In its February 1, 1991 response, INCA states that from October 1988 through June 1990 five dollars (\$5.00) of the check was attributed to INCA membership and the remainder of the check represented a contribution to INCA-PAC.

State how these receipts from June 1990 to present have been allocated.

6. In its February 1, 1991 response, INCA included samples of membership applications dated from 1986 through 1990.

For solicitations from 1984-1986, state what forms were used for the solicitation and/or what method was used to solicit contributions.

7. a. State whether INCA members have voting rights for electing officers and/or directors.

b. State whether INCA members have any other voting rights and if so, identify each.

94030964636



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 26, 1991

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Laurie Z. Kullby, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, CA 94105

RE: MUR 3183
Insurance Coalition of
America, Inc. (INCA) and
Insurance Coalition of
America ("INCA-PAC") and
John D. Regan, as
treasurer

Dear Ms. Kullby:

On December 31, 1990, your clients, Insurance Coalition of America, Inc. (INCA) and Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, were notified that the Federal Election Commission had found reason to believe the Insurance Coalition of America (INCA-PAC) and John D. Regan, as treasurer, violated 2 U.S.C. §§ 434(a)(4)(A), 433(a), 432(h), 432(b)(2), and 441b(a) and the Insurance Coalition of America ("INCA") violated 2 U.S.C. §§ 432(b)(2) and 441b(a), provisions of the Federal Election Campaign Act of 1971, as amended.

Pursuant to its investigation of this matter, the Commission sent interrogatories to Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, and Insurance Coalition of America ("INCA") to assist the Commission in carrying out its statutory duty of enforcing the Act. After reviewing the responses which you submitted on behalf of your clients on February 1, 1991, additional questions are being issued. Please submit all answers to questions within 15 days of your receipt of this letter.

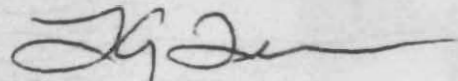
94030964637

Laurie Z. Kullby, Esq.
MUR 3183
Page 2

If you have any questions, please contact Mary Taksar, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel



BY: Lois G. Lerner
Associate General Counsel

Enclosure
Questions

94030964638

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

)
)
) MUR 3183

INTERROGATORIES AND REQUEST
FOR PRODUCTION OF DOCUMENTS

TO: Insurance Coalition of America (INCA)
c/o Laurie Z. Kullby, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, CA 94105

94030964639

In furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby requests that you submit answers in writing and under oath to the questions set forth below within 15 days of your receipt of this request. In addition, the Commission hereby requests that you produce the documents specified below, in their entirety, for inspection and copying at the Office of the General Counsel, Federal Election Commission, Room 659, 999 E Street, N.W., Washington, D.C. 20463, on or before the same deadline, and continue to produce those documents each day thereafter as may be necessary for counsel for the Commission to complete their examination and reproduction of those documents. Clear and legible copies or duplicates of the documents which, where applicable, show both sides of the documents may be submitted in lieu of the production of the originals.

Insurance Coalition of America (INCA)

MUR 3183

Page 2

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a. State what source was used to obtain names for making solicitations to these people.

b. Provide a copy of solicitation materials.

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State who has paid for solicitation costs, the source of funds used to make such payments, and the amount of such payments since 1984.

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a. For 1984-1988, state whether the entire receipt received for membership to INCA which was attributed to INCA-PAC was also used in part to fund INCA.

b. State how it was allocated.

c. State whether INCA's administrative and lobbying expenses were paid from INCA-PAC contributions.

d. If so, state whether this accounts for the delay in transferring funds to INCA-PAC.

94030964640

Insurance Coalition of America (INCA)
MUR 3183
Page 3

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State how these receipts from June 1990 to present have been allocated.

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For solicitations from 1984-1986, state what forms were used for the solicitation and/or what method was used to solicit contributions.

7. a. State whether INCA members have voting rights for electing officers and/or directors.

b. State whether INCA members have any other voting rights and if so, identify each.

94030964641

06C 0287

BROBECK, PHLEGER & HARRISON

LOS ANGELES OFFICE
444 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90017
(213) 489-4060

SAN DIEGO OFFICE
850 WEST C STREET
SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1966

ATTORNEYS AT LAW
SPEAR STREET TOWER
ONE MARKET PLAZA
SAN FRANCISCO, CALIFORNIA 94105
FACSIMILE: (415) 442-1010
TELEX: INT'L 6771160 BPH UW DOMESTIC 34228 BPH SFO
TELEPHONE: (415) 442-0900

PALO ALTO OFFICE
TWO EMBARCADERO PLACE
2200 GENE ROAD
PALO ALTO, CALIFORNIA 94303
(415) 424-0160

NEWPORT BEACH OFFICE
4675 MACARTHUR COURT
SUITE 1000
NEWPORT BEACH, CALIFORNIA 92660
(714) 752-7535

March 5, 1991

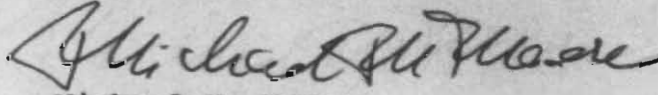
Ms. Mary Taksar
Federal Election Commission
Washington, D.C. 20463

Re: MUR 3183-Insurance Coalition of America
(INCA-PAC) and John D. Regan, as Treasurer;
Insurance Coalition of America

Dear Ms. Taksar:

As we discussed last week, this will confirm on behalf of the Insurance Coalition of America ("INCA") and INCA-PAC that INCA has now reimbursed INCA-PAC the total amount due INCA-PAC as set forth in Item 2.b of the responses to interrogatories dated February 1, 1991 submitted on behalf of INCA and INCA-PAC. Reimbursement was made by check in the amount of \$13,646. A copy of INCA's check is enclosed. Funds for the payment by INCA were made by means of a contribution from Regan Holding Corp., a corporation affiliated with John Regan, in the amount of \$13,646.

Very truly yours,


Michael M. Moore

MMM:mt

Enclosure

cc: Mr. John D. Regan
Laurie Z. Kullby, Esq.

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
91 MAR -8 PM 12:15

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM
91 MAR -8 PM 10:01

940309642

NOTICE: A FEE FOR UNDEPOSITED FUNDS MAY BE PLACED ON FUNDS DEPOSITED BY CHECK OR UNDEPOSITED FUNDS. THIS COULD AFFECT YOUR ABILITY TO WITHDRAW SUCH FUNDS. THE DELAY, IF ANY, WOULD NOT EXCEED THE PERIOD OF TIME PERMITTED BY LAW.

DATE _____

DATE 2/22/91

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100	00	00	00

CURRENCY

COIN

CHECKS

11-49 13,646.00

50 California St., San Francisco, Ca. 94111

INSURANCE COALITION OF AMERICA
POLITICAL ACTION COMMITTEE

**TOTAL
DEPOSIT**

13,646	100
--------	-----

TOTAL

PLEASE ENTER TOTAL HERE

1.3646 00

11:12:000975: 700743550 42

INSURANCE COALITION OF AMERICA

P.O. BOX 751145
PETALUMA, CA 94975-1145

1035

11-49/1210

February 22 1991

**PAY
TO THE
ORDER OF**

Insurance Coalition of America Political Action Committee \$ 13,646.00*

Thirteen thousand six hundred forty-six and 96/100 ***** DOLLARS



Northern California Regional Office
50 California Street
San Francisco, CA 94111-4696

Union Bank

Funds Transfer

11:00:03.511 1:12:0004971:70001.57940

9 4 0 3 0 9 6 4 6 4 3

06C0429

BROBECK, PHLEGER & HARRISON

ATTORNEYS AT LAW

SPEAR STREET TOWER

ONE MARKET PLAZA

SAN FRANCISCO, CALIFORNIA 94105

FACSIMILE: (415) 442-1010

TELEX: INT'L 6771160 BPH UW DOMESTIC 34226 BPH SFO

TELEPHONE: (415) 442-0900

LOS ANGELES OFFICE
444 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90017
(213) 489-4060

SAN DIEGO OFFICE
850 WEST C STREET
SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1966

PALO ALTO OFFICE
TWO ENBARCADERO PLACE
3200 GENG ROAD
PALO ALTO, CALIFORNIA 94303
(415) 424-0180

NEWPORT BEACH OFFICE
4675 MACARTHUR COURT
SUITE 1000
NEWPORT BEACH, CALIFORNIA 92660
(714) 732-7335

March 18, 1991

VIA FEDERAL EXPRESS

Ms. Mary Taksar
999 E Street, N.W.
Federal Election Commission
Washington, D.C. 20463

Re: MUR 3183 - Insurance Coalition of America ("INCA")
and John D. Regan, Treasurer of Insurance
Coalition of America Political Action Committee
("INCA-PAC")

91 MAR 19 PM 4:43

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

Dear Ms. Taksar:

On behalf of the above-captioned parties please find enclosed responses to the additional questions we received from the Federal Election Commission (the "Commission") in their letter dated February 26, 1991, which we received on March 4, 1991.

As we have stated in our prior correspondence, INCA and INCA-PAC fully intend to comply with the federal election laws in the future, and, to this end, wish to resolve MUR 3183 in a cooperative manner, and hereby repeat our request for preprobable cause conciliation of MUR 3183.

Please acknowledge receipt of this response by file-stamping the enclosed copy of this letter and returning it to us in the envelope provided.

91 MAR 19 AM 10:34

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

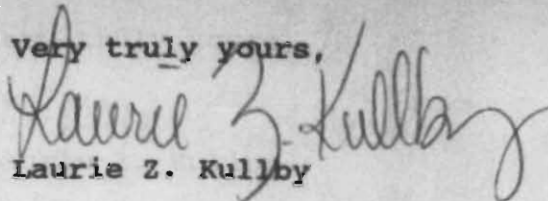
94030964644

Ms. Mary Taksar
March 18, 1991

Page 2

Should you have any further questions or comments,
please feel free to contact the undersigned or Michael M. Moore
at (415) 442-0900.

Very truly yours,


Laurie Z. Kullby

LZK:mm

Enclosures

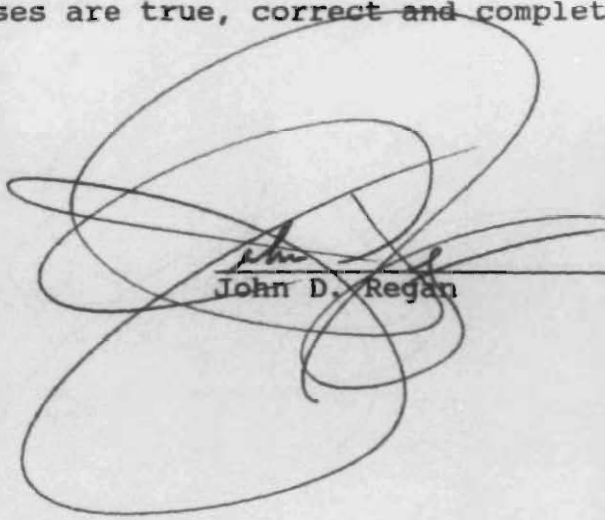
cc: John D. Regan
Richard J. Kypka
Debra DePue
Michael M. Moore

94030964645

CERTIFICATION

I, John D. Regan, President of the Insurance Coalition of America, a Texas nonprofit corporation ("INCA") and Treasurer of the Insurance Coalition of America Political Action Committee, a separate segregated fund ("INCA-PAC"), hereby certify that I have examined the attached responses to the second set of interrogatories from the Federal Election Commission in MUR 3183 for the Insurance Coalition of America ("INCA") and John D. Regan, Treasurer of INCA-PAC, and to the best of my knowledge and belief such responses are true, correct and complete.

March 15, 1991



John D. Regan

1.a. The persons solicited by INCA were not members of INCA, but, rather, were joining INCA and making a voluntary contribution to INCA-PAC. Contributions to INCA-PAC are voluntary, and INCA has revised its applications through the years to clarify the fact that INCA membership does not require a contribution to INCA-PAC. Insurance industry professionals and other individuals interested in INCA distribute the INCA membership applications to their policyholders.

1.b. The INCA membership applications are the only solicitation materials which have been used for INCA-PAC. Copies of all such membership applications are attached as Exhibit 3.c. to INCA's February 1, 1991 response. Please note that membership in INCA does not require a contribution to INCA-PAC. All contributions to INCA-PAC are clearly shown as voluntary on the application forms.

2. INCA has paid for all solicitation costs. Such costs have been paid for from dues paid to INCA and from a capital contribution made by The Regan Group Insurance Marketing ("The Regan Group"). The Regan Group made this capital contribution to INCA to cover certain administrative expenses, including solicitation costs.

Since the only solicitations for INCA-PAC occur at the time INCA is soliciting members for INCA, printing costs of INCA membership applications have been the sole solicitation expenses. Since 1984 payments for the printing of such applications have been as follows:

June 1988	\$ 397.50
Jan. 1990	1,449.25
Feb. 1990	640.69
April 1990	861.69
May 1990	685.31
June 1990	711.88
Sept. 1990	685.31
Feb. 1991	<u>879.80</u>
Total	\$6,311.43

Prior to 1988, INCA's solicitation expenses were directly paid for by The Regan Group.

3.a. The administrative expenses referred to in our February 1, 1991 response were INCA's.

3.b. The Regan Group was a marketing company which offered various insurance policies to members of INCA. The Regan Group was merged with and into GSL Holding Corp. as of December 31, 1989. John D. Regan, treasurer of INCA-PAC and President and a director of INCA, was the Chairman of the Board of The Regan Group.

INCA did not have any income until 1988 when it started collecting membership fees. In this regard, The Regan Group contributed capital to INCA in 1988 to pay for INCA's past administrative expenses. The transfer by The Regan Group of \$29,575.78 on March 2, 1989, meant to be a capital contribution to INCA, was inadvertently made directly to INCA-PAC's account. This transfer should have been made to INCA so that INCA could then reimburse INCA-PAC for the INCA-PAC funds which INCA had used in paying its prior administrative expenses.

4.a. To the extent that the money in INCA's bank account consisted of such receipts which were not yet transferred to INCA-PAC, such receipts were used to fund expenses of INCA. When INCA reviewed its operations in 1988 it took several steps, including the establishment of a separate INCA-PAC account and an audit, to determine how much INCA owed INCA-PAC for payments made from funds contributed to INCA-PAC that were used to cover INCA expenses.

4.b. From 1984 to 1988, the entire receipt was allocated to INCA-PAC.

4.c. To the extent that the money in INCA's bank account consisted of INCA-PAC contributions which were not yet transferred to INCA-PAC, INCA's administrative expenses were paid from INCA-PAC contributions. As noted above

and in previous communications, INCA-PAC has been fully reimbursed by INCA for the full amount of INCA-PAC's funds used to cover INCA expenses.

According to its records, INCA has never paid for any lobbying expenses. Such expenses have been paid for by General Services Life, the successor corporation to The Regan Group.

- 4.d. INCA's delay in transferring contributions to INCA-PAC was caused primarily from a deficiency in administrative procedures within INCA. As has been explained in prior correspondence to the Federal Election Commission, INCA failed in the past to transfer INCA-PAC funds into a separate INCA-PAC bank account due to a lack of communication and some administrative confusion within INCA.
5. In June 1990 INCA's membership fee was increased to \$25, as disclosed in its application form. Accordingly, the first \$25 of each check to INCA is allocated to INCA as a membership fee, and any amount over \$25 is allocated to INCA-PAC as a voluntary contribution.
6. The 1986 application form is the earliest application form that INCA has in its files. It is possible that such application form was also used in 1984 and 1985. Invoices from BDO Seidman, INCA's former accounting firm, indicate that they were processing INCA applications as early as June 1985.
- 7.a. INCA members do not have voting rights for electing officers or directors.
- 7.b. Section 3.02 of INCA's bylaws provides:
- Members shall not be entitled to vote on any matters affecting the Corporation, except those matters on which a vote of the Members

of the Corporation is expressly required by
the Texas Non-Profit Corporation Act.

Accordingly, the voting rights of INCA members are
limited to those required under the Texas Non-Profit
Corporation Act.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Insurance Coalition of America)
("INCA") and Insurance Coalition) MUR 3183
of America ("INCA-PAC") and)
John D. Regan, as treasurer)

SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND AND ANALYSIS

On November 27, 1990, the Federal Election Commission found that there is reason to believe the Insurance Coalition of America (INCA) violated 2 U.S.C. §§ 432(b)(2) and 441b(a), and that the Insurance Coalition of America (INCA-PAC) and John D. Regan, as treasurer, violated 2 U.S.C. §§ 434(a)(4)(A), 433(a), 432(h), 432(b)(2), and 441b(a).

The respondents were notified of the Commission's actions in a letter dated December 5, 1990. At that time, the Commission also sent interrogatories to the respondents. On January 9, 1991, we received a request for an extension of 20 days to respond to the Commission's Reason to Believe findings and interrogatories. The request was granted on January 10, 1991. The responses were received on February 1, 1991.

After reviewing the responses, additional questions were sent to the respondents on February 26, 1991. The respondents submitted answers to the second set of questions with a cover letter dated March 18, 1991. This was received by our office on the following day. At that time, respondents also submitted voluminous materials, including a large box of documents.

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Further, the respondents requested preprobable cause conciliation. After review of all materials submitted by the respondents, additional questions have arisen, which are being pursued to completely investigate this matter.

Accordingly, this Office recommends that the Commission decline at this time to enter into conciliation with the above respondents. The form letter notifying the respondents of this decision will explain that the Commission is declining to enter into conciliation, at this time, so that the investigation can be completed and that their request will be reconsidered at that time.

II. RECOMMENDATIONS

1. Decline, at this time, to enter into conciliation with Insurance Coalition of America ("INCA") and Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, prior to a finding of probable cause to believe.

2. Approve the appropriate letter.

Lawrence M. Noble
General Counsel

10/1/91
Date

BY:

Lois G. Lerner
Lois G. Lerner
Associate General Counsel

Attachments

1. Request for Conciliation

Staff Assigned: Tonda M. Mott

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Insurance Coalition of America)
("INCA") and Insurance Coalition) MUR 3183
of America ("INCA-PAC") and)
John D. Regan, as treasurer.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on October 4, 1991, the Commission decided by a vote of 6-0 to take the following actions in MUR 3183:

1. Decline, at this time, to enter into conciliation with Insurance Coalition of America ("INCA") and Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, prior to a finding of probable cause to believe.
2. Approve the appropriate letter, as recommended in the General Counsel's Report dated October 1, 1991.

Commissioners Aikens, Elliott, Josefiak, McDonald, McGarry, and Thomas voted affirmatively for the decision.

Attest:

10-4-91
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Tues., Oct. 1, 1991 4:03 p.m.
Circulated to the Commission: Wed., Oct. 2, 1991 11:00 a.m.
Deadline for vote: Fri., Oct. 4, 1991 11:00 a.m.

dr

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 9, 1991

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Laurie Z. Kullby, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, CA 94105

RE: MUR 3183
Insurance Coalition of America ("INCA") and
Insurance Coalition of America ("INCA-PAC") and
John D. Regan, as treasurer

Dear Ms. Kullby:

On December 5, 1990, your clients were notified that the Federal Election Commission found reason to believe that your clients, Insurance Coalition of America ("INCA") and Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, violated provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). On March 18, 1991, you submitted a request to enter into conciliation negotiations prior to a finding of probable cause to believe.

The Commission has reviewed your request and determined to decline at this time to enter into conciliation prior to a finding of probable cause to believe because additional information is necessary in order to complete our investigation. After reviewing the responses which you submitted on behalf of your clients on February 1, 1991 and March 18, 1991, additional questions are being issued. Such information should be submitted to the Office of the General Counsel within 15 days of receipt of this letter.

When the investigation in this matter has been completed, the Commission will reconsider your request to enter into conciliation prior to a finding of probable cause to believe.

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If you have any questions, please contact Tonda M. Mott,
the staff member assigned to this matter, at (202) 219-3400.

Sincerely,

Lawrence M. Noble
General Counsel


BY: Lois G. Lerner
Associate General Counsel

Enclosure

Interrogatories and Request for Production of Documents
Instructions
Questions

94030964655

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

)
) MUR 3183
)

INTERROGATORIES AND REQUEST
FOR PRODUCTION OF DOCUMENTS

TO: Insurance Coalition of America ("INCA")
Insurance Coalition of America ("INCA-PAC")
John D. Regan, as treasurer
c/o Laurie Z. Kullby, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, California 94105

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In furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby requests that you submit answers in writing and under oath to the additional questions set forth below within 15 days of your receipt of this request. In addition, the Commission hereby requests that you produce any necessary documents, in their entirety, for inspection and copying at the Office of the General Counsel, Federal Election Commission, Room 659, 999 E Street, N.W., Washington, D.C. 20463, on or before the same deadline. Clear and legible copies or duplicates of the documents which, where applicable, show both sides of the documents may be submitted in lieu of the production of the originals.

INSTRUCTIONS

In answering these interrogatories and request for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery request shall refer to the time period from the inception of INCA to the present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

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QUESTIONS

Please admit or deny each of the following statements, or give appropriate responses. Explain fully where requested or where necessary.

1. A copy of the INCA bylaws was submitted as an exhibit. State whether these bylaws were used from INCA's inception to the present. If not, furnish copies of all bylaws used by INCA.

2. a. State whether INCA is currently classified as a tax exempt organization for federal tax purposes. If not, indicate current status.

b. State whether INCA has always been classified as a tax exempt organization. If not, give appropriate dates and statuses.

3. Counsel indicated in a letter dated February 1, 1991 that "INCA instituted procedures in 1987 which assure that checks written on corporate accounts are in no circumstances accepted as contributions to INCA-PAC."

Fully describe the stated procedures and indicate the date which such procedures went into effect.

4. The solicitation materials, which you sent as an exhibit, refer to "producers."

Fully explain the role and procedure of a "producer."

5. a. Fully explain the past and present relationship of The Regan Group to INCA and INCA-PAC.

b. Fully explain the past and present relationship of The General Services Life Holding Group to INCA and INCA-PAC.

c. Fully explain the organizational structures of both The Regan Group and The General Services Life Holding Group, as well as their relationship to one another.

6. Documents submitted and statements made by you place the beginning of solicitations at various times, from 1984 to 1988.

a. State when INCA began soliciting funds, indicating whether such solicitations were for INCA membership only or for both INCA and INCA-PAC.

b. State whether funds submitted only for INCA were eventually transferred to or utilized by INCA-PAC.

7. a. State INCA and INCA-PAC policies, past and present, concerning acceptance of contributions made by one individual in the name of another individual.

b. State INCA and INCA-PAC policies, past and present, concerning acceptance of contributions made by an insurance agent in the name of another individual.

c. State INCA and INCA-PAC policies, past and present, concerning acceptance of contributions made by a corporation in the name of an individual.

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8. In your March 18, 1991 response, you stated that "INCA members do not have voting rights for electing officers or directors."

- a. State all benefits or privileges of membership in INCA.
- b. State all requirements or duties of membership in INCA.
- c. State whether INCA membership meetings, annual or special, have occurred in the past. If so, state dates and places of such membership meetings, and the number of members in attendance.
- d. State whether members voted on any matters at such meetings.

9. State the names and addresses of all officers of INCA.

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BROBECK, PHLEGER & HARRISON

LOS ANGELES OFFICE
444 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90017
(213) 489-4060

SAN DIEGO OFFICE
550 WEST C STREET
SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1966

ATTORNEYS AT LAW
SPEAR STREET TOWER
ONE MARKET PLAZA
SAN FRANCISCO, CALIFORNIA 94105

FACSIMILE: (415) 442-1010
TELEX: INT'L 6771160 BPH UW DOMESTIC 34226 BPH SFO
TELEPHONE: (415) 442-0900

08C 3358

PALO ALTO OFFICE
TWO EMBARCADERO PLACE
2200 GENG ROAD
PALO ALTO, CALIFORNIA 94305
(415) 424-0160

NEWPORT BEACH OFFICE
4675 MACARTHUR COURT
SUITE 1000
NEWPORT BEACH, CALIFORNIA 92660
(714) 752-7535

November 6, 1991

VIA FEDERAL EXPRESS

Lawrence M. Noble, Esq.
General Counsel
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Room 659
Washington, D.C. 20463

Re: MUR 3183 - Insurance Coalition of
America, Inc. ("INCA"), Insurance
Coalition of America Political Action
Committee ("INCA-PAC"), and
John D. Regan

Dear Mr. Noble:

On behalf of the above-referenced parties, please find enclosed certified responses to a third set of interrogatories, which our office received on October 23, 1991, by letter from the Federal Election Commission dated October 9, 1991.

As we stated in prior correspondence, INCA and INCA-PAC fully intend to comply with the federal election laws in the future, and, to that end, wish to resolve MUR 3183 in a cooperative manner. INCA and INCA-PAC hereby repeat their request for probable cause conciliation of MUR 3183.

Please acknowledge receipt of this response by file-stamping the enclosed copy of this letter and returning it to the undersigned in the self-stamped envelope provided for that purpose.

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OFFICE OF GENERAL COUNSEL
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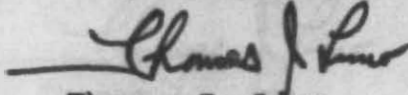
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Lawrence M. Noble, Esq.
November 6, 1991

Page 2

Should you have any further questions or comments,
please feel free to contact Michael M. Moore of this office or
the undersigned at 415-442-0900.

Very truly yours,


Thomas J. Lima

TJL/dg
Encl.

cc: Tonda M. Mott
John D. Regan
Caroline A. O'Meara
Debra DePue
Michael M. Moore

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CRANES & CREST

1. The Bylaws submitted as exhibit 1.b. of INCA's February 1, 1991, responses have not been used since INCA's inception. Copies of all Bylaws are enclosed and to the best of INCA's knowledge, based on a review of its files, each exhibit covers the following periods:

Exhibit 1.a. INCA believes that these are the original Bylaws, which remained in existence until November, 1988.
Exhibit 1.b. 11/88-4/90.
Exhibit 1.c. 4/90-4/91.
Exhibit 1.d. 4/91-Present.

- 2.a. INCA is currently classified as a tax exempt organization for federal tax purposes under section 501(c)(6).
- 2.b. INCA received federal tax exempt determination in February, 1991. Prior to that time INCA was classified as a profit corporation. However, the federal tax exempt determination letter dated February 11, 1991, states that the determination letter is effective from October 3, 1983, the date of INCA's incorporation.
3. During the period of 1984 through September 1988, all INCA solicitation forms referred only to contributions to NINPAC (INCA-PAC). The application did not indicate a membership fee separate from a contribution to NINPAC (INCA-PAC).^{1/} During a review in 1989 of all INCA records, all checks, for which INCA had records, drawn on corporate accounts during this period were attributed in total to INCA as membership fees.

In October, 1988, the INCA application was revised to reflect the INCA membership fee as separate from a contribution to INCA-PAC. See Exhibit 3.c. #5 of INCA's February, 1991, response. From October, 1988, through

^{1/} At this time, although the Bylaws indicated that the INCA membership fee was \$1000.00, no money actually was solicited for INCA membership fees. Instead, the membership application only solicited donations for NINPAC (INCA-PAC). In practice, filling out the application was the only requirement for membership in INCA.

June, 1990, the fee for INCA membership was designated as \$5.00 and a separate suggested contribution of \$20.00 for INCA-PAC was solicited.^{2/} All checks received between October, 1988, and January, 1990, which were drawn on corporate accounts, were attributed in their entirety to INCA. All corporate drawn checks received by INCA since January, 1990, which included a contribution to INCA-PAC, have been returned to their maker with an explanation that under federal law contributions to PACs from corporations are not acceptable, with a request that the applicant resubmit a personal check or money order for membership in INCA as well as for a contribution to INCA-PAC. Attached is INCA's standard return form which has been in use since January, 1991. See Exhibit 3.

4. Producers are independent marketing organizations and agents who distribute INCA applications to their clients and submit the completed applications and contribution checks to INCA along with policy applications to the insurance companies whose policies they represent.
- 5.a. The Regan Group Insurance Marketing ("The Regan Group") was an independent insurance marketing organization which existed as a California corporation until December 29, 1989, when it was merged into GSL Holding Corporation, an Iowa corporation ("GSL"). The Regan Group was an active

^{2/} Note that at this time the Bylaws incorrectly indicated that the INCA membership fee was \$25.00. However, the application indicated that \$5.00 was the membership fee. A donation to INCA-PAC of \$20.00 was suggested. Some individuals sent checks for \$5.00, while others sent checks for \$25.00. In June, 1990, the INCA fee was increased to \$25.00 (which correctly corresponded to the Bylaws). From that time forward, INCA continued to solicit (\$20.00 suggested) funds for INCA-PAC separately from the \$25.00 INCA membership fee. The current application clearly reflects the separation of INCA fees and INCA-PAC contributions. A revised application is in the process of being prepared which will allow a member to pay his or her INCA dues by means of \$1.00 per month from the cash value of his or her insurance policy in lieu of the \$25.00 INCA membership fee.

supporter of INCA as a trade association and John Regan, the president and founder of The Regan Group was also the treasurer of INCA-PAC. As noted in previous filings with the Federal Election Commission, The Regan Group also made certain capital contributions to INCA in order to cover operating expenses. Mr. Regan has also served as director and officer of INCA and has appeared as a witness before Congress on INCA's behalf on various insurance related issues. The Regan Group offered a number of group insurance policies to members of INCA. Many of the members of INCA were clients of The Regan Group insurance agents who were introduced to the organization by the Regan agents.

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- 5.b. GSL is a holding company which owns all the outstanding shares of General Services Life Insurance Company, an Iowa insurer ("GSLIC"). GSLIC has for a number of years issued insurance policies on a group basis to members of INCA. Since the merger of The Regan Group with GSL on December 29, 1989, certain of its officers also have been active as officers and board members of INCA. GSLIC producers and agents have introduced many of their clients to INCA.
- 5.c. The Regan Group and GSL were independent corporations until their merger on December 29, 1990. However, The Regan Group acted before the merger as an insurance marketing organization for the insurance and annuity policies of GSL's subsidiary, GSLIC. GSL was originally a subsidiary of The Aegon USA insurance companies. After the merger of The Regan Group and GSL on December 29, 1990, the ownership of GSL was held 60% by the Aegon Companies and 40% by the former shareholders of The Regan Group.
- 6.a. INCA began soliciting funds in 1984. According to the earliest application in INCA's files, the funds were solicited for NINPAC (INCA-PAC). Based on INCA's documents, all funds solicited between 1984 and March 1987 were for NINPAC (INCA-PAC). Since October, 1988, solicitations have been for both INCA membership fees and INCA-PAC contributions, separated on the application and allocated as such. INCA-PAC was registered with the FEC on April 13, 1988, as a separate, segregated fund.

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- 6.b. Based on INCA's records to the best of its knowledge, funds submitted only for INCA were never transferred to or utilized by INCA-PAC.
- 7.a. In the past, INCA accepted membership contributions made by one individual on behalf of another individual. Presently, INCA accepts membership contributions from the applicant, his or her family, or his or her insurance agent in the form of personal check or money order. In the past, INCA-PAC has accepted contributions made by one individual on behalf of another individual. Presently, INCA-PAC does not accept contributions made by one individual in the name of another individual.
- 7.b. In the past, INCA has accepted membership contributions made by an insurance agent on behalf of the INCA applicant. Presently, INCA accepts membership contributions made by an insurance agent in the form of a money order or a personal check on behalf of the INCA applicant. In the past, INCA-PAC has accepted contributions made by an insurance agent on behalf of the INCA applicant. Presently, INCA-PAC does not accept contributions made by an insurance agent on behalf of another individual.
- 7.c. In the past, INCA has accepted membership contributions made by a corporation in the name of an individual. Presently, INCA does not accept membership contributions made by a corporation in the name of an individual, unless that individual is a principal of that corporation. Between 1984 and March, 1987, INCA-PAC accepted contributions from incorporated insurance agencies on behalf of the INCA applicant. Presently, INCA-PAC does not accept contributions made by a corporation on behalf of an individual.
8. The latest Bylaws of INCA (April, 1991) provide that the members annually elect the directors.

- 8.a. INCA members receive the following benefits and privileges: All members receive the INCA Newsletter which helps to inform them as to regulatory and legislative issues affecting insurance and annuity policies and the insurance industry as a whole. Members are eligible to purchase insurance under group insurance policies. INCA's members interests are also represented in Washington, D.C. by INCA's board of directors and lobbyists retained by INCA.
- 8.b. There are no requirements or duties of INCA members, except that they must pay a \$25.00 membership fee.
- 8.c. INCA scheduled annual membership meetings and notified its members of meetings taking place on April 18, 1990, at the Marriott Keybridge Hotel in Arlington, VA and on April 17, 1991, at the Ritz-Carlton in Washington, D.C. No members other than seven board members and six board members, respectively, attended those meetings.
- 8.d. No members voted (except as directors) on matters at such meetings. Not until the April 17, 1991 amendment to the Bylaws did the members have the right to annually elect the directors of the corporation.
9. INCA officers for 1991-1992 are as follows:
- John D. Regan
Chairman of the Board and President
199 Petaluma Blvd. N.
Petaluma, CA 94952
- William P. Squire, Jr.
Vice President
10220 River Road, Ste. #200
Potomac, MD 20854
- Donald R. Williams
Secretary
1200 E. 104th St., Ste. #210
Kansas City, MO 64131

Caroline A. O'Meara
Treasurer
199 Petaluma Blvd. N.
Petaluma, CA 94952

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CERTIFICATION

I, John D. Regan, President of the Insurance Coalition of America, a Texas nonprofit corporation ("INCA") and Treasurer of the Insurance Coalition of America Political Action Committee ("INCA-PAC"), hereby certify that I have examined the attached responses to the third set of interrogatories from the Federal Election Commission in MUR 3183 for the Insurance Coalition of America ("INCA") and John D. Regan, Treasurer of INCA-PAC, and to the best of my knowledge and belief such responses are true, correct and complete.

November 4, 1991


John D. Regan

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BYLAWS OF
THE LIFE INSURANCE COALITION OF AMERICA
A TEXAS NON-PROFIT CORPORATION

ARTICLE I. PURPOSE

1.01 General. The Life Insurance Coalition of America (the "Corporation") is a non-profit corporation and shall have all of the powers, duties, authorizations and responsibilities as provided in the Texas Non-Profit Corporation Act; provided, however, the Corporation shall neither have nor exercise any power, nor shall it engage directly or indirectly in any activity, that would invalidate its status as a corporation that is exempt from Federal income taxation as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954, as amended (the "Code"), or that would operate to deny the Corporation its status as an organization, contributions to which are deductible under section 162 of the code and the regulations thereunder (as such sections and regulations now exist or as they may hereafter be amended). The purposes for which the Corporation is organized are:

- (1) Actively to represent the interests of the members of the Corporation with respect to federal and state legislative and regulatory activities and other matters affecting all aspects of life insurance and the provision of life insurance to policy holders, including the taxation of life insurance, life insurance proceeds, and policy loans; and
- (2) To engage in any and all lawful activities incidental to the foregoing purposes, except as otherwise restricted herein.

The Corporation shall not carry on, other than as an insubstantial part of its activities, activities that are not in furtherance of its purposes.

1.02 Conduct of Corporate Affairs. The affairs of the Corporation shall at all times be conducted in a manner consistent with the requirements of the Code, as such requirements affect tax-exempt organizations.

ARTICLE II. OFFICES

2.01 Principal Office. The principal office of the Corporation shall be located in Sausalita, California.

2.02 Other Offices. The Corporation may have such other offices as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

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ARTICLE III. MEMBERS

3.01 Eligibility. The Members of the Corporation shall as of any date be those individuals, business organizations, and other legal persons and entities who during the preceding twelve (12) months have made contributions to the Corporation to enable it to achieve its purposes, provided such contributions satisfy the requirements of section 8.01 of these Bylaws. Each Member shall have one vote with respect to all matters concerning the Corporation that require a vote of the Members.

3.02 Term. All memberships in the Corporation shall expire as of the last day of the twelfth (12th) month following a member's last contribution to the Corporation. Membership in the Corporation shall not be assignable or transferrable.

ARTICLE IV. MEMBERSHIP MEETINGS

4.01 Annual Meeting. Membership meetings shall be held annually on such day as shall be fixed by resolution of the Board of Directors. The election of the Board of Directors, distribution of reports and information, and any other transactions of business as determined by the Board of Directors shall take place at the annual membership meetings. No party or parties other than Members shall have the right to attend such meetings.

4.02 Quorum. The attendance of no less than one-tenth of the Members shall be necessary to constitute a quorum at any membership meeting.

4.03 Special Meetings. Special meetings of the Members may be called by the Chairman or any two members of the Board of Directors. Notice of any special meeting shall be mailed to the last recorded address of each Member at least five (5), but not more than fifteen (15), days before the time appointed for the meeting. Such notice shall include the time and place of the meeting and information as to the purpose for which the meeting is being called. No party or parties other than Members shall have the right to attend such meetings.

ARTICLE V. BOARD OF DIRECTORS

5.01 General Powers. The affairs of the Corporation shall be managed by its Board of Directors. The Board of Directors may exercise all powers granted to the Corporation and do all lawful acts required by the affairs of the Corporation as long as the exercise of such powers and the doing of such acts are consistent with the Corporation's prescribed purposes.

5.02 Annual Election. The directors that are to be elected for the ensuing year to fill positions open because a prior director's term of office has expired shall be elected by a majority of the members of the Board of Directors who are present at a meeting of the Board held for the purpose of conducting the annual election. The annual election of directors shall be held on the _____ in the month of _____ of each year, beginning with the year 1986, at a time and place to be determined by the Board. If such _____ is a legal holiday, then such annual election shall be held on the next secular day following. The members of the initial Board of Directors named in the Articles of Incorporation shall serve until their

successors are elected and qualified at the first annual election of directors, or until their earlier death, resignation, retirement, disqualification or removal from office.

5.03 Special Elections. Special elections may be called by the President of the Corporation or the Board of Directors at any time, to enable the Board to fill vacancies or to increase the membership of the Board of Directors.

5.04 Place of Election. The Board may designate any place, either within or without the State of Texas, as the place of meeting for any annual election or for any special election. If no designation is made, the place and time of meeting shall be at the principal office of the Corporation at _____ on the day prescribed.

5.05 Number, Tenure and Qualifications. The number of directors shall be not less than three (3) nor more than _____, as the Board shall determine from time to time. Each director shall hold office until his or her successor shall have been elected and qualified as provided herein (unless the Board has determined to reduce the number of directors and has for this reason not elected a successor to the director in question). The terms of office of the members of the initial Board of Directors shall be set so that one director's term shall expire in one (1) year, another's term shall expire in two (2) years, and the third's term shall expire in three (3) years. Any member of the Board of Directors elected to serve after the initial board shall serve a term of three (3) years; provided, however, that any director so elected shall be elected for such term or at such time as will result in approximately one-third (1/3) of the terms of office of all members of the Board of Directors to expire each year. A director may be removed from the Board by the affirmative vote of a majority of the Board then serving.

5.06 Vacancies. Any vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the Board unless the Board has determined to reduce the number of directors and for this reason elects no successor. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office.

5.07 Increase in Number of Directors. If the Board increases the number of directors by electing, by affirmative vote of a majority of the Board, an additional director, that newly elected member of the Board of Directors shall be elected for a term specified by the Board which the Board determines to be consistent with the provisions of Section 5.05.

5.08 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this bylaw, immediately after, and at the same place as, the annual election of directors. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings of the Board without other notice than such resolution.

5.09 Special Meetings. Special meetings of the Board of Directors may be called by or at the written request of the Chairman of the Board, the President or any two directors. The person or persons authorized to call special meetings of the Board may fix any place, either within or without the State of Texas, as the place for holding any special meeting of the Board called by them.

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5.10 Notice. Notice of any special meeting of the Board of Directors shall be given at least five (5) days prior to the meeting by written notice delivered personally or sent by mail or telegram to each director at his or her address as shown by the records of the Corporation or given by telephone, as provided below. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company for transmission. Notice to directors may also be given by telephone and shall be deemed given at the time the telephone message is communicated to a responsible individual at the phone number listed for a director's residence or place of business. Any director may waive notice of any meeting by a writing signed by the director, whether signed before or after the holding of the meeting, and such written waiver, when signed, shall be deemed the equivalent of the giving of such notice. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business thereat because such meeting is not lawfully called or convened. The business to be transacted at any regular or special meeting need not be specified in the notice or waiver of notice of such meeting, unless specifically required by law.

5.11 Quorum. A majority of the total number of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the directors are present at such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. Directors present by proxy shall not be counted in determining whether a quorum is present at any meeting of the Board.

5.12 Manner of Acting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute, by the Articles of Incorporation, or by these bylaws.

5.13 Compensation. Directors as such shall not receive any stated salaries for their services, but by resolution of the Board of Directors, any director may be reimbursed for reasonable expenses incurred in attending any regular or special meeting of the Board. Nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

5.14 Procedure; Minutes. At meetings of the Board of Directors, business shall be transacted in such order as the Board may determine from time to time. The Board of Directors shall appoint at each meeting a person to act as secretary of the meeting. The secretary of the meeting shall prepare minutes of the meeting which shall be delivered to the secretary of the Corporation to be placed in the minute books of the Corporation.

5.15 Informal Action by Directors. Any action required by law to be taken at a meeting of directors, or any action which may be taken at a meeting of directors, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the directors. Such consent shall be placed in the minute book of the Corporation, and shall have the same force and effect as a unanimous vote of the directors at an actual meeting. In addition, a director shall be considered present at any meeting of the Board of Directors, as applicable, if during the meeting he or she is in radio or telephone communication with the other directors participating in the meeting.

5.16 Consent to Action. If all directors consent, either by a writing on the records of a meeting of the Board of Directors filed with the secretary, or by the presence at such meeting and oral consent entered in the minutes of such meeting, or by taking part in the deliberations undertaken at such meeting without objection, all actions taken at such meeting shall be valid as if taken at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent or which is not objected to at such meeting for want of notice. If any meeting of the Board of Directors is irregular for want of notice or such consent, the proceedings of such meeting may be ratified, approved and rendered valid, and the irregularity or defect therein waived, by a writing signed by all directors, as applicable, provided a quorum was present at such meeting.

5.17 Proxies. Except as otherwise prohibited herein, a director may vote by proxy at any meeting of the Board of Directors, or execute by proxy any consent of directors if the proxy is executed in writing by that director. Each such proxy shall be revocable unless expressly provided therein to be irrevocable or otherwise made irrevocable by law.

ARTICLE VI. OFFICERS

6.01 Officers. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of a president, one or more vice-presidents (the number thereof to be determined by the board of directors), a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such other officers, including one or more assistant secretaries, and one or more assistant treasurers, for such terms as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the offices of president and secretary.

6.02 Compensation of Officers. The salaries, if any, of all officers and agents of the Corporation shall be fixed by the Board of Directors.

6.03 Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at the regular annual meeting of the Board. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as possible. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his or her successor, if any, shall have been duly elected and qualified or until their earlier death, resignation, retirement, disqualification or removal from office.

6.04 Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Election or appointment of an officer shall not of itself create any contract rights in such officer.

6.05 Vacancies. A vacancy occurring in any office due to death, resignation, removal, disqualification, or other cause, may be filled by the Board of Directors for the unexpired portion of the term of office left vacant.

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6.06 President. The President shall place into operation such business policies as shall be decided upon by the Board of Directors and communicated to the President by the Chairman of the Board or otherwise. The President shall be the principal executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation. The President may, at the option of the Chairman of the Board, preside at all meetings of the Board of Directors. The President may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors have authorized, generally or specifically, to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, by these bylaws, or by statute, to some other officer or agent of the Corporation; and, in general, the President shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

6.07 Vice-President. In the absence of the President or in the event of the President's inability or refusal to act, the Vice-President, or in the event there be more than one Vice-President, Vice-Presidents in the order of their election, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions on the President. Any Vice-President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

6.08 Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and, in general, perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. In addition to fulfilling the foregoing duties, the treasurer shall render to the President and the Board of Directors, at the regular meeting of the Board, or when the Board so requires, an account of all of his or her transactions as Treasurer and of the financial condition of the Corporation.

6.09 Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents that may be executed on behalf of the Corporation under its seal as duly authorized by the provisions of these bylaws; and, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. Notwithstanding the foregoing, affixation of the corporate seal shall not be required to create a valid and binding obligation of or against the Corporation unless otherwise provided by law.

6.10 Assistant Treasurers and Assistant Secretaries. If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their

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duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President or the Board of Directors.

ARTICLE VII. COMMITTEES

7.01 Committees of Directors. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate one or more committees, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Corporation. Each such committee shall consist of two or more directors. The designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed on it, him or her by law.

7.02 Advisory Boards or Committees. Advisory boards or committees not having and exercising the authority, responsibility, or duties of the Board of Directors in the management of the Corporation may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such advisory board or committee need not be directors of the Corporation. The President of the Corporation shall appoint the members thereof. Any member thereof may be removed by the President whenever in the President's judgment the best interests of the Corporation shall be served by such removal.

7.03 Term of Office. Each member of a committee of directors or advisory board or committee shall continue as such until the next annual meeting of the Board of Directors of the Corporation and until his or her successor is appointed, unless the board or committee is sooner terminated, or unless such member is removed from such board or committee or unless such member shall cease to qualify as a member thereof.

7.04 Chairman. Unless otherwise designated by these bylaws, one or more members of each directors' committee or advisory board or committee shall be appointed chairman, or co-chairman, by the person or persons authorized to appoint the members thereof.

7.05 Vacancies. Vacancies in the membership of any committee of directors or advisory board or committee may be filled by appointments made in the same manner as provided in the case of original appointments.

7.06 Quorum; Manner of Acting. Unless otherwise provided in the resolution of the Board of Directors designating a committee of directors or advisory board or committee, a majority of the whole board or committee shall constitute a quorum, and the act of the majority of the members present at a meeting at which a quorum is present shall be the act of the board or committee.

7.07 Rules. Each committee of directors or advisory board or committee may adopt rules for its own government not inconsistent with these bylaws or with rules adopted by the Board of Directors.

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ARTICLE VIII. CONTRIBUTIONS, CONTRACTS, CHECKS, DEPOSITS AND FUNDS

8.01 Contributions. Contributions entitling a party to become a Member of the Corporation shall be in amounts of not less than One Thousand Dollars (\$1,000.00).

8.02 Contracts. The Board of Directors may authorize any officer or officers, or agent or agents, of the Corporation, in addition to the officers so authorized by these bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

8.03 Checks, Drafts, or Orders for Payment. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, or agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the President and countersigned by the Treasurer of the Corporation.

8.04 Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

8.05 Gifts. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general purposes, or for any special purpose, of the Corporation.

8.06 Contracts Involving Directors and Officers. Members of the Board of Directors and officers of the Corporation shall be permitted to maintain a direct or indirect interest in any contract relating to or incidental to the operations of the Corporation, and may freely make contracts, enter into transactions, or otherwise act for and on behalf of the Corporation, notwithstanding that at such time they may also be acting as individuals, or directors of trusts, or beneficiaries of trusts, members or associates, or as agents for other persons or corporations, or may be interested in the same matters as shareholders, directors, or otherwise; provided, however, that any contract, transaction, or action taken on behalf of the Corporation involving a matter in which a director or officer is personally interested as a shareholder, director, or otherwise shall be at arm's length and not violative of the proscriptions in the Articles of Incorporation which prohibit the Corporation's use or application of its funds for private benefit. In no event, however, shall any person or entity dealing with the Board of Directors or officers of the Corporation be obligated to inquire into the authority of the Board and officers to enter into and consummate any contract, transaction or take other action.

8.07 Investments. The Corporation shall have the right to retain all or any part of any property, real, personal, tangible or intangible, acquired by it in whatever manner, and pursuant to the direction and judgment of the Board of Directors, to invest and reinvest any funds held by it without being restricted to the class of investments available to directors by law or any similar restriction.

8.08 Exempt Activities. Notwithstanding any other provision of these bylaws, no director, officer, employee or representative of the Corporation shall take any action or carry on any activity by or on behalf of the Corporation which is not permitted to be taken or carried on by an organization exempt from Federal income taxation under sections 501(a) and 501(c)(6) of the Code and its regulations as they now exist or as they may hereafter be amended, or that would operate to deny the Corporation its status as an organization, contributions to which are deductible under section 162 of the Code and the regulations thereunder (as such sections and regulations now exist or as they may hereafter be amended).

ARTICLE IX. MISCELLANEOUS

9.01 Books and Records. The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Board of Directors and committees having any authority of the Board of Directors.

9.02 Fiscal Year. The Board of Directors shall select the fiscal year of the Corporation.

9.03 Corporate Seal. The Board of Directors shall provide a corporate seal in such form as may be determined by the Board.

9.04 Voting Shares of Other Corporations. Unless otherwise ordered by the Board of Directors, the President shall have full power and authority on behalf of the Corporation to vote either in person or by proxy at any meeting of shareholders of any corporation in which the Corporation may hold shares, and at any such meeting may possess and exercise all of the rights and powers incident to the ownership of such shares which, as the owner thereof, the Corporation might have possessed and exercised if present. The Board of Directors may confer like powers upon any person and may revoke any such powers as granted at its pleasure.

ARTICLE X. AMENDMENTS

10.01 Power to Amend Bylaws. The bylaws of the Corporation may be amended, repealed, or added to, or new bylaws may be adopted, by the Board of Directors.

I, the undersigned, being the Secretary of The Life Insurance Coalition of America, do hereby certify that the foregoing are the Bylaws of said non-profit corporation, as adopted pursuant to the unanimous written consent of the Board of Directors of the Corporation on _____, 19__.

Secretary

BYLAWS OF
INSURANCE COALITION OF AMERICA
A TEXAS NON-PROFIT CORPORATION

ARTICLE I. PURPOSE

1.01 General. Insurance Coalition of America (the "Corporation") is a non-profit corporation and shall have all of the powers, duties, authorizations and responsibilities as provided in the Texas Non-Profit Corporation Act; provided, however, the Corporation shall neither have nor exercise any power, nor shall it engage directly or indirectly in any activity, that would invalidate its status as a corporation that is exempt from Federal income taxation as an organization described in section 501(c)(6) of the Internal Revenue Code of 1986, as amended (the "Code"), or that would operate to deny the Corporation its status as an organization, contributions to which are deductible under section 162 of the Code and the regulations thereunder (as such sections and regulations now exist or as they may hereafter be amended). The purposes for which the Corporation is organized are:

(1) To actively represent the interests of the members of the Corporation with respect to federal and state legislative and regulatory activities and other matters affecting all aspects of life, health and disability insurance and all other related types of insurance, and the provision of such insurance to policy holders; and

(2) To engage in any and all lawful activities incidental to the foregoing purposes, except as otherwise restricted herein.

The Corporation shall not carry on, other than as an insubstantial part of its activities, activities that are not in furtherance of its purposes.

1.02 Conduct of Corporate Affairs. The affairs of the Corporation shall at all times be conducted in a manner consistent with the requirements of the Code, as such requirements affect tax-exempt organizations.

ARTICLE II. OFFICES

2.01 Principal Office. The principal office of the Corporation shall be located in Novato, California.

2.02 Other Offices. The Corporation may have such other offices as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

ARTICLE III. MEMBERS

3.01 Eligibility. The Members of the Corporation shall as of any date be those individuals, business organizations, and other legal persons or entities who have made contributions at any time to the Corporation to enable it to achieve its purposes, provided such contributions satisfy the requirements of section 8.01 of these Bylaws.

3.02. Voting. Members shall not be entitled to vote on any matters affecting the Corporation, except those matters on which a vote of the Members of the Corporation is expressly required by the Texas Non-Profit Corporation Act.

3.03 Term. The term of all memberships in the Corporation shall be lifetime. Membership in the Corporation shall not be assignable or transferable.

ARTICLE IV. MEMBERSHIP MEETINGS

4.01 Annual Meeting. Membership meetings shall be held annually on such day as shall be fixed by resolution of the Board of Directors. The distribution of reports and information and any other transactions of business as determined by the Board of Directors shall take place at the annual membership meetings. No party or parties other than Members shall have the right to attend such meetings.

4.02 Quorum. The attendance of ten (10) of the Members either in person or through written proxies shall be necessary to constitute a quorum at any membership meeting. If, at any time, fewer than twenty (20) Members shall comprise the membership of the Corporation, the attendance of a majority of the Members either in person or through written proxies shall be necessary to constitute a quorum at any membership meeting.

4.03. Special Meetings. Special meetings of the Members may be called by the President, any two members of the Board of Directors or Members aggregating not less than one-tenth (1/10) of the total number of Members of the Corporation. Notice of any special meeting shall be mailed to the last recorded address of each Member at least five (5), but not more than fifteen (15), days before the time appointed for the meeting. Such notice

shall include the time and place of the meeting and information as to the purpose for which the meeting is being called. No party or parties other than Members shall have the right to attend such meetings.

ARTICLE V. BOARD OF DIRECTORS

5.01 General Powers. The affairs of the Corporation shall be managed by its Board of Directors. The Board of Directors may exercise all powers granted to the Corporation and do all lawful acts required by the affairs of the Corporation as long as the exercise of such powers and the doing of such acts are consistent with the Corporation's prescribed purposes.

5.02 Annual Election. The directors that are to be elected for the ensuing year to fill positions open because a prior director's term of office has expired shall be elected annually by a majority of the members of the Board of Directors who are present at a meeting of the Board held for the purpose of conducting the annual election. The members of the initial Board of Directors named in the Articles of Incorporation shall serve until their successors are elected and qualified at the first annual election of directors, or until their earlier death, resignation, retirement, disqualification or removal from office.

5.03 Special Elections. Special elections may be called by the President of the Corporation or the Board of Directors at any time, to enable the Board to fill vacancies or to increase the membership of the Board of Directors.

5.04 Place of Election. The Board may designate any place, either within or without the State of Texas, as the place of meeting for any annual election or for any special election. If no designation is made, the place and time of meeting shall be at the principal office of the Corporation at 201 Alameda del Prado, Novato, California 94949, on the day prescribed.

5.05 Number, Tenure and Qualifications. The number of directors shall be not less than three (3) nor more than ten (10), as the Board shall determine from time to time. Each director shall hold office until his or her successor shall have been elected and qualified as provided herein (unless the Board has determined to reduce the number of directors and has for this reason not elected a successor to the director in question). The terms of office of the members of the initial Board of Directors shall be set so that one director's term shall expire in one (1) year, another's term shall expire in two (2) years, and the third's term shall expire in three (3) years. Any member of the

Board of Directors elected to serve after the initial board shall serve a term of three (3) years; provided, however, that any director so elected shall be elected for such term or at such time as will result in approximately one-third (1/3) of the terms of office of all members of the Board of Directors to expire each year. A director may be removed from the Board by the affirmative vote of a majority of the Board then serving.

5.06 Vacancies. Any vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the Board unless the Board has determined to reduce the number of directors and for this reason elects no successor. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office.

5.07 Increase in Number of Directors. If the Board increases the number of directors by electing, by affirmative vote of a majority of the Board, an additional director, that newly elected member of the Board of Directors shall be elected for a term specified by the Board which the Board determines to be consistent with the provisions of Section 5.05.

5.08 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw, immediately after, and at the same place as, the annual election of directors. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings of the Board without other notice than such resolution.

5.09 Special Meetings. Special meetings of the Board of Directors may be called by or at the written request of the Chairman of the Board, the President or any three (3) members of the Board of Directors. The person or persons authorized to call special meetings of the Board may fix any place as the place for holding any special meeting of the Board called by them.

5.10 Notice. Notice of any special meeting of the Board of Directors shall be given at least five (5) days prior to the meeting by written notice delivered personally or sent by mail or telegram to each director at his or her address as shown by the records of the Corporation or given by telephone, as provided below. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company for transmission. Notice to directors may also be given by telephone and shall be deemed given at the time the telephone message is communicated to a responsible individual at the phone number listed for a

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director's residence or place of business. Any director may waive notice of any meeting by a writing signed by the director, whether signed before or after the holding of the meeting, and such written waiver, when signed, shall be deemed the equivalent of the giving of such notice. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business thereat because such meeting is not lawfully called or convened. The business to be transacted at any regular or special meeting need not be specified in the notice or waiver of notice of such meeting, unless specifically required by law.

5.11 Quorum. A majority of the total number of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the directors are present at such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. A director shall be considered present at any meeting of the Board of Directors if during the meeting he or she is in radio or telephone communication with the other directors participating in the meeting. Directors present by proxy shall not be counted in determining whether a quorum is present at any meeting of the Board.

5.12 Manner of Acting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute, by the Articles of Incorporation, or by these Bylaws.

5.13 Compensation. Directors as such shall not receive any stated salaries for their services, but, by resolution of the Board of Directors, any director may be reimbursed for reasonable expenses incurred in attending any regular or special meeting of the Board. Nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

5.14 Procedure; Minutes. At meetings of the Board of Directors, business shall be transacted in such order as the Board may determine from time to time. The Board of Directors shall appoint at each meeting a person to act as secretary of the meeting. The secretary of the meeting shall prepare minutes of the meeting which shall be delivered to the Secretary of the Corporation to be placed in the minute books of the Corporation.

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5.15 Informal Action by Directors. Any action required by law to be taken at a meeting of directors, or any action which may be taken at a meeting of directors, may be taken without a meeting of a consent in writing setting forth the action so taken shall be signed by all of the directors. Such consent shall be placed in the minute book of the Corporation, and shall have the same force and effect as a unanimous vote of the directors at an actual meeting.

5.16 Consent to Action. If all directors consent, either by a writing on the records of a meeting of the Board of Directors filed with the Secretary, or by the presence at such meeting and oral consent entered in the minutes of such meeting, or by taking part in the deliberations undertaken at such meeting without objection, all actions taken at such meeting shall be valid as if taken at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent or which is not objected to at such meeting for want of notice. If any meeting of the Board of Directors is irregular for want of notice or such consent, the proceedings of such meeting may be ratified, approved and rendered valid, and the irregularity or defect therein waived, by a writing signed by all directors, as applicable, provided a quorum was present at such meeting.

5.17 Proxies. Except as otherwise prohibited herein, a director may vote by proxy at any meeting of the Board of Directors, or execute by proxy any consent of directors if the proxy is executed in writing by that director. Each such proxy shall be revocable unless expressly provided therein to be irrevocable or otherwise made irrevocable by law.

5.18 Chairman of the Board. The Chairman of the Board shall be elected by a majority of the directors present at a meeting at which directors are elected and shall preside at all meetings of the Board and Members and perform all other powers and duties as may from time to time be assigned to him or her by the Board of Directors or prescribed by these Bylaws.

ARTICLE VI. OFFICERS

6.01 Officers. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of a President, one or more Vice-Presidents (the number thereof to be determined by the Board of Directors), a Secretary, a Treasurer, and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such other officers, including one or more Assistant

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Secretaries, and one or more Assistant Treasurers, for such terms as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

6.02 Compensation of Officers. The salaries, if any, of the officers and agents of the Corporation shall be fixed by the Board of Directors.

6.03 Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at the regular annual meeting of the Board. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as possible. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his or her successor, if any, shall have been duly elected and qualified or until their earlier death, resignation, retirement, disqualification or removal from office.

6.04 Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Election or appointment of an officer shall not of itself create any contract rights in such officer.

6.05 Vacancies. A vacancy occurring in any office due to death, resignation, removal, disqualification, or other cause, may be filled by the Board of Directors for the unexpired portion of the term of office left vacant.

6.06 President. The President shall place into operation such business policies as shall be decided upon by the Board of Directors and communicated to the President by the Chairman of the Board or otherwise. The President shall be the chief executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation. The President may, at the option of the Chairman of the Board, preside at all meetings of the Board of Directors. The President may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors have authorized, generally or specifically, to be executed except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, by these Bylaws, or by statute, to some other

officer or agent of the Corporation; and, in general, the President shall perform all duties to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

6.07 Vice-President. In the absence of the President or in the event of the President's inability or refusal to act, the Vice-President, or in the event there be more than one Vice-President, Vice-Presidents in the order of their election, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions on the President. Any Vice-President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

6.08 Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and, in general, perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. In addition to fulfilling the foregoing duties, the Treasurer shall render to the President and the Board of Directors, at the regular meeting of the Board, or when the Board so requires, an account of all of his or her transactions as Treasurer and of the financial condition of the Corporation.

6.09 Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents that may be executed on behalf of the Corporation under its seal as duly authorized by the provisions of these Bylaws; and, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. Notwithstanding the foregoing, affixation of the corporate seal shall not be required to create a valid and binding obligation of or against the Corporation unless otherwise provided by law.

6.10 Assistant Treasurers and Assistant Secretaries. If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties and shall be assigned to them by the Treasurer or the Secretary or by the President or the Board of Directors.

ARTICLE VII. COMMITTEES

7.01 Committees of Directors. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate one or more committees, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Corporation. Each such committee shall consist of two or more directors. The designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed on it, him or her by law.

7.02 Advisory Boards or Committees. Advisory boards or committees not having and exercising the authority, responsibility, or duties of the Board of Directors in the management of the Corporation may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such advisory board or committee need not be directors of the Corporation. The President of the Corporation shall appoint the members thereof. Any member thereof may be removed by the President whenever in the President's judgment the best interests of the Corporation shall be served by such removal.

7.03 Term of Office. Each member of a committee of directors or advisory board or committee shall continue as such until the next annual meeting of the Board of Directors of the Corporation and until his or her successor is appointed, unless the board or committee is sooner terminated, or unless such member is removed from such board or committee or unless such member shall cease to qualify as a member thereof.

7.04 Chairman. Unless otherwise designated by these Bylaws, one or more members of each directors' committee or advisory board or committee shall be appointed chairman, or co-

chairman, by the person or persons authorized to appoint the members thereof.

7.05 Vacancies. Vacancies in the membership of any committee of directors or advisory board or committee may be filled by appointments made in the same manner as provided in the case of original appointments.

7.06 Quorum; Manner of Acting. Unless otherwise provided in the resolution of the Board of Directors designating a committee of directors or advisory board or committee, a majority of the whole advisory board or committee shall constitute a quorum, and the act of the majority of the members present at a meeting at which a quorum is present shall be the act of the advisory board or committee.

7.07 Rules. Each committee of directors or advisory board or committee may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

ARTICLE VIII.

CONTRIBUTIONS, CONTRACTS, CHECKS, DEPOSITS AND FUNDS

8.01 Contributions. Contributions entitling a party to become a Member of the Corporation shall be in amounts of not less than Twenty-five Dollars (\$25.00).

8.02 Contracts. The Board of Directors may authorize any officer or officers, or agent or agents, of the Corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

8.03 Checks, Drafts, or Orders for Payment. All checks, drafts or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, or agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the President or by the Treasurer of the Corporation.

8.04 Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in

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such banks, trust companies, or other depositories as the Board of Directors may select.

8.05 Gifts. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general purposes, or for any special purpose, of the Corporation.

8.06 Contracts Involving Directors and Officers. Members of the Board of Directors and officers of the Corporation shall be permitted to maintain a direct or indirect interest in any contract relating to or incidental to the operations of the Corporation, and may freely make contracts, enter into transactions, or otherwise act for and on behalf of the Corporation, notwithstanding that at such time they may also be acting as individuals, or directors of trusts, or beneficiaries of trusts, members or associates, or as agents for other persons or corporations, or may be interested in the same matters as shareholders, directors or otherwise; provided, however, that any contract, transaction, or action taken on behalf of the Corporation involving a matter in which a director or officer is personally interested as a shareholder, director, or otherwise shall be at arm's length and not violative of the proscriptions in the Articles of Incorporation which prohibit the Corporation's use or application of its funds for private benefit. In no event, however, shall any person or entity dealing with the Board of Directors or officers of the Corporation be obligated to inquire into the authority of the Board and officers to enter into and consummate any contract, transaction or take other action.

8.07 Investments. The Corporation shall have the right to retain all or any part of any property, real, personal, tangible or intangible, acquired by it in whatever manner, and pursuant to the direction and judgment of the Board of Directors, to invest and reinvest any funds held by it without being restricted to the class of investments available to directors by law or any similar restriction.

8.08 Exempt Activities. Notwithstanding any other provision of these Bylaws, no director, officer, employee or representative of the Corporation shall take any action or carry on any activity by or on behalf of the Corporation which is not permitted to be taken or carried on by an organization exempt from Federal income taxation under sections 501(a) and 501(c)(6) of the Code and its regulations as they now exist or as they may hereafter be amended, or that would operate to deny the Corporation its status as an organization, contributions to which are deductible under section 162 of the Code and the regulations

thereunder (as such sections or regulations now exist or as they may hereafter be amended).

ARTICLE IX. MISCELLANEOUS

9.01 Books and Records. The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Board of Directors and committees having any authority of the Board of Directors.

9.02 Fiscal Year. The Board of Directors shall select the fiscal year of the Corporation.

9.03 Corporate Seal. The Board of Directors shall provide a corporate seal in such form as may be determined by the Board.

9.04 Voting Shares of Other Corporations. Unless otherwise ordered by the Board of Directors, the President shall have full power and authority on behalf of the Corporation to vote either in person or by proxy at any meeting of shareholders of any corporation in which the Corporation may hold shares, and at any such meeting may possess and exercise all of the rights and powers incident to the ownership of such shares which, as the owner thereof, the Corporation might have possessed and exercised if present. The Board of Directors may confer like powers upon any person and may revoke any such powers as granted at its pleasure.

9.05 Power to Amend Bylaws. The Bylaws of the Corporation may be amended, repealed, or added to, or new Bylaws may be adopted, by the Members who are present, either in person or through written proxies, at the annual meeting of the Members, duly held at which a quorum is present, as provided by Section 4.02 of Article IV.

BYLAWS OF
THE INSURANCE COALITION OF AMERICA
A TEXAS NON-PROFIT CORPORATION

ARTICLE I. PURPOSE

1.01 General. The Insurance Coalition of America (the "Corporation") is a non-profit corporation and shall have all of the powers, duties, authorizations and responsibilities as provided in the Texas Non-Profit Corporation Act; provided, however, the Corporation shall neither have nor exercise any power, nor shall it engage directly or indirectly in any activity, that would invalidate its status as a corporation that is exempt from Federal income taxation as an organization described in section 501(c)(6) of the Internal Revenue Code of 1986 (the "Code"), or that would operate to deny the Corporation its status as an organization, contributions to which are deductible under section 162 of the Code and the regulations thereunder (as such sections and regulations now exist or as they may hereafter be amended). The purposes for which the Corporation is organized are:

- (1) To actively represent the interests of the members of the Corporation with respect to federal and state legislative and regulatory activities and other matters affecting all aspects of life, health and disability insurance and all other related types of insurance, and the provision of such insurance to policy holders;
- (2) To engage in any and all lawful activities incidental to the foregoing purposes, except as otherwise restricted herein.

The Corporation shall not carry on, other than as an insubstantial part of its activities, activities that are not in furtherance of its purposes.

1.02 Conduct of Corporate Affairs. The affairs of the Corporation shall at all times be conducted in a manner consistent with the requirements of the Code, as such requirements affect tax-exempt organizations.

ARTICLE II. OFFICES

2.01 Principal Office. The principal office of the Corporation shall be located in Novato, California.

2.02 Other Offices. The Corporation may have such other offices as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

ARTICLE III. MEMBERS

3.01 Eligibility. The members of the Corporation shall as of any date be those individuals, business organizations, and other legal persons and entities who have made contributions at any time to the Corporation to enable it to achieve its purposes, provided such contributions satisfy the requirements of section 8.01 of these Bylaws.

3.02 Voting. Members shall not be entitled to vote on any matters affecting the Corporation, except those matters on which a vote of the Members of the Corporation is expressly required by the Texas Non-Profit Corporation Act.

3.03 Term. The term of all memberships in the Corporation shall be lifetime. Membership in the Corporation shall not be assignable or transferable.

ARTICLE IV. MEMBERSHIP MEETINGS

4.01 Annual Meeting. Membership meetings shall be held annually on such day as shall be fixed by resolution of the Board of Directors. The distribution of reports and information and any other transactions of business as determined by the Board of Directors shall take place at the annual membership meetings. No party or parties other than Members shall have the right to attend such meetings.

4.02 Quorum. The attendance of five (5) of the Members either in person or through written proxies shall be necessary to constitute a quorum at any membership meeting. If, at any time, fewer than twenty (20) Members shall comprise the Corporation, the attendance of a majority of the Members either in person or through written proxies shall be necessary to constitute a quorum at any membership meeting.

4.03 Special Meetings. Special meetings of the Members may be called by the President, any two members of the Board of Directors or Members aggregating not less than one-tenth (1/10) of the total number of Members of the Corporation. Notice of any special meeting shall be mailed to the last recorded address of each Member at least five (5), but not more than fifteen (15), days before the time appointed for the meeting. Such notice shall include the time and place of the meeting and information as to the purpose for which the meeting is being called. No party or parties other than Members shall have the right to attend such meetings.

ARTICLE V. BOARD OF DIRECTORS

5.01 General Powers. The affairs of the Corporation shall be managed by its Board of Directors. The Board of Directors may exercise all powers granted to the Corporation and do all lawful acts required by the affairs of the Corporation as long as the exercise of such powers and the doing of such acts are consistent with the Corporation's prescribed purposes.

5.02 Annual Election. The Directors that are to be elected for the ensuing year, shall be elected annually by the majority of the members of the Board of Directors present at a meeting of the Board held for the purpose of conducting the annual election.

5.03 Special Elections. Special elections may be called by the President of the Corporation or the Board of Directors at any time, to enable the Board to Fill vacancies or to increase the membership of the Board of Directors.

5.04 Place of Election. The Board may designate any place, either within or without the State of Texas, as the place of meeting for any annual election or for any special election. If no designation is made, the place and time of meeting shall be at the principal office of the Corporation at 201 Alameda Del Prado Novato, California 94949, on the day prescribed.

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5.05 Number, Tenure and Qualifications. The number of Directors shall be not less than 3 and not more than 10 as the Board shall determine from time to time. Each Director shall hold office until his or her successor shall have been elected, qualified or until the earlier of death, resignation, retirement, disqualification or removal from office (unless the Board has determined to reduce the number of Directors and has for this reason has not elected a successor to the Director in question). A director may be removed from the Board by the affirmative vote of a majority of the Board then serving.

5.06 Vacancies. Any vacancies occurring in the Board of Directors shall be filled by the affirmative vote of the majority of the Board, unless the Board has determined to reduce the number of directors and for this reason elects no successor. A director required to fill a vacancy shall hold office until his or her successor shall have been elected and qualified as provided herein.

5.07 Increase in Number of Directors. If the Board increases the number of directors by electing, by affirmative vote of a majority of the Board, an additional director, that newly elected member of the Board of Directors shall be elected for a term specified by the Board which the Board determines to be consistent with the provisions of Section 5.05.

5.08 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this bylaw immediately before and at the same place as the annual membership meeting. The Board of Directors may provide by resolution a time and place for the holding of additional regular meetings of the Board without other notice in such resolution.

5.09 Special Meetings. Special meetings of the Board of Directors may be called by or at the written request of the Chairman of the Board, the President or any three (3) members of the Board of Directors. The person or persons authorized to call special meetings of the Board may fix any place, as the place for holding any special meeting of the Board called by them.

5.10 Notice. Notice of any special meeting of the Board of Directors shall be given at least five (5) days prior to the meeting by written notice delivered personally or sent by mail or telegram to each director at his or her address as shown by the records of the Corporation or given by telephone, as provided below. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company for transmission. Notice to directors may also be given by telephone and shall be deemed given at the time the telephone message is communicated to a responsible individual at the phone number listed for a director's residence or place of business. Any director may waive notice of any meeting by a writing signed by the director, whether signed before or after the holding of the meeting, and such written waiver, when signed, shall be deemed the equivalent of the giving of such notice. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business thereat because such meeting is not lawfully called or convened. The business to be transacted at any regular or special meeting need not be specified in the notice or waiver of notice of such meeting, unless specifically required by law.

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5.11 Quorum. A majority of the total number of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the directors are present at such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. A Director shall be considered present at any meeting of the Board of Directors if during the meeting he or she is in radio or telephone communication with the other directors participating in the meeting. Directors present by proxy shall not be counted in determining whether a quorum is present at any meeting of the Board.

5.12 Manner of Acting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute, by the Articles of Incorporation, or by these bylaws.

5.13 Compensation. Directors as such shall not receive any stated salaries for their services, but by resolution of the Board of Directors, any director may be reimbursed for reasonable expenses incurred in attending any regular or special meeting of the Board. Nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

5.14 Procedure; Minutes. At meetings of the Board of Directors, business shall be transacted in such order as the Board may determine from time to time. The Board of Directors shall appoint at each meeting a person to act as secretary of the meeting. The secretary of the meeting shall prepare minutes of the meeting, which shall be delivered to the secretary of the Corporation to be placed in the minute books of the Corporation.

5.15 Informal Action by Directors. Any action required by law to be taken at a meeting of directors, or any action which may be taken at a meeting of directors, may be taken without a meeting of a consent in writing setting forth the action so taken shall be signed by all of the directors. Such consent shall be placed in the minute book of the Corporation, and shall have the same force and effect as a unanimous vote of the directors at an actual meeting.

5.16 Consent to Action. If all directors consent, either by a writing on the records of a meeting of the Board of Directors filed with the secretary, or by the presence at such meeting and oral consent entered in the minutes of such meeting, or by taking part in the deliberations undertaken at such meeting without objection, all actions taken at such meeting shall be valid as if taken at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent or which is not objected to at such meeting for want of notice. If any meeting of the Board of Directors is irregular for want of notice or such consent, the proceedings of such meeting may be ratified, approved and rendered valid, and the irregularity or defect therein waived, by a writing signed by all directors, as applicable, provided a quorum was present at such meeting.

5.17 Proxies. Except as otherwise prohibited herein, a director may vote by proxy at any meeting of the Board of Directors, or execute by proxy any consent of directors if the proxy is executed in writing by that director. Each such proxy shall be revocable unless expressly provided therein to be irrevocable or otherwise made irrevocable by law.

5.18 Chairman of the Board. The Chairman of the Board shall be elected by a majority of the directors present at a meeting at which directors are elected and shall preside at all meetings of the Board and Members and perform all other powers and duties as may from time to time be assigned to him or her by the Board of Directors or prescribed by these Bylaws.

ARTICLE VI. OFFICERS

6.01 Officers. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of a president, one or more vice presidents (the number thereof to be determined by the Board of Directors), a Secretary, a Treasurer, and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such other officers, including one or more Assistant Secretaries, and one or more Assistant Treasurers, for such terms as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

6.02 Compensation of Officers. The salaries, if any, of the officers and agents of the Corporation shall be fixed by the Board of Directors.

6.03 Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at the regular annual meeting of the Board. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as possible. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his or her successor, if any, shall have been duly elected and qualified or until their earlier death, resignation, retirement, disqualification or removal from office.

6.04 Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Election or appointment of an officer shall not of itself create any contract rights in such officer.

6.05 Vacancies. A vacancy occurring in any office due to death, resignation, removal, disqualification, or other cause, may be filled by the Board of Directors for the unexpired portion of the term of office left vacant.

6.06 President. The President shall place into operation such business policies as shall be decided upon by the Board of Directors and communicated to the President by the Chairman of the Board or otherwise. The President shall be the principal executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation. The President may, at the option of the Chairman of the Board, preside at all meetings of the Board of Directors. The President may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors have authorized, generally or specifically, to be executed except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, by these bylaws, or by statute, to some other officer or agent of the Corporation; and, in general, the President shall perform all duties to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

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6.07 Vice President. In the absence of the President or in the event of the President's inability or refusal to act, the Vice President, or in the event there be more than one Vice President, Vice Presidents in the order of their election, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions on the President. Any Vice President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

6.08 Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and, in general, perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. In addition to fulfilling the foregoing duties, the Treasurer shall render to the President and the Board of Directors, at the regular meeting of the Board, or when the Board so requires, an account of all of his or her transactions as Treasurer and of the financial condition of the Corporation.

6.09 Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these by laws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents that may be executed on behalf of the Corporation under its seal as duly authorized by the provisions of these bylaws; and, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. Notwithstanding the foregoing, affixation of the corporate seal shall not be required to create a valid and binding obligation of or against the Corporation unless otherwise provided by law.

6.10 Assistant Treasurers and Assistant Secretaries. If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties and shall be assigned to them by the Treasurer or the Secretary or by the President or the Board of Directors.

ARTICLE VII. COMMITTEES

7.01 Committees of Directors. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate one or more committees, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Corporation. Each such committee shall consist of two or more directors. The designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed on it, him or her by law.

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7.02 Advisory Boards or Committees. Advisory boards or committees not having and exercising the authority, responsibility, or duties of the Board of Directors in the management of the Corporation may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such advisory board or committee need not be directors of the Corporation. The President of the Corporation shall appoint the members thereof. Any member thereof may be removed by the President whenever in the President's judgment the best interests of the Corporation shall be served by such removal.

7.03 Term of Office. Each member of a committee of directors or advisory board or committee shall continue as such until the next annual meeting of the Board of Directors of the Corporation and until his or her successor is appointed, unless the board or committee is sooner terminated, or unless such member is removed from such board or committee or unless such member shall cease to qualify as a member thereof.

7.04 Chairman. Unless otherwise designated by these bylaws, one or more members of each directors' committee or advisory board or committee shall be appointed chairman, or co-chairman, by the person or persons authorized to appoint the members thereof.

7.05 Vacancies. Vacancies in the membership of any committee of directors or advisory board or committee may be filled by appointments made in the same manner as provided in the case of original appointments.

7.06 Quorum; Manner of Acting. Unless otherwise provided in the resolution of the Board of Directors designating a committee of directors or advisory board or committee, a majority of the whole board or committee shall constitute a quorum, and the act of the majority of the members present at a meeting at which a quorum is present shall be the act of the board or committee.

7.07 Rules. Each committee of directors or advisory board or committee may adopt rules for its own government not inconsistent with these by laws or with rules adopted by the Board of Directors.

ARTICLE VIII.

CONTRIBUTIONS, CONTRACTS, CHECKS, DEPOSITS AND FUNDS

8.01 Contributions. Contributions entitling a party to become a Member of the Corporation shall be in amounts of not less than Twenty-five Dollars (\$25.00).

8.02 Contracts. The Board of Directors may authorize any officer or officers, or agent or agents, of the Corporation, in addition to the officers so authorized by these bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

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8.03 Checks, Drafts, or Orders for Payment. All checks, drafts or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, or agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the President and countersigned by the Treasurer of the Corporation.

8.04 Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

8.05 Gifts. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general purposes, or for any special purpose, of the Corporation.

8.06 Contracts Involving Directors and Officers. Members of the Board of Directors and officers of the Corporation shall be permitted to maintain a direct or indirect interest in any contract relating to or incidental to the operations of the Corporation, and may freely make contracts, enter into transactions, or otherwise act for and on behalf of the Corporation, notwithstanding that at such time they may also be acting as individuals, or directors of trusts, or beneficiaries of trusts, members or associates, or as agents for other persons or corporations, or may be interested in the same matters as shareholders, directors or otherwise; provided, however, that any contract, transaction, or action taken on behalf of the Corporation involving a matter in which a director or officer is personally interested as a shareholder, director, or otherwise shall be at arm's length and not violative of the proscriptions in the Articles of Incorporation which prohibit the Corporation's use or application of its funds for private benefit. In no event, however, shall any person or entity dealing with the Board of Directors or officers of the Corporation be obligated to inquire into the authority of the Board and officers to enter into and consummate any contract, transaction or take other action.

8.07 Investments. The Corporation shall have the right to retain all or any part of any property, real, personal, tangible or intangible, acquired by it in whatever manner, and pursuant to the direction and judgment of the Board of Directors, to invest and reinvest any funds held by it without being restricted to the class of investments available to directors by law or any similar restriction.

8.08 Exempt Activities. Notwithstanding any other provision of these bylaws, no director, officer, employee or representative of the Corporation shall take any action or carry on any activity by or on behalf of the Corporation which is not permitted to be taken or carried on by an organization exempt from Federal income taxation under sections 501(a) and 501(c)(6) of the Code and its regulations as they now exist or as they may hereafter be amended, or that would operate to deny the Corporation its status as an organization, contributions to which are deductible under section 162 of the Code and the regulations thereunder (as such sections or regulations now exist or as they may hereafter be amended).

ARTICLE IX. MISCELLANEOUS

9.01 Books and Records. The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Board of Directors and committees having any authority of the Board of Directors.

9.02 Fiscal Year. The Board of Directors shall select the fiscal year of the Corporation.

9.03 Corporate Seal The Board of Directors shall provide a corporate seal in such form as may be determined by the Board.

9.04 Voting Shares of Other Corporations. Unless otherwise ordered by the Board of Directors, the President shall have full power and authority on behalf of the Corporation to vote either in person or by proxy at the meeting of shareholders of any corporation in which the Corporation may hold shares, and at any such meeting may possess and exercise all of the rights and powers incident to the ownership of such shares which, as the owner thereof, the Corporation might have possessed and exercised if present. The Board of Directors may confer like powers upon any person and may revoke any such powers as granted at its pleasure.

9.05 Power To Amend Bylaws. As stated in Article VII of the Corporation's Articles of Incorporation, the power to alter, amend or repeal the bylaws of the corporation shall be vested in its Board of Directors.

Bylaws Amended: November 15, 1988
April 18, 1990

BYLAWS OF
THE INSURANCE COALITION OF AMERICA
A TEXAS NON-PROFIT CORPORATION

ARTICLE I. PURPOSE

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1.01 General. The Insurance Coalition of America (the "Corporation") is a non-profit corporation and shall have all of the powers, duties, authorizations and responsibilities as provided in the Texas Non-Profit corporation Act; provided, however, the Corporation shall neither have nor exercise any power, nor shall it engage directly or indirectly in any activity, that would invalidate its status as a corporation that is exempt from federal income taxation as an organization described in section 501(c)(6) of the Internal Code of 1986 (the "Code"), or that would operate to deny the Corporation its status as an organization, contributions to which are deductible under section 162 of the Code and the regulations thereunder (as such sections and regulations now exist or as they may hereafter be amended). The purposes for which the Corporation is organized are:

- (1) To actively represent the interests of the members of the Corporation with respect to federal and state regulatory activities and other matters affecting all aspects of life, health and disability insurance and all other related types of insurance, and the provision of such insurance to policy holders;
- (2) To engage in any and all lawful activities incidental to the foregoing purposes, except as otherwise restricted herein.

The corporation shall not carry on, other than as an insubstantial part of its activities, activities that are not in furtherance of its purposes.

1.02 Conduct of Corporate Affairs. The affairs of the Corporation shall at all times be conducted in a manner consistent with the requirements of the Code, as such requirements affect tax-exempt organizations.

ARTICLE II. OFFICES

2.01 Principle Office. The principle office of the Corporation shall be located in Novato, California.

2.02 Other Offices. The Corporation may have such other offices as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

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ARTICLE III. MEMBERS

3.01 Eligibility. The members of the Corporation shall as of any date be those individuals, business organizations, and other legal persons and entities who have made contributions at any time to the Corporation to enable it to achieve its purposes, provided such contributions satisfy the requirements of section 8.01 of these Bylaws.

3.02 Voting. Members shall not be entitled to vote on any matters affecting the Corporation, except those matters on which a vote of the Members of the Corporation is expressly required by the Texas Non-Profit Corporation Act.

3.03 Term. The term of all memberships in the Corporation shall be lifetime. Membership in the Corporation shall not be assignable or transferable.

ARTICLE IV. MEMBERSHIP MEETINGS

4.01 Annual Meeting. Membership meetings shall be held annually on such day as shall be fixed by resolution of the Board of Directors. The distribution of reports and information and any other transactions of business as determined by the Board of Directors shall take place at the annual membership meetings. No party or parties other than Members shall have the right to attend such meetings.

4.02 Quorum. The attendance of five (5) of the Members either in person or through written proxies shall be necessary to constitute a quorum at any membership meeting. If, at any time, fewer than twenty (20) Members shall comprise the Corporation, the attendance of a majority of the Members either in person or through written proxies shall be necessary to constitute a quorum at any membership meeting.

4.03 Special Meetings. Special meetings of the Members may be called by the President, any two members of the Board of Directors or Members aggregating not less than one-tenth (1/10) of the total number of Members of the Corporation. Notice of any special meeting shall be mailed to the last recorded address of each Member at least five (5) but not more than fifteen (15) days before the time appointed for the meeting. Such notice shall include the time and place of the meeting and information as to the purpose for which the meeting is being called. No party or parties other than Members shall have the right to attend such meetings.

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ARTICLE V. BOARD OF DIRECTORS

5.01 General Powers. The affairs of the Corporation shall be managed by its Board of Directors. The Board of Directors may exercise all powers granted to the Corporation and do all lawful acts required by the affairs of the Corporation as long as the exercise of such powers and the doing of such acts are consistent with the Corporation's prescribed purposes.

5.02 Annual Election. The Directors that are to be elected for the ensuing year, shall be elected annually by the majority of the members of the Corporation present at a meeting of the members held for the purpose of conducting the annual election.

5.03 Special Elections. Special elections may be called by the President of the Corporation or the Board of Directors at any time, to enable the Board to fill vacancies or to increase the membership of the Board of Directors.

5.04 Place of Election. The Board may designate any place, either within or without of the State of Texas, as the place of meeting for any annual election or for any special election. If no designation is made, the place and time of meeting shall be at the principal office of the Corporation at 201 Alameda Del Prado, Novato, California, 94949, on the day prescribed.

5.05 Number, Tenure and Qualifications. The number of Directors shall be not less than 3 and not more than 10 as the Board shall determine from time to time. Each Director shall hold office until his or her successor shall have been elected, qualified or until the earlier of death, resignation, retirement, disqualification or removal from office (unless the Board has determined to reduce the number of Directors and has for this reason has not elected a successor to the Director in question). A director may be removed from the Board by the affirmative vote of a majority of the Board then serving.

5.06 Vacancies. Any vacancies occurring in the Board of Directors shall be filled by the affirmative vote of the majority of the Board, unless the Board has determined to reduce the number of directors and for this reason elects no successor. A director required to fill a vacancy shall hold office until his or her successor shall have been elected and qualified as provided herein.

5.07 Increase in Number of Directors. If the Board increases the number of directors by electing, by affirmative vote of a majority of the Board, an additional director, that newly elected member of the Board of Directors shall be elected for a term specified by the Board which the Board determines to be consistent with the provisions of Section 5.05.

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5.08 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this bylaw immediately before and after and at the same place as the annual membership meeting. The Board of Directors may provide by resolution a time and place for the holding of additional regular meetings of the Board without other notice in such resolution.

5.09 Special Meetings. Special meetings of the Board of Directors may be called by or at the written request of the Chairman of the Board, the President or any three (3) members of the Board of Directors. The person or persons authorized to call special meetings of the Board may fix any place, as the place for holding any special meeting of the Board called by them.

5.10 Notice. Notice of any special meeting of the Board of Directors shall be given at least five (5) days prior to the meeting by written notice delivered personally or sent by mail or telegram to each director at his or her address as shown by the records of the Corporation or given by telephone, as provided below. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company for transmission. Notice to directors may also be given by telephone and shall be deemed given at the time the telephone message is communicated to a responsible individual at the phone number listed for a director's residence or place of business. Any director may waive notice of any meeting by a writing signed by the director, whether signed before or after the holding of the meeting, and such written waiver, when signed, shall be deemed the equivalent of the giving of such notice. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business thereat because such meeting is not lawfully called or convened. The business to be transacted at any regular or special meeting need not be specified in the notice or waiver of notice of such meeting, unless specifically required by law.

5.11 Quorum. A majority of the total number of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the directors are present at such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. A Director shall be considered present at any meeting of the Board of Directors if during the meeting he or she is in radio or telephone communication with the other directors participating in the meeting. Directors present by proxy shall not be counted in determining whether a quorum is present at any meeting of the Board.

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5.12 Manner of Acting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute, by the Articles of Incorporation, or by these bylaws.

5.13 Compensation. Directors as such shall not receive any stated salaries for their services, but by resolution of the Board of Directors, any director may be reimbursed for reasonable expenses incurred in attending any regular or special meeting of the Board. Nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefore.

5.14 Procedure; Minutes. At meetings of the Board of Directors, business shall be transacted in such order as the Board may determine from time to time. The Board of Directors shall appoint at each meeting a person to act as secretary of the meeting. The secretary of the meeting shall prepare minutes of the meeting which shall be delivered to the secretary of the Corporation to be placed in the minute books of the Corporation, and shall have the same force and effect as a unanimous vote of the directors at an actual meeting.

5.15 Informal Action by Directors. Any action required by law to be taken at a meeting of directors, or any action which may be taken at a meeting of directors, may be taken without a meeting of a consent in writing setting forth the action so taken shall be signed by all of the directors. Such consent shall be placed in the minute book of the Corporation, and shall have the same force and effect as a unanimous vote of the directors at an actual meeting.

5.16 Consent to Action. If all directors consent, either by a writing on the records of a meeting of the Board of Directors filed with the secretary, or by the presence at such meeting and oral consent entered in the minutes of such meeting, or by taking part in the deliberations undertaken at such meeting without objection, all actions taken at such meeting shall be valid as if taken at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent or which is not objected to at such meeting for want of notice. If any meeting of the Board of directors is irregular for want of notice or such consent, the proceedings of such meeting may be ratified, approved and rendered valid, and the irregularity of defect therein waived, by a writing signed by all directors, as applicable, provided a quorum was present at such meeting.

5.17 Proxies. Except as otherwise prohibited herein, a director may vote by proxy at any meeting of the Board of Directors, or execute by proxy any consent of directors if the proxy is executed in writing by that director. Each such proxy shall be revocable unless expressly provided therein to be irrevocable or otherwise made irrevocable by law.

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5.18 Chairman of the Board. The Chairman of the Board shall be elected by a majority of the directors present at a meeting at which directors are elected and shall preside at all meeting of the Board and Members and perform all other powers and duties as may from time to time be assigned to him or her by the Board of Directors or prescribed by these Bylaws.

ARTICLE VI. OFFICERS

6.01 Officers. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of a president, one or more vice presidents (the number thereof to be determined by the Board of Directors), a Secretary, a Treasurer, and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such other officers, including one or more Assistant Secretaries, and one to more Assistant Treasurers, for such terms as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

6.02 Compensation of Officers. The salaries, if any, of the officers and agents of the Corporation shall be fixed by the Board of Directors.

6.03 Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at the regular annual meeting of the Board. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as possible. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his or her successor, if any, shall have been duly elected and qualified or until their earlier death, resignation, retirement, disqualification or removal from office.

6.04 Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Election or appointment of an officer shall not of itself create any contract rights in such officer.

6.05 Vacancies. A vacancy occurring in any office due to death, resignation, removal, disqualification, or other cause, may be filled by the Board of Directors for the unexpired portion of the term of office left vacant.

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6.06 President. The President shall place into operation such business policies as shall be decided upon by the Board of Directors and communicated to the President by the Chairman of the Board or otherwise. The President shall be the principal executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation. The President may, at the option of the Chairman of the Board, preside at all meetings of the Board of Directors. The President may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, any deed, mortgages, bonds, contracts, or other instruments that the Board of Directors have authorized, generally or specifically, to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, by these bylaws, or by statute, to some other officer or agent of the Corporation; and, in general, the President shall perform all duties to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

6.07 Vice President. In the absence of the President or in the event of the President's inability or refusal to act, the Vice President, or in the event there be more than one Vice President, Vice Presidents in the order of their election, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions on the President. Any Vice President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

6.08 Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. The treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and, in general, perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. In addition to fulfilling the foregoing duties, the Treasurer shall render to the President and the Board of Directors, at the regular meeting of the Board, or when the Board so requires, an account of all of his or her transactions as Treasurer and of the financial condition of the Corporation.

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6.09 Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents that may be executed on behalf of the Corporation under its seal as duly authorized by the provisions of these bylaws; and, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. Notwithstanding the foregoing, affixation of the corporate seal shall not be required to create a valid and binding obligation for or against the Corporation unless otherwise provided by law.

6.10 Assistant Treasurers and Assistant Secretaries. If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties and as shall be assigned to them by the Treasurer or the Secretary or by the President or the Board of Directors.

ARTICLE VII. COMMITTEES

7.01 Committees of Directors. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate one or more committees, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Corporation. Each such committee shall consist of two or more directors. The designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed on it, him or her by law.

7.02 Advisory Boards of Committees. Advisory boards or committees not having and exercising the authority, responsibility, or duties of the Board of Directors in the management of the Corporation may be designated by a quorum is present. Except as otherwise provided in such resolution, members of each such advisory board or committee need not be directors of the Corporation. The President of the Corporation shall appoint the members thereof. Any member thereof may be removed by the President whenever in the President's judgment the best interests of the Corporation shall be served by such removal.

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7.03 Term of Office. Each member of a committee of directors or advisory board or committee shall continue as such until the next annual meeting of the Board of Directors of the Corporation and until his or her successor is appointed, unless the board or committee is sooner terminated, or unless such member is removed from such board or committee or unless such member shall cease to qualify as a member thereof.

7.04 Chairman. Unless otherwise designated by these bylaws, one or more members of each directors' committee or advisory board or committee shall be appointed chairman, or co-chairman, by the person or persons authorized to appoint the members thereof.

7.05 Vacancies. Vacancies in the membership of any committee of directors or advisory board or committee may be filled by appointments made in the same manner as provided in the case of original appointments.

7.06 Quorum; Manner of Acting. Unless otherwise provided in the resolution of the Board of Directors designating a committee of directors or advisory board or committee, a majority of the whole board or committee shall constitute a quorum, and the act of the majority of the members present at a meeting at which a quorum is present shall be the act of the board or committee.

7.07 Rules. Each committee of directors or advisory board or committee may adopt rules for its own government not inconsistent with these bylaws or with rules adopted by the Board of Directors.

ARTICLE VIII.

CONTRIBUTIONS, CONTRACTS, CHECKS, DEPOSITS AND FUNDS

8.01 Contributions. Contributions entitling a party to become a Member of the Corporation shall be in amounts of not less than Twenty-five Dollars (\$25.00).

8.02 Contracts. The Board of Directors may authorize any officer or officers, or agent or agents, of the Corporation, in addition to the officers so authorized by these bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

8.03 Checks, Drafts, or Orders for Payment. All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, or agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the President and countersigned by the Treasurer of the Corporation.

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8.04 Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

8.05 Gifts. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general purposes, or for any special purpose, of the Corporation.

8.06 Contracts Involving Directors and Officers. Members of the Board of Directors and officers of the Corporation shall be permitted to maintain a direct or indirect interest in any contract relating to or incidental to the operations of the Corporation, and may freely make contracts, enter into transactions, or otherwise act for and on behalf of the Corporation, notwithstanding that at such time they may also be acting as individuals, or directors of trusts, or beneficiaries of trusts, members or associates, or as agents for other persons or corporations, or may be interested in the same matters as shareholders, directors or otherwise; provided, however, that any contract, transaction, or action taken on behalf of the Corporation involving a matter in which a director or officer is personally interested as a shareholder, director, or otherwise shall be at arm's length and not violative of the proscriptions in the Articles of Incorporation which prohibit the Corporation's use or application of its funds for private benefit. In no event, however, shall any person or entity dealing with the Board of Directors or officers of the Corporation be obligated to inquire into the authority of the Board and officers to enter into and consummate any contract, transaction or take other action.

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9.03 **Corporate Seal.** The Board of Directors shall provide a corporate seal in such form as may be determined by the Board.

9.04 **Voting Shares of Other Corporations.** Unless otherwise ordered by the Board of Directors, the President shall have full power and authority on behalf of the Corporation to vote either in person or by proxy at the meeting of shareholders of any corporation in which the Corporation may hold shares, and at any such meeting may possess and exercise all of the rights and powers incident to the ownership of such shares, which, as the owner thereof, the Corporation might have possessed and exercised if present. The Board of Directors may confer like powers upon any person and may revoke any such powers as granted at its pleasure.

9.05 **Power to Amend Bylaws.** As stated in Article VII of the Corporation's Articles of Incorporation, the power to alter, amend or repeal the bylaws of the corporation shall be vested in its Board of Directors.

Bylaws Amended: November 15, 1988
April 18, 1990
April 17, 1991

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INSURANCE COALITION OF AMERICA (INCA)
AND INSURANCE COALITION OF AMERICA
POLITICAL ACTION COMMITTEE (INCA-PAC)

TO: _____

DATE: _____

RE: _____

The enclosed INCA application and fee are being returned for the reasons listed below:

Insufficient Fees _____ (Lifetime INCA membership fee is \$25)

Fee Paid by Producer or SGA _____ (Fees Must be submitted by Applicant)

Contribution to INCA-PAC by a Corporation _____ (Prohibited by Federal Law)

No Application/Inappropriate Application Form _____ (New App Enclosed)

Other _____ Explanation:

Please resubmit INCA applications and fees to:

Insurance Coalition of America
PO Box 741145
Petaluma, CA 94975-1145

cc:

(1/91)

94030964710

06C 3629

BROBECK, PHLEGER & HARRISON

LOS ANGELES OFFICE
444 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90017
(213) 489-4060

SAN DIEGO OFFICE
550 WEST C STREET
SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1966

ATTORNEYS AT LAW
SPEAR STREET TOWER
ONE MARKET PLAZA
SAN FRANCISCO, CALIFORNIA 94105
FACSIMILE: (415) 442-1010
TELEX: INT'L 6771160 BPH UW DOMESTIC 34228 BPH SFO
TELEPHONE: (415) 442-0900

PALO ALTO OFFICE
TWO EMBARCADERO PLACE
2200 GENG ROAD
PALO ALTO, CALIFORNIA 94303
(415) 424-0160

NEWPORT BEACH OFFICE
4875 MACARTHUR COURT
SUITE 1000
NEWPORT BEACH, CALIFORNIA 92660
(714) 782-7535

November 25, 1991

VIA FEDERAL EXPRESS

Lawrence M. Noble, Esq.
General Counsel
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Room 659
Washington, D.C. 20463

Re: MUR 3183 - Insurance Coalition of
America, Inc. ("INCA"), Insurance
Coalition of America Political Action
Committee ("INCA-PAC"), and
John D. Regan

Dear Mr. Noble:

On behalf of the above-referenced parties, please find enclosed a newly revised INCA membership application, updated as of November 15, 1991. The filing of this membership application updates and supplements INCA's response 3.c. and Exhibit 3.c. of the February 1, 1991 response letter, response 1.b. of the March 18, 1991 response letter, and any other interrogatory response regarding the INCA membership application.

As we stated in prior correspondence, INCA and INCA-PAC fully intend to comply with the federal election laws in the future, and, to that end, wish to resolve MUR 3183 in a cooperative manner. INCA and INCA-PAC hereby repeat their request for preprobable cause conciliation of MUR 3183.

Please acknowledge receipt of this supplemental response by file-stamping the enclosed copy of this letter and

91 NOV 26 AM 10:13

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

91 NOV 26 PM 3:17

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

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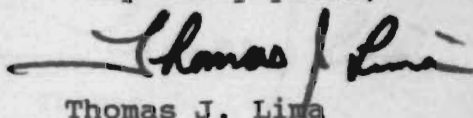
Lawrence M. Noble, Esq.
November 6, 1991

Page 2

returning it to the undersigned in the self-stamped envelope provided for that purpose.

Should you have any further questions or comments, please feel free to contact Michael M. Moore of this office or the undersigned at 415-442-0900.

Very truly yours,



Thomas J. Lima

TJL/dg
Encl.

cc: Tonda M. Mott
John D. Regan
Caroline A. O'Meara
Debra DePue
Michael M. Moore

THE INSURANCE COALITION OF AMERICA (INCA)



THE INSURANCE COALITION OF AMERICA POLITICAL ACTION COMMITTEE (INCA-PAC)

Mail fees and contributions to:
The Insurance Coalition of America
Post Office Box 751145
Petaluma, CA 94975-1145
(707) 523-8493

Lobbyists:
Ginn, Edington, Wade & Sanders
Alexandria, VA

Yes, I want to join INCA. I support its efforts to protect and enhance the interest of policyholders, consumers, and the traditional and special provisions relating to life, health, and annuity policies.

- ☐ Enclosed is \$25.00 for my Lifetime INCA Membership.
☐ Instead of enclosing the \$25.00 membership fee, I hereby authorize _____ (name of company) to deduct \$1.00 a month from my cash values, for the life of the contract, and to transfer such monies to INCA.
☐ As a member of INCA I wish to contribute to INCA-PAC. Enclosed is my \$ _____ (amount) _____ voluntary contribution.
 (A \$20.00 contribution is suggested, but I understand that I am free to contribute more or less than the suggested contribution and that I will not be favored or disadvantaged by reason of the amount of my contribution or a decision not to contribute.)

* Signature of member applicant and/or contributor _____
 (Applications must be signed by the applicant)

Please type or clearly print the following information:

Name _____ Age _____

Address _____ Telephone _____

City _____ State _____ Zip _____

Please make all checks payable to INCA. Only personal checks and money orders from the applicant will be accepted. No cash please. Membership fees are non-refundable and not tax deductible. Returned checks are subject to a \$10.00 fee. Contributions to INCA-PAC are subject to the prohibitions and limitations of the Federal Election Campaign Act, as amended.

THE INSURANCE COALITION OF AMERICA

The Insurance Coalition of America (INCA) was established in 1983 as a (501)(c)(6) non-profit lobby organization based in Washington, DC with the purpose of protecting and enhancing the interests of those who buy or sell any type of life, health, or annuity insurance product. The impetus for INCA was the effort of the 98th Congress to simultaneously threaten the key policyholder provisions of: financed life insurance policies; annuities; group insurance; and the definition of insurance (the "Stark/Moore" proposals).

INCA fought these proposals nearly single-handedly while official industry groups such as NALU, AALU, ACLI, etc. watched from the sidelines ... and while insurance companies refused to even notify policyholders of these onerous provisions. In spite of our lone quest, INCA was very successful in combating efforts to remove vital policyholder protections. Specifically, INCA defeated the efforts of Congress to limit the interest deduction on life insurance borrowing by full deletion of this provision in the final legislation (the Tax Reform Act of 1984).

But that's yesterday. What's important is today and tomorrow. There are many in Washington who would entirely destroy the insurance industry as we know it today! The tax-free buildup of insurance contracts is in jeopardy. The tax-free nature of the death benefit is in jeopardy. In fact, there is really no life or health insurance product, or sales concept, that a consumer can purchase today, that hasn't been severely threatened with fundamental change or extinction!

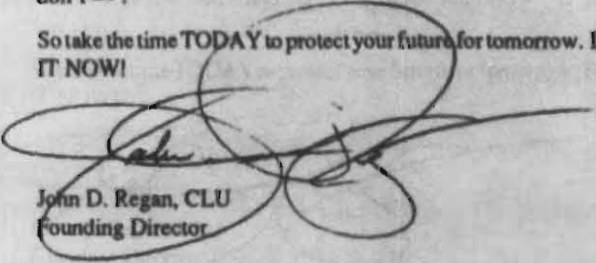
The threatened changes affect not only the interest and livelihood of a couple of hundred thousand individuals who sell life, health, or annuity insurance products ..., but more importantly, the consumers of insurance products. That's hundreds of millions of Americans ... and that's where the power is!

INCA has established a Political Action Committee (INCA-PAC). Government plays an important part in our lives — both as individual citizens and business people. We want to build an organization that represents literally millions of insurance consumers and producers AND that can not only mobilize these consumers to write letters, make phone calls, send telegrams, etc. to protect their interests ... but also through contributions to INCA-PAC build a group with the financial clout in Washington to guarantee the preservation and growth of the insurance and benefits industry for the foreseeable future.

We feel a Political Action Committee is the strongest method to insure political access and future success for INCA. PACs have been the most significant development in campaign finance over the last decade. The number of PACs grew from 608 to 3,461 in the decade beginning in 1974. The amount of PAC money given to federal candidates grew from \$35.2 million to \$87.3 million during the same period.

We need you to join INCA today. The membership fee is only \$25. We also encourage you to make a voluntary contribution to INCA-PAC as a member of INCA. And more importantly, if you are a producer, we need you to start selling your clients and prospects on joining and contributing TODAY. Make it a part of your sales and service process. If you do, you'll help insure the continuation of that sales and service process tomorrow. If you don't — ?

So take the time TODAY to protect your future for tomorrow. DO IT NOW!


John D. Regan, CLU
Founding Director

SUGGESTIONS TO ASSIST YOU IN INCREASING THE EFFECTIVENESS OF YOUR POLITICAL ACTIVITIES

1. Identify a political figure with whom you plan to develop a favorable relationship. In considering the individual, you should take into consideration:
 - a. How the candidate reflects your political philosophy.
 - b. The candidate's stand on specific issues that concern the insurance industry and its clientele.
 - c. The candidate's position within the federal power structure, e.g., committee assignments, chairmanships, Washington leadership positions, etc.
2. It is ideal to spot a rising local political figure at an early time. The sooner you join the politician's career, the more responsive he or she will be to your needs later.
3. Volunteer the use of your personal expertise on insurance and small business matters. Offer to serve as a liaison to the local insurance and small business communities.
4. Make political contributions to the candidate's campaign. Sponsor and attend receptions, parties, and fundraisers.
5. Apply your sales skill to assist in fund raising. Work toward eventual appointment as the Finance Chairman of the candidate's campaign.
6. Stay in touch with your Congressman and Senators between elections by visiting with them either in their home districts or in Washington.
7. Get to know the Washington staffs of your Congressman and Senators.

8. Offer the expertise of INCA and other third parties to the Congressman or to members of the campaign staff.
9. Establish a continuing relationship with a party organization by being active between elections. If interested, seek officerships held in the party organization.
10. Maintain membership and active participation in business or organizations generally, e.g. local business groups, Chamber of Commerce, etc. Offer to serve on the legislative committees of these groups.
11. On a particular issue or concern:
 - a. Call the local and Washington office AND specifically register your position.
 - b. In addition to the phone calls, send follow-up telegrams AND letters.
 - c. Ask your employees to call, write, and send telegrams.
 - d. Ask your policyholders to call, write, and send telegrams and provide sample letters.
 - e. Ask your policyholders if you can send a telegram on their behalf.
 - f. Call the administrative aide — indicate you want to meet with the Senator or Congressman personally the next time he or she is in the area, and that you want support on your issue.
12. Keep your clients fully aware of political and policy matters of mutual interest.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Insurance Coalition of America,)
Inc.)
Insurance Coalition of America)
and John D. Regan, as treasurer)

SENSITIVE

NUR 3183

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On November 27, 1990, the Commission found reason to believe the Insurance Coalition of America, Inc. ("INCA") had violated 2 U.S.C. §§ 432(b)(2) and 441b(a) of the Federal Election Campaign Act of 1971, as amended ("the Act"). On the same day, the Commission also found reason to believe that the Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, had violated 2 U.S.C. §§ 434(a)(4)(A), 433(a), 432(h), 432(b)(2), and 441b(a) of the Act. The findings related to a Reports Analysis Division referral for failure to timely file reports and commingling of corporate and committee moneys. The Commission also approved interrogatories and requests for documents to these Respondents. The Respondents were notified of the Commission's actions in a letter dated December 5, 1990.

Additional interrogatories were sent to the Respondents on February 26, 1991 and October 9, 1991. The Respondents submitted answers to all questions, as well as voluminous materials, including a large box of documents. The Respondents requested preprobable cause conciliation in a letter dated March 18, 1991. At that time, the request was denied, as

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additional information was necessary for a complete investigation of this matter. The Respondents asked that the their prior request for preprobable cause conciliation be reconsidered following our review of all the materials submitted. Attachment 12.

II. FACTS

On October 3, 1983, The Life Insurance Coalition of America (later amended to "Insurance Coalition of America," or "INCA") was established under the Texas Nonprofit Corporation Act.¹

Attachment 1. The incorporators were Danny Miller, J. Anthony Patterson, Jr., and J. Gordon Christy, all of Dallas, Texas. Attachment 1, Article X. The purpose of INCA, as stated in its Articles of Incorporation, is to "represent the interests of the members of the corporation with respect to federal and state legislative and regulatory activities...." Attachment 1, Article IV. INCA considers itself a "lobbying and trade association." Attachment 2, Answer 1a.

It appears that the Insurance Coalition of America Political Action Committee ("INCA-PAC," a.k.a. "NINPAC") was established either simultaneously or shortly after the incorporation of INCA. Attachment 5, Answer 3b. INCA-PAC has no bylaws. Attachment 5, Answer 2c.

John D. Regan became the Treasurer of INCA-PAC in 1988. Attachment 5, Answer 5. On April 11, 1988, INCA-PAC registered

1. INCA received retroactive federal tax exempt determination on February 11, 1991. Prior to that time INCA was classified as a profit corporation for federal tax purposes. Attachment 10, Answer 2b.

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with the Federal Election Commission as a separate segregated fund, with INCA as its connected organization. According to Commission records INCA-PAC is a quarterly-filer, but failed to file any reports until January 25, 1990, at which time it submitted late filings of its 1988 April,² July and October Quarterly Reports, 1988 30-day Post General Report, 1988 Year End Report, and 1989 Mid-Year Report.

John D. Regan currently serves as the president and treasurer of INCA-PAC. Attachment 5, Answer 1a. Lynda Regan is the designated agent. Id. The committee has no other officers or directors. Attachment 5, Answer 2b. John D. Regan is also the Chairman of the Board and President of INCA. Attachment 10, Answer 9. The other INCA officers for 1991-92 are: William P. Squire, Jr., of Potomac, Maryland -- Vice President; Donald R. Williams, of Kansas City, Missouri -- Secretary; and Caroline A. O'Mearra, of Petaluma, California -- Treasurer. Id.

1. Members

As of January 14, 1991, INCA claims to have 7,871 members, fifteen of which it identifies as corporations. Attachment 2, Answer 1c. According to all versions of the INCA bylaws,³ INCA "members" consist of "those individuals, business organizations,

2. The April 1988 Quarterly Report included information on receipts and disbursements from the organization's inception in 1984 through March 31, 1988.

3. INCA has had four versions of bylaws from its inception to the present:

Attachment 3a -- believed to be the original bylaws and were used until November 1988.

Attachment 3b -- used from November 1988 until April 1990.

Attachment 3c -- used from April 1990 until April 1991.

Attachment 3d -- used from April 1991 until present.

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and other legal persons and entities who have made contributions at any time to the Corporation to enable it to achieve its purposes." Attachment 3(a-d), Section 3.01. The bylaws further state that "contributions entitling a party to become a Member of the Corporation shall be in amounts of not less than Twenty-five Dollars (\$25.00)."⁴ Attachment 3(b-d), Section 8.01. It appears from the bylaws that members originally were required to renew membership annually. Attachment 3a, Section 3.02. However, changes made to the bylaws in November 1988, and retained in subsequent versions of the bylaws, provide that membership is for lifetime. Attachment 3b-3d, Section 3.03.

In response to interrogatories, which were received by this Office on March, 19, 1991, Respondents stated that "INCA members do not have voting rights for [the purpose of] electing officers or directors." Attachment 4, Answer 7a. Further, versions of the bylaws⁵ state that "[m]embers shall not be entitled to vote on any matters affecting the Corporation, except those matters on which a vote of the Members of the Corporation is expressly

4. The original bylaws stated that the membership fee was one thousand dollars (\$1,000). Attachment 3a, Section 8.01. However, INCA claims that at the time that this provision was in effect, "no money actually was solicited for INCA membership fees. Instead, the membership application only solicited donations for NINPAC (INCA-PAC)." Attachment 10, Footnote 1.

5. The original bylaws stated that "[e]ach member shall have one vote with respect to all matters concerning the Corporation that require a vote of the Members." Attachment 3a, Section 3.01. Indications from respondents appear to show that no such voting rights were ever afforded to or exercised by its members.

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required by the Texas Nonprofit Corporation Act."⁶ Attachment 3(b-c), Section 3.02. However, Respondents' November 6, 1991 response to interrogatories states that "the latest Bylaws of INCA (April, 1991) provide that the members annually elect the directors." Attachment 10, Answer 8; see also Attachment 3d, Section 5.02.⁷

Respondents state that "[t]here are no requirements or duties of INCA members, except that they must pay a \$25.00 [lifetime] membership fee."⁸ Attachment 10, Answer 8b. Respondents further stated that "[i]n practice, filling out the application was the only requirement for membership in INCA." Attachment 10, Footnote 1.

6. The Texas Nonprofit Corporation Act states that:

each member, regardless of class, shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of members, except to the extent that the voting rights of any class or classes are limited, enlarged, or denied by the articles of incorporation or the by-laws.

Vernon's Ann. Texas Sav. St., Art. 1396-2.13 (1991).

7. This provision was added at the most recent annual meeting. Respondents claim that notice of the meeting was sent to members. There were no members, other than the board members, present and voting at the meeting. See Attachment 10, Answers 8c and 8d.

8. Alternatively, the most recent version of the solicitation allows a member to pay his or her INCA dues by means of \$1.00 per month payment from the cash value of his or her insurance policy in lieu of the \$25.00 INCA membership fee. Attachment 6(i). The monthly deduction would be for the "life of the contract." Thus, the total contribution would vary with the length of the insurance policy and/or the life of the insured.

2. Solicitation

As INCA-PAC's collecting agent, INCA has solicited funds on behalf of INCA-PAC since 1984 and continues to do so.

Attachment 5, Answer 3b.⁹ Solicitations for INCA-PAC are made simultaneously with and solely through the INCA membership application (hereinafter "solicitation"). Attachment 5, Answer 3c; Attachment 4, Answer 1b. Several versions of solicitation have been used since 1984. Attachment 5, Answer 3c; see also Attachment 6.

Written solicitations used from 1984 until approximately May 1986 indicated that moneys received from applicants, in the amount of \$25, were for the purpose of "initial annual [membership] dues" to INCA. Attachment 6(a). That version of solicitation contained no reference to contributions to INCA-PAC. Attachment 6(a). Nevertheless, INCA has stated that from its inception until September 1988, "the entire check amount was attributed to INCA-PAC."¹⁰ Attachment 2, Answer 2c.

Two solicitations used after May 1986 but before 1987 refer to contributions to INCA-PAC, but do not indicate what portion of moneys submitted with the solicitations were to be applied

9. A statement in an INCA letter, dated December 22, 1989, places the beginning of solicitation at late 1985. Further information (i.e. solicitation materials sent to potential members) places the establishment of both INCA and INCA-PAC in the Fall of 1983. Attachments 6(b) through 6(h). The first receipt of any "membership dues/contributions" listed in INCA's files is dated July 12, 1984.

10. INCA later qualified this statement by stating that, during a 1989 review, all corporate checks contributed during this period were attributed to INCA as membership fees, rather than to INCA-PAC as a contribution. Attachment 10, Answer 3.

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toward membership in INCA and what portion represented a contribution to INCA-PAC. Attachments 6(b), 6(c). Rather, the language of the solicitations state that the applicant "want[s] to join INCA and support NINPAC" (INCA-PAC), with the check made payable to NINPAC. Id. Both versions, contained a thorough explanation of the political purposes of INCA and INCA-PAC on the reverse side of the application form. Id. Both versions included check-boxes in the amounts of \$25, \$100, \$500, and other. Id. Only the later version informed the applicant of the voluntary nature of the contribution. Attachment 6(c).

The solicitation used from 1987 through October 12, 1988 contained the same detailed explanation of the political purposes of the organizations on the back of the application form. Attachment 6(d). The solicitation contained no disclosure of the voluntary nature of the contribution. Id. This version included check-boxes in the amounts of \$25, \$100, \$500, and other, and required a "minimum deposit" of \$25 to "join INCA and support NINPAC." Id.

The solicitation used from October 12, 1988 through January 1, 1990 had a "minimum suggested contribution" of \$25, of which \$5 was designated as a "INCA membership fee."¹¹ Attachment 6(e). This version included check-boxes in the amounts of \$25, \$100, \$500, and other, which stated that the applicant wished to "contribute to INCA-PAC as a member of

11. Again, Respondents state that, during a 1989 review and subsequently, all corporate checks received between October 1988 through January 1990 were attributed in their entirety to INCA membership rather than as an INCA-PAC contribution. Attachment 10, Answer 3.

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INCA." Id. This version also contained a separate box which could be checked for enclosure of only the \$5 membership fee, with no contribution to INCA-PAC. Id. It also contained the same statement of the organizations' political purposes as previous publications, again printed on the back of the form. Id.

The solicitation used from January 1, 1990 through July 7, 1990 designated a \$5 "INCA Membership Fee" and a \$20 "Voluntary INCA-PAC Contribution," with a \$25 "Total." Attachment 6(f). This version did not have check-boxes; rather, it listed the \$5 membership fee beside one box, the \$20 contribution beside another box, then a pre-added \$25 "Total" line, an "Additional Voluntary Contribution" line, and then a second blank "Total" line. Id. This version had a statement of political purpose similar to previous versions, and was similarly located. Id. It also stated that "[u]nder Federal law contributions to PACs from corporations and foreign nationals are not acceptable." Id.

Two solicitations used from July 1, 1990 through August 8, 1990 and August 8, 1990 through November 15, 1991 both designated a \$25 "INCA Membership Fee" and a \$20 "Voluntary INCA-PAC Contribution," with a \$45 pre-added "Total" line, an "Additional Voluntary Contribution" line, and a second blank "Total" line. Attachments 6(g-h). Both versions contain the same statement of political purpose as had previously been used, and the statement regarding prohibition of contributions from corporations and foreign nationals. Id. The latter version

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substantively differs only in the return address of INCA. Attachment 6(h).

The most recent version of solicitation, which came into use on November 15, 1991, allows for two different options for payment of the lifetime membership fee. Attachment 3(i). The first is the \$25 check-box which appeared in previous versions. Id. The second involves the authorization of a \$1.00 per month deduction from the applicant's "cash value" of his or her life insurance, "for the life of the contract." Id. This version also contains a check-box for a contribution to INCA-PAC. Id. The solicitation suggests a \$20.00 contribution, and contains language indicating the voluntary nature of any contribution. Id. This version contains the same statement of political purpose and statement regarding prohibition of contributions from corporations and foreign nationals, as had previously been used. Id.

According to counsel, "INCA instituted procedures in 1987 which assure that checks written on corporate accounts are in no circumstances accepted as contributions for INCA-PAC." Attachment 9.¹² Counsel states that INCA and INCA-PAC recently "instituted a compliance program" designed to "correct [past] problems and keep INCA-PAC in compliance with the federal election laws in the future." Id. It appears that this

12. A cursory inspection of the INCA files indicates that some questionable contributions were accepted after 1987. For example, Fidelity Capital Service Agency made a contribution with a check dated March 12, 1988; CNC Services made a contribution with a check dated May 17, 1988; Boeing Employees' Credit Union made a contribution for Veryl D. Rostad with a check dated October 10, 1988.

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"compliance program" attributed all past corporate contributions to INCA rather than to INCA-PAC.¹³ Further, as of January 1990, the "compliance program" is designed to return to contributors checks which are drawn on corporate accounts, "with a request that the applicant¹⁴ resubmit a personal check or money order for membership in INCA as well as for a contribution to INCA-PAC." Attachment 10, Answer 3.

3. Funds

For the years 1984 and 1985 the amount of money obtained from solicitations totaled \$2,905. Attachment 2, Answer 2c. In 1986, the amount of money received through solicitation totaled \$7,205. Id. The amount of funds derived from solicitations in 1987 totaled \$29,515. Id. Total contributions for 1988 were \$28,035. Id. Total contributions for 1989 were \$13,315. Id. The amount of contributions received in 1990 totaled \$18,351. Id. As of the filing of their 1991 Mid-year Report, INCA-PAC's reports show that it has received \$735 in contributions. Therefore, the total amount solicited by INCA and donated to INCA-PAC through July 1991 equals \$100,061.

According to information submitted by INCA, "prior to 1988, INCA's solicitation expenses were directly paid for by The Regan Group," a "marketing company which offered various insurance policies to members of INCA." Attachment 4, Answer 2. INCA also states that no "lobbying expenses" have been paid by INCA,

13. See Footnotes 10 and 11.

14. It should be noted that respondents refer to those contributing as "applicants" rather than "members."

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but rather have been paid by General Services Life, a successor corporation to The Regan Group.¹⁵ Attachment 4, Answer 4c.

Prior to 1988, all contributions to INCA-PAC were deposited into an INCA account. All money solicited and collected for INCA-PAC was initially deposited into an INCA account, with dates of deposit from 6/12/85 through 12/21/90. Attachment 2, Answer 2a. The amount of deposited "contributions" from 1984-1990 totaled \$99,326 minus \$1,803.99 for checks returned by the bank during that period, leaving a credited balance of \$97,522.01. Id.

On April 4, 1988, INCA-PAC established a separate bank account, with John D. Regan as the sole signatory. Attachment 5, Answers 4a, 4b. Funds were transferred into the INCA-PAC account from the INCA account during the period from March 29, 1988 to February 22, 1991.¹⁶ Attachment 2, Answer 2b;

15. On December 31, 1989, the Regan Group merged into and with General Services Life Holding Corporation. Attachment 4, Answer 3b. John D. Regan was the Chairman of the Board of the Regan Group. Id. It is unclear what, if any, impact the 1989 merger had on INCA and INCA-PAC.

16. The following chart outlines the check numbers, dates, and amounts of transfers from the INCA account to the INCA-PAC account:

<u>Check No.</u>	<u>Date</u>	<u>Amount</u>
115	3/29/88	\$ 500.00
128	10/28/88	25,000.00
52726*	3/2/89	29,575.78
149	6/4/90	24,430.23
1001	7/30/90	500.00
1002	8/8/90	280.00
1009	9/24/90	40.00
1013	10/1/90	105.00
1014	10/15/90	120.00
1022	11/13/90	130.00
1030	12/26/90	195.00
1032	1/15/91	3,000.00

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Attachments 7 and 8. As of February 22, 1991, all INCA-PAC funds (totaling \$97,522.01) have been transferred from the INCA account to the INCA-PAC account. Id.

III. ANALYSIS

a. Past Violations

The organization and procedures of INCA and INCA-PAC, from their inception to the present, clearly show that violations have occurred. Throughout the course of the Commission's investigation of these matters, many past violations by the Respondents have been corrected, although obviously in an untimely manner.

1. Statement of Organization

The Act provides that every separate segregated fund must file a Statement of Organization with the Commission within 10 days of establishment. 2 U.S.C. § 433(a). INCA-PAC was established sometime in 1983 or 1984, and INCA began soliciting contributions to the fund in 1984. Attachment 2, Answer 3c. However, INCA-PAC did not file a Statement of Organization until April 13, 1988. Attachment 5, Answer 2a.

(Footnote 16 continued from previous page)

1035	2/22/91	13,646.00
		<u>\$97,522.01</u>

The first supposed transfer of funds, on March 29, 1988, predates the existence of the account, which was established on April 4, 1988.

* This deposit was a transfer from The Regan Group Insurance Marketing Company. The transfer was a "capital contribution made on behalf of INCA to cover certain administrative expenses ... which had been previously paid by INCA from funds that should have been transferred to INCA-PAC." Attachment 2, Answer 2b.

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The Commission previously, on November 27, 1990, found reason to believe that INCA-PAC violated 2 U.S.C. § 433(a) by failing to file a Statement of Organization within 10 days of establishment. The facts ascertained in the ensuing investigation further support that finding.

2. Depository account

The Act requires each political committee to designate and maintain a depository account into which all receipts are deposited and from which all disbursements are made. 2 U.S.C. § 432(h). From 1984 until April 1988, all INCA-PAC funds were deposited into the INCA corporate account. Attachment 2, Answer 2a.

INCA-PAC has established, and now maintains, a separate depository bank account for all contributions. On April 4, 1988, INCA-PAC established a separate bank account, with John D. Regan as the sole signatory. Attachment 5, Answers 4a, 4b. Funds were transferred into the INCA-PAC account from the INCA account during the period from March 29, 1988 to February 22, 1991.¹⁷ Attachment 2, Answer 2b; Attachments 7 and 8. INCA states that it has transferred to INCA-PAC all funds due that organization. Attachment 8; Attachment 5, Answer 1a.

The Commission previously, on November 27, 1990, found reason to believe that INCA-PAC violated 2 U.S.C. § 432(h) by failing to designate a campaign depository and maintain a separate checking account at the depository until approximately

17. See Footnote 16.

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four years after the Committee was established. The facts ascertained in the ensuing investigation further support that finding.

3. Filing requirements

The Act requires that during an election year, all political committees, other than authorized committees, file quarterly reports. 2 U.S.C. § 434(a)(4)(A)(i). The Act also requires that political committees, other than authorized committees, file a post-general election report. 2 U.S.C. § 434(a)(4)(A)(iii). Additionally, in a non-election year, a political committee other than an authorized committee must file a Mid-Year Report covering January 1 through June 30, and a Year-End Report covering July 1 through December 31. 2 U.S.C. § 434(a)(4)(A)(iv).

According to the B Index, INCA-PAC is a quarterly filer. INCA-PAC must comply with all of the above-mentioned reporting requirements because pursuant to 2 U.S.C. § 431(4)(B), a separate segregated fund established under 2 U.S.C. § 441b(b) is a political committee. INCA-PAC failed to timely file six reports.¹⁸

The Commission previously, on November 27, 1990, found reason to believe that INCA-PAC and its treasurer violated

18.

LATE FILING HISTORY

<u>Report</u>	<u>Due Date</u>	<u>Date Filed</u>
1988 April Quarterly	4/15/88	1/25/90
1988 July Quarterly	7/15/88	1/25/90
1988 October Quarterly	10/15/88	1/25/90
1988 30 Day Post General	12/8/88	1/25/90
1988 Year End	1/31/89	1/25/90
1989 Mid-Year	7/31/89	1/25/90

2 U.S.C. § 434(a)(4) by failing to timely file its 1988 April, July, and October Quarterly Reports, 1988 Post General Report, 1988 Year-End and 1989 Mid-Year Reports. According to the C-index, all subsequent reports were filed in a timely manner, and INCA-PAC is now current with its required reports.

4. Corporate contributions

It is unlawful for any corporation to make a contribution to or expenditure for a Federal candidate in connection with an election, primary, political convention, or caucus. 2 U.S.C. § 441b(a). It is unlawful for a political committee to knowingly accept or receive any contribution prohibited by 2 U.S.C.

§ 441b. Id. Pursuant to 11 C.F.R. § 102.6(c)(4), a collecting agent may use a treasury account as a transmittal account; however, the collecting agent is still required to transmit the funds in a timely manner in accordance with 2 U.S.C. § 432(b)(2) and 11 C.F.R. § 102.8 (within 30 days for contributions of \$50 or less; and within 10 days for contributions in excess of \$50). Thus, the use of a corporate treasury account as a transmittal account by a collecting agent is a limited exception to the prohibition on corporate contributions and expenditures.

INCA received contributions for INCA-PAC as early as 1984 and retained these contributions in its own treasury account until sometime in 1988, when INCA finally established a separate bank account for INCA-PAC. Attachment 2, Answer 2. Thus, corporate funds and INCA-PAC contributions were maintained in the same account for up to four years. This alone would constitute a violation of Section 441b because it does not

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comport with the collecting agent regulations.

Because all funds raised for INCA-PAC were not transferred until February of 1991, INCA-PAC funds were commingled with corporate funds and were used for corporate purposes. INCA states that "[t]o the extent that the money in INCA's bank account consisted of INCA-PAC contributions which were not yet transferred to INCA-PAC, INCA's administrative expenses were paid from INCA-PAC contributions. Attachment 4, Answer 4c. Furthermore, the funds which INCA eventually transferred and deposited into INCA-PAC's account, reimbursing INCA-PAC for the contribution funds used by INCA for its own expenses, may have included corporate funds rather than funds raised solely for election purposes.¹⁹

19. In its 1988 April Quarterly, a report covering the period from September 1984 through March 1988, the treasurer indicated that INCA-PAC made no contributions to Federal candidates or other political committees from September 1984 through March 1988. Nevertheless, funds received during that time were later disbursed. The following chart shows all disbursements made by INCA-PAC according to its reports filed with FEC:

<u>dates</u>	<u>refunded contributions</u>	<u>federal candidates</u>	<u>non-federal candidates</u>	<u>operating expenses</u>
9/84-3/88	\$1,068.99	\$0	\$0	\$0
4/88-6/88	125.00	0	0	4,589.00 *
7/88-9/88	100.00	0	0	4,435.00 *
10/88-12/88	100.00	19,000	0	2,961.00 *
1/89-6/89	80.00	5,600	2,500	0
7/89-12/89	20.00	11,000 **	0	0
1/90-3/90	0	0	0	0
4/90-6/90	0	0	0	0
7/90-9/90	0	0	0	0
10/1-10/17/90	0	16,500 **	0	0
10/18-11/26/90	0	500	0	12.92
11/27-12/31/90	0	2,500	0	0
1/91-6/91	0	7,500	0	0
Totals	1,493.99	62,600	2,500	11,997.92 *

* These operating expenses were later "reimbursed" by a

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The Respondents state that they have now implemented a system to avoid acceptance of prohibited corporate contributions by returning such contributions as are drawn on corporate accounts. Attachment 10, Answer 3. This "system" also includes a request that a substitute contribution in the form of a personal check or money order be sent by those to whom contributions are returned. Id.

The Commission previously, on November 27, 1990, found reason to believe that both INCA and INCA-PAC violated 2 U.S.C. § 441b by accepting corporate contributions. The facts ascertained in the ensuing investigation further support that finding.

b. The Regan Group and INCA-PAC

The Act requires separate segregated funds to file a statement of organization with the FEC and notify FEC of any change of information in such statements within 10 days of organization or change. 2 U.S.C. §§ 433(a) and 433(c). The Act requires that the separate segregated fund disclose, inter alia, all connected organizations. 2 U.S.C. § 433(b).

The Regan Group Insurance Marketing Company ("TRG") was a corporation owned and operated by INCA and INCA-PAC president, John Regan. INCA-PAC never registered TRG as a connected organization. Nevertheless, on March 2, 1989, TRG made a

(Footnote 19 continued from previous page)
"capital contribution" from The Regan Group Insurance Marketing Company.

** These federal candidate contributions include two installment payments of \$6,500 each (totaling \$13,000) for INCA-PAC's "Lifetime Membership" in the Republican Senatorial Inner Circle. Attachment 13.

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deposit, in the amount of \$29,575.78, into the INCA-PAC account, which Respondents termed as a "capital contribution ... on behalf of INCA to cover certain administrative expenses... which had been previously paid by INCA from funds that should have been transferred to INCA-PAC." Attachment 2, Answer 2b; see also, Attachment 10, Answer 5.

The Act prohibits corporations from contributing to campaigns or making campaign-related expenditures, including contributions made by a corporation to a separate segregated fund. See 2 U.S.C. § 441b(a). However, corporations are allowed to pay for the costs of soliciting contributions to their own separate segregated fund. 2 U.S.C. §441b(b)(2)(C); 11 C.F.R. § 114.5(b). If a corporation is reimbursing its separate segregated fund for expenses incurred in solicitation, such reimbursement must occur "no later than thirty calendar days after the expense was paid by the separate segregated fund." 11 C.F.R. § 114.5(b)(3).

This provision was recently upheld in FEC v. NRA Political Victory Fund, No. 90-3090, slip op., (D.C. Nov. 15, 1991). The Court stated that "[t]he regulations provide a reasonable window of time for transferring funds in the event that there has been an accounting error or that the decision is made to shift the burden of solicitation expenses." Id. at 4. The Court goes on to state that "[t]here is no legal basis for ignoring or overturning this regulation." Id. at 4-5.

According to the Commission records, TRG is not a connected organization for INCA-PAC. Because it is not a connected

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organization, it could not make a "reimbursement" to cover solicitation expenses. Thus, the corporate contribution made by TRG, on March 2, 1989, as a "reimbursement" for solicitation expenses is a violation of 2 U.S.C. § 441b(a), because TRG is a corporate entity which is prohibited from making a contribution.²⁰

Further, according to information submitted by INCA, "prior to 1988, INCA's solicitation expenses were directly paid for by The Regan Group." Attachment 4, Answer 2. A corporation may use its general treasury monies to pay the establishment, administrative and solicitation costs of its own separate segregated fund. 11 C.F.R. § 114.5(b). However, because TRG is not the connected organization of INCA-PAC, all solicitation costs directly paid by TRG constitute a violation of the Regulations.²¹

20. Further, even if the "reimbursement" were allowable, TRG did not make its contribution within the 30 days allowed by the Regulation. According to the FEC reports filed by INCA-PAC, INCA-PAC disbursed \$11,985 for operating expenses in 1988. TRG made its "reimbursement," subsumed within the \$29,575.78 deposit into INCA-PAC's account, on March 2, 1989. Following the "reimbursement" by TRG, INCA-PAC amended its reports to show only \$119.85 in operating expenses paid for 1988. Because TRG's "reimbursement" occurred after the thirty days allowed by the Regulations, a minimum of \$11,865.15 of the funds (the amount used to reimburse for past operating expense disbursements) would constitute a prohibited contribution, and as such would be a violation of the Act.

21. Respondents provided no evidence indicating that TRG was a member of INCA. See AO 1980-59 (The Commission concluded that a corporate member of a nonprofit corporate trade association could contribute funds, over and above its membership dues obligation, to defray the administrative and solicitation expenses of the association's separate segregated fund).

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Section 441b of the Act also prohibits a separate segregated fund from receiving contributions in violation of the Act. Therefore, INCA-PAC's receipt of the transfers by TRG constitute a violation of that provision of the Act.

This Office recommends that the violations involved in the transfers of funds by TRG to INCA-PAC be included in the Respondents' violation of 2 U.S.C. §§ 441b. This Office further recommends that the Commission find reason to believe that General Services Life Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a), by making the March 2, 1989 transfer of funds to INCA-PAC and also violated 11 C.F.R. § 114.5(b) by directly paying the solicitation costs of INCA-PAC prior to 1988.

c. Continuing Violations - Solicitation of "members"

Apart from past violations, the organizational structure and procedures of INCA and INCA-PAC further present doubts concerning the organizations' ability to continue operations without continuing to violate provisions of the Act. The major issue of concern continuing to besiege the respondent organizations pertains to the solicitation of "members."

The Regulations define "members" as "all persons who are currently satisfying the requirements for membership in a membership organization ... or corporation without capital stock." 11 C.F.R. § 114.1(e). In FEC v. National Right to Work Committee ("NRWC"), 459 U.S. 197, 198 (1982), the United States Supreme Court considered whether the National Right to

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Work Committee, a nonprofit corporation without capital stock, was limited in soliciting funds to its "members." The Court stated that section 441b limits solicitation by nonprofit corporations to "those persons attached in some way to it by its corporate structure." Id. at 202. The Court noted that members of a non-stock corporation were "to be defined, at least in part, by analogy to stockholders of business corporations and members of labor unions." Id. at 204. The Court further stated that the analogy to stockholders of business corporations and union members "suggests that some relatively enduring and independently significant financial or organizational attachment is required to be a 'member' under 2 U.S.C. § 441(b)(4)(C)." Id.

In determining this issue, the Court noted that it was "entirely permissible" for the Commission to consider the corporation's charter and bylaws. Id. at 205. Applying the standard set forth in NRWC, the Commission has considered whether such persons declared to be "members" maintain "some right to participate in the governance of the organization and some obligation to help sustain the organization through regular financial contributions of a predetermined minimum amount." Advisory Opinion 1987-31; see also AOs 1985-11, 1984-33, and 1984-22.

1. Timing issue

Determination of the time at which one actually becomes a member is somewhat of a novel issue for the Commission. The Regulations state that it is permissible for a collecting agent

to "include a solicitation for voluntary contributions to a separate segregated fund in a bill for membership dues."

11 C.F.R. § 102.6(c)(2). However, such solicitations may only be made to "those persons permitted to be solicited under 11 C.F.R. part 114." Id. Part 114 of the Regulations state that "Members means all persons who are currently satisfying the requirements for membership in a membership organization, trade association, cooperative, or corporation without capital stock...." 11 C.F.R. § 114.1(e) (emphasis added).

INCA solicits for contributions to INCA-PAC simultaneous with its solicitation for membership into the organization. Attachment 4, Answer 1b; Attachment 5, Answer 3c. The form which an applicant must fill out and submit for membership also contains the solicitation for INCA-PAC. In fact, INCA states that "[t]he persons solicited by INCA were not members of INCA, but, rather, were joining INCA and making a voluntary contribution to INCA-PAC." Attachment 4, Answer 1a (emphasis in original). INCA's solicitation materials are distributed by "[i]nsurance industry professionals and other individuals interested in INCA ... to their policyholders." Id.

Simultaneous solicitation is not permitted because the Act and Regulations require that a person become a member before being solicited. If simultaneous solicitation for initial membership and a contribution to a separate segregated fund were allowed, an organization could solicit anyone for a contribution to its separate segregated fund, as long as it simultaneously solicits for membership in the connected organization. The

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requirement for membership in order to solicit contributions would be eviscerated.

The means of solicitation used by INCA is clearly different from that allowed by 11 C.F.R. § 102.6(c)(2). The simultaneous action permitted by the Regulations is intended for an organization's convenience of billing existing members, not for the purpose of simultaneously soliciting for membership into the connected organization and for contributions to its separate segregated fund. Further, because INCA requires payment of only a one-time, lifetime membership fees,²² and does not later solicit for further contributions, the provisions of 11 C.F.R. § 102.6(c)(2) would never be applicable to INCA's scheme of solicitation.

INCA's method of solicitation can also be analogized to the situation where corporate approval to solicit its personnel is granted simultaneous with contributions made. Like corporate approval, membership requires active measures. In essence, becoming a member is equivalent to prior approval for solicitation; one must be a member in order to be solicited, just as one must obtain corporate approval in order to solicit.

In the situation requiring corporate approval, the Commission has stated that corporate approval for solicitation is required "prior to, not simultaneously with, the donation." AD 1979-15; see also 11 C.F.R. § 114.8(d). Likewise, the intentions of the Regulations and the Commission would require

22. See infra, for further discussion of the implications of INCA's one-time, lifetime dues.

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membership of a solicitee prior to, not simultaneous with, solicitation for contributions to a separate segregated fund.

The solicitation method of INCA for contributions to its separate segregated fund is not proper, because the timing of solicitation does not comport with the requirements of 2 U.S.C. § 441b. This method of solicitation has been used by Respondents since their inception and is currently being used. Therefore, all funds already raised by Respondents and all future funds raised by such methods are tainted because Respondents' scheme of solicitation violates 2 U.S.C. § 441b.

2. Financial obligation issue

In NRWC, the United States Supreme Court stated that a nonprofit corporation without capital stock was limited to soliciting funds from its "members." 459 U.S. at 198. The Court stated that "some relatively enduring and independently significant financial or organizational attachment is required to be a 'member' under 2 U.S.C. § 441(b)(4)(C)." Id. at 204. The Commission has determined that, in order for persons to be considered "members," those persons must have "some obligation to help sustain the organization through regular financial contributions of a predetermined minimum amount." AO 1987-31; see also AOs 1985-11, 1984-33, and 1984-22.

INCA "membership" requires payment of only a one-time membership fee for a lifetime membership.²³ According to INCA,

23. INCA has recently added an alternative method of payment for lifetime membership dues. This method allows for a deduction of a \$1.00 monthly deduction from the cash value of the applicant's life insurance policy, "for the life of the contract." Nevertheless, even this means of payment requires no

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"[t]here are no requirements or duties of INCA members, except that they must pay a \$25.00 membership fee." Attachment 10, Answer 8b. On one previous occasion, the Commission allowed solicitation of life members. AO 1987-5. However, the facts in that Advisory Opinion are distinguishable from those presented here.

In AO 1987-5, the American Speech-Language-Hearing Association desired to continue soliciting those members who had been granted "life member" status. This class of members was composed of individuals who had paid regular dues for at least 10 consecutive years immediately preceding the year they attained 65 years of age or older; at which time, they were no longer required to pay annual dues, but retained all the privileges of regular members. The Commission determined that these individuals had "made a substantial financial commitment to the Association, effectively prepaying a lifetime dues obligation by the payments they made in the ... qualifying period." Id.

It is fairly easy to resolve that a one-time assessment of only \$25 does not constitute an "obligation to help sustain the organization through regular financial contributions of a predetermined minimum amount." The situation in which the Commission allowed solicitation of "lifetime members" is clearly not applicable to INCA's "lifetime membership" scenario. INCA

(Footnote 23 continued from previous page)
solicitation beyond the initial simultaneous solicitation for membership dues and a contribution. The applicant agrees to the monthly deductions for an INCA-PAC contribution at the time he applies for membership in INCA.

"members" pay dues only one time, and the amount paid is unsubstantial. Thus, those solicited by INCA would not be "members" as defined by NRWC and subsequent standards set by the Commission.

Additionally, a person is not considered a member under the definition of the Regulations if the only requirement for membership is a contribution to a separate segregated fund. 11 C.F.R. § 114.1(e). Many of the past versions of Respondents' solicitation materials stated that the applicant wished to "join INCA and support NINPAC" with a combined fee paid for both. Although INCA has now corrected this flaw by separating the membership fee from the contribution, it is clear that the sole focus of INCA is to raise funds for INCA-PAC.

Further, all versions of the INCA bylaws, including the current one, indicate that "members" consists of "those individuals, business organizations, and other legal persons and entities who have made contributions at any time to the Corporation to enable it to achieve its purposes." Attachment 3(a-d), Section 3.01. Thus, with the one-time lifetime membership fee serving as the only financial obligation, and the contribution being made at the time one becomes a "member", it is clear that the sole purpose of "membership" to INCA is to obtain contributions for INCA-PAC.

3. Governance issue

In NRWC, the Court concluded that those solicited by NRWC had insufficient attachments to qualify as members of the corporation, in part because "members play[ed] no part in the

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operation or administration of the corporation;" members did not elect corporate officials; and there were no membership meetings. 459 U.S. at 206. The Commission has stated that "the membership relationship must be evidenced by the existence of rights and obligations vis-a-vis the corporation." AO 1977-67.

As previously noted, INCA has stated that the only requirement or duty of a "member" is to pay the \$25 fee. Attachment 10, Answer 8b. INCA states that the benefits and privileges of membership are receipt of newsletter, eligibility for purchase of group insurance, and representation of members' interest by lobbyists. Attachment 10, Answer 8a.

In response to interrogatories, received by this Office on March 19, 1991, Respondents stated that "INCA members do not have voting rights for electing officers or directors." Attachment 4, Answer 7a. A recent change made to the bylaws on April 17, 1991 provides that Directors are to be elected by the majority of members present at annual meetings. Attachment 3d, Section 5.02. However, the amended bylaws also have retained the provision that "members shall not be entitled to vote on any matters affecting the Corporation...." Attachment 3d, Section 3.02. Prior to the change, the board was clearly self-perpetuating.

INCA claims to have notified its members of annual meetings for the past two years. Attachment 10, Answer 8c. Nevertheless, no members, other than the board members themselves, have ever been present and voting at those meetings. Attachment 10, Answers 8c, 8d. There is no evidence that

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members are afforded any other means of participation in the organization. Further, no "member" participation has ever actually occurred.

For the above reasons, it is the opinion of this Office that continued solicitation by INCA for INCA-PAC would violate 2 U.S.C. § 441b. This Office recommends that this issue be addressed in the proposed conciliation agreement with the Respondents, by requiring Respondents to comply with all provisions of the Act in future solicitations.

III. DISCUSSION OF CONCILIATION PROVISIONS AND CIVIL PENALTY

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IV. RECOMMENDATIONS

1. Enter into conciliation with Insurance Coalition of America, Inc. (INCA) and Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, prior to a finding of probable cause to believe.

2. Find reason to believe that General Services Life Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.5(b).

3. Approve the attached proposed Conciliation Agreement, proposed Factual and Legal Analyses, and the appropriate letters.

Lawrence M. Noble
General Counsel

Date

2/7/92

BY:


Lois G. Lerner
Associate General Counsel

Attachments

1. INCA Articles of Incorporation
2. INCA answers to Interrogatories #1
3. INCA Bylaws (a-d)
4. INCA answers to Interrogatories #2
5. INCA-PAC answers to Interrogatories
6. INCA solicitation materials (a-i)
7. Transfer of Funds
8. Final Transfer of Funds
9. 2/1/91 Counsel's letter
10. INCA answers to Interrogatories #3
11. INCA's form for return of contributions
12. Request for conciliation from respondents
13. Republican Senatorial Inner Circle Contribution
14. Proposed Conciliation Agreement (INCA and INCA-PAC)
15. Proposed Factual and Legal Analysis (The Regan Group)
16. Proposed Factual and Legal Analysis (INCA and INCA-PAC)

Staff assigned: Tonda M. Mott

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/BONNIE J. ROSS *[Signature]*
COMMISSION SECRETARY

DATE: FEBRUARY 12, 1992

SUBJECT: MUR 3183 - GENERAL COUNSEL'S REPORT
DATED FEBRUARY 7, 1992.

The above-captioned document was circulated to the
Commission on Monday, February 10, 1992 at 4:00 p.m. .

Objection(s) have been received from the
Commissioner(s) as indicated by the name(s) checked below:

Commissioner Aikens	<u>XXX</u>
Commissioner Elliott	<u>XXX</u>
Commissioner McDonald	<u> </u>
Commissioner McGarry	<u> </u>
Commissioner Potter	<u> </u>
Commissioner Thomas	<u> </u>

This matter will be placed on the meeting agenda
for Tuesday, February 25, 1992 .

Please notify us who will represent your Division before
the Commission on this matter.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 3183
Insurance Coalition of America, Inc.;)
Insurance Coalition of America and)
John D. Regan, as treasurer.)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for
the Federal Election Commission executive session on
February 25, 1992, do hereby certify that the
Commission decided by a vote of 4-2 to take the
following actions in MUR 3183:

1. Enter into conciliation with
Insurance Coalition of America,
Inc. (INCA) and Insurance
Coalition of America ("INCA-PAC")
and John D. Regan, as treasurer,
prior to a finding of probable
cause to believe.
2. Find reason to believe that
General Services Life Holding
Corporation, as successor in
interest to The Regan Group
Insurance Marketing Company,
violated 2 U.S.C. § 441b(a)
and 11 C.F.R. § 114.5(b).

(continued)

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3. Approve the proposed Conciliation Agreement, proposed Factual and Legal Analyses, and the appropriate letters as recommended in the General Counsel's report dated February 7, 1992.

Commissioners McDonald, McGarry, Potter, and Thomas voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

Attest:

2-28-92
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 6, 1992

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Michael M. Moore, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, California 94105

RE: MUR 3183
Insurance Coalition of
America, Inc.; and Insurance
Coalition of America and John
D. Regan, as treasurer

Dear Mr. Moore:

On November 27, 1990, the Federal Election Commission found reason to believe that the Insurance Coalition of America, Inc.; and Insurance Coalition of America and John D. Regan as treasurer violated 2 U.S.C. § 441b. Following the investigation and at your request, on February 25, 1992, the Commission determined to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe.

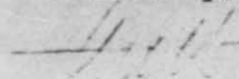
Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If your clients agree with the provisions of the enclosed agreement, please sign and return it, along with the civil penalty, to the Commission. In light of the fact that conciliation negotiations, prior to a finding of probable cause to believe, are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

Also enclosed is a factual and Legal Analysis for your information. This document contains information and analysis which supplements the earlier Factual and Legal Analysis sent to your clients on December 5, 1990.

Michael M. Moore, Esq.
Page 2

If you have any questions or suggestions for changes in the agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact me at (202) 219-3400.

Sincerely,



Tonda Mott
Attorney

Enclosure
Conciliation Agreement
Factual and Legal Analysis

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

MUR # 3183

RESPONDENTS: Insurance Coalition of America, Inc.; and
Insurance Coalition of America and
John D. Regan, as treasurer

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This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. Previously, on November 27, 1990, the Commission found reason to believe the Insurance Coalition of America, Inc. ("INCA") had violated 2 U.S.C. §§ 432(b)(2) and 441b(a) of the Federal Election Campaign Act of 1971, as amended ("the Act"). On the same day, the Commission also found reason to believe that the Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer, had violated 2 U.S.C. §§ 434(a)(4)(A), 433(a), 432(h), 432(b)(2), and 441b(a) of the Act. Factual and Legal Analyses for those findings were provided to INCA and INCA-PAC ("Respondents") at that time.

A. The Regan Group and INCA-PAC

The Act requires separate segregated funds to file a statement of organization with the Commission and notify the Commission of any change of information in such statements within 10 days of organization or change. 2 U.S.C. §§ 433(a) and 433(c). The Act requires the separate segregated fund to disclose, inter alia, all connected organizations. 2 U.S.C. § 433(b).

The Regan Group Insurance Marketing Company ("TRG") was a

corporation owned and operated by INCA and INCA-PAC president, John Regan. INCA-PAC never registered TRG as a connected organization. Nevertheless, on March 2, 1989, TRG made a deposit, in the amount of \$29,575.78, into the INCA-PAC account, which Respondents termed as a "capital contribution ... on behalf of INCA to cover certain administrative expenses... which had been previously paid by INCA from funds that should have been transferred to INCA-PAC."

The Act prohibits corporations from contributing to campaigns or making campaign-related expenditures, including contributions made by a corporation to a separate segregated fund. See 2 U.S.C. § 441b(a). Section 441b of the Act also prohibits a separate segregated fund from receiving contributions in violation of the Act. Corporations are allowed to pay for the costs of soliciting contributions to their own separate segregated fund. 2 U.S.C. §441b(b)(2)(C); 11 C.F.R. § 114.5(b). If a corporation is reimbursing its separate segregated fund for expenses incurred in solicitation, such reimbursement must occur "no later than thirty calendar days after the expense was paid by the separate segregated fund." 11 C.F.R. § 114.5(b)(3).

This provision was recently upheld in FEC v. NRA Political Victory Fund, No. 90-3090, slip op., (D.C. Nov. 15, 1991). The Court stated that "[t]he regulations provide a reasonable window of time for transferring funds in the event that there has been an accounting error or that the decision is made to shift the burden of solicitation expenses." Id. at 4. The Court goes on

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to state that "[t]here is no legal basis for ignoring or overturning this regulation." Id. at 4-5.

According to the Commission records, TRG is not a connected organization for INCA-PAC. Because it is not a connected organization, it could not make a "reimbursement" to cover solicitation expenses. Thus, the transfer of funds made by TRG as a "reimbursement" for solicitation expenses is a corporate contribution, because TRG is not an entity which could make such a contribution.¹

Therefore, there is reason to believe that INCA-PAC's receipt of the contribution by TRG constitutes a violation of 2 U.S.C. §§ 441b.

B. Solicitation of "members"

The Regulations define "members" as "all persons who are currently satisfying the requirements for membership in a membership organization ... or corporation without capital stock." 11 C.F.R. § 114.1(e). In FEC v. National Right to Work Committee ("NRWC"), 459 U.S. 197, 198 (1982), the United States Supreme Court considered whether the National Right to

1. Further, even if the "reimbursement" were allowable, TRG did not make its contribution within the 30 days allowed by the Regulation. According to the FEC reports filed by INCA-PAC, INCA-PAC disbursed \$11,985 for operating expenses in 1988. TRG made its "reimbursement," subsumed within the \$29,575.78 deposit into INCA-PAC's account, on March 2, 1989. Following the "reimbursement" by TRG, INCA-PAC amended its reports to show only \$119.85 in operating expenses paid for 1988. Because TRG's "reimbursement" occurred after the thirty days allowed by the Regulations, a minimum of \$11,865.15 of the funds (the amount used to reimburse for past operating expense disbursements) would constitute a prohibited contribution, and as such would be a violation of the Act.

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In determining this issue, the Court noted that it was "entirely permissible" for the Commission to consider the corporation's charter and bylaws. Id. at 205. Applying the standard set forth in NRWC, the Commission has considered whether such persons declared to be "members" maintain "some right to participate in the governance of the organization and some obligation to help sustain the organization through regular financial contributions of a predetermined minimum amount." Advisory Opinion 1987-31; see also AOs 1985-11, 1984-33, and 1984-22.

1. Timing issue

Determination of the time at which one actually becomes a member is somewhat of a novel issue for the Commission. The Regulations state that it is permissible for a collecting agent

to "include a solicitation for voluntary contributions to a separate segregated fund in a bill for membership dues."

11 C.F.R. § 102.6(c)(2). However, such solicitations may only be made to "those persons permitted to be solicited under 11 C.F.R. part 114." Id. Part 114 of the Regulations state that "Members means all persons who are currently satisfying the requirements for membership in a membership organization, trade association, cooperative, or corporation without capital stock...." 11 C.F.R. § 114.1(e) (emphasis added).

INCA solicits for contributions to INCA-PAC simultaneous with its solicitation for membership into the organization. The form which an applicant must fill out and submit for membership also contains the solicitation for INCA-PAC. In fact, INCA states that "[t]he persons solicited by INCA were not members of INCA, but, rather, were joining INCA and making a voluntary contribution to INCA-PAC." (emphasis in original). INCA's solicitation materials are distributed by "[i]nsurance industry professionals and other individuals interested in INCA...to their policyholders."

Simultaneous solicitation is not permitted because the Act and Regulations require that a person become a member before being solicited. If simultaneous solicitation for initial membership and a contribution to a separate segregated fund were allowed, an organization could solicit anyone for a contribution to its separate segregated fund, as long as it simultaneously solicits for membership in the connected organization. The requirement for membership in order to solicit contributions

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would be eviscerated.

The means of solicitation used by INCA is clearly different from that allowed by 11 C.F.R. § 102.6(c)(2). The simultaneous action permitted by the Regulations is intended for an organization's convenience of billing existing members, not for the purpose of simultaneously soliciting for membership into the connected organization and for contributions to its separate segregated fund. Further, because INCA requires payment of only a one-time, lifetime membership fees, and does not later solicit for further contributions, the provisions of 11 C.F.R. § 102.6(c)(2) would never be applicable to INCA's scheme of solicitation.

INCA's method of solicitation can also be analogized to the situation where corporate approval to solicit its personnel is granted simultaneous with contributions made. Like corporate approval, membership requires active measures. In essence, becoming a member is equivalent to prior approval for solicitation; one must be a member in order to be solicited, just as one must obtain corporate approval in order to solicit.

In the situation requiring corporate approval, the Commission has stated that corporate approval for solicitation is required "prior to, not simultaneously with, the donation." AO 1979-15; see also 11 C.F.R. § 114.8(d). Likewise, the intentions of the Regulations and the Commission would require membership of a solicitee prior to, not simultaneous with, solicitation for contributions to a separate segregated fund.

The solicitation method of INCA for contributions to its

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separate segregated fund is not proper, because the timing of solicitation does not comport with the requirements of 2 U.S.C. § 441b. This method of solicitation has been used by Respondents since their inception and is currently being used. Therefore, all funds already raised by Respondents and all future funds raised by such methods are tainted because Respondents' scheme of solicitation violates the Act.

2. Financial obligation issue

In NRWC, the United States Supreme Court stated that a nonprofit corporation without capital stock was limited to soliciting funds from its "members." 459 U.S. at 198. The Court stated that "some relatively enduring and independently significant financial or organizational attachment is required to be a 'member' under 2 U.S.C. § 441(b)(4)(C)." Id. at 204. The Commission has determined that, in order for persons to be considered "members," those persons must have "some obligation to help sustain the organization through regular financial contributions of a predetermined minimum amount." AO 1987-31; see also AOs 1985-11, 1984-33, and 1984-22.

INCA "membership" requires payment of only a one-time membership fee for a lifetime membership.² According to INCA,

2. INCA has recently added an alternative method of payment for lifetime membership dues. This method allows for a deduction of a \$1.00 monthly deduction from the cash value of the applicant's life insurance policy, "for the life of the contract." Nevertheless, even this means of payment requires no solicitation beyond the initial simultaneous solicitation for membership dues and a contribution. The applicant agrees to the monthly deductions for an INCA-PAC contribution at the time he applies for membership in INCA.

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"[t]here are no requirements or duties of INCA members, except that they must pay a \$25.00 membership fee." Attachment 10, Answer 8b. On one previous occasion, the Commission allowed solicitation of life members. AO 1987-5. However, the facts in that Advisory Opinion are distinguishable from those presented here.

In AO 1987-5, the American Speech-Language-Hearing Association desired to continue soliciting those members who had been granted "life member" status. This class of members was composed of individuals who had paid regular dues for at least 10 consecutive years immediately preceding the year they attained 65 years of age or older; at which time, they were no longer required to pay annual dues, but retained all the privileges of regular members. The Commission determined that these individuals had "made a substantial financial commitment to the Association, effectively prepaying a lifetime dues obligation by the payments they made in the...qualifying period." Id.

It is fairly easy to resolve that a one-time assessment of only \$25 does not constitute an "obligation to help sustain the organization through regular financial contributions of a predetermined minimum amount." The situation in which the Commission allowed solicitation of "lifetime members" is clearly not applicable to INCA's "lifetime membership" scenario. INCA "members" pay dues only one time, and the amount paid is unsubstantial. Thus, those solicited by INCA would not be "members" as defined by NRWC and subsequent standards set by

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the Commission.

Additionally, a person is not considered a member under the definition of the Regulations if the only requirement for membership is a contribution to a separate segregated fund.

11 C.F.R. § 114.1(e). Many of the past versions of Respondents' solicitation materials stated that the applicant wished to "join INCA and support NINPAC" with a combined fee paid for both. Although INCA has now corrected this flaw by separating the membership fee from the contribution, it is clear that the sole focus of INCA is to raise funds for INCA-PAC.

Further, all versions of the INCA bylaws, including the current one, indicate that "members" consists of "those individuals, business organizations, and other legal persons and entities who have made contributions at any time to the Corporation to enable it to achieve its purposes." Thus, with the one-time lifetime membership fee serving as the only financial obligation, and the contribution being made at the time one becomes a "member", it is clear that the sole purpose of "membership" to INCA is to obtain contributions for INCA-PAC.

3. Governance issue

In NRWC, the Court concluded that those solicited by NRWC had insufficient attachments to qualify as members of the corporation, in part because "members play[ed] no part in the operation or administration of the corporation;" members did not elect corporate officials; and there were no membership meetings. 459 U.S. at 206. The Commission has stated that "the membership relationship must be evidenced by the existence of

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rights and obligations vis-a-vis the corporation." AO 1977-67.

INCA has stated that the only requirement or duty of a "member" is to pay the \$25 fee. INCA states that the benefits and privileges of membership are receipt of newsletter, eligibility for purchase of group insurance, and representation of members' interest by lobbyists.

Respondents stated that "INCA members do not have voting rights for electing officers or directors." A recent change made to the bylaws on April 17, 1991 provides that Directors are to be elected by the majority of members present at annual meetings. However, the amended bylaws also have retained the provision that "members shall not be entitled to vote on any matters affecting the Corporation...." Prior to the change, the board was clearly self-perpetuating.

INCA claims to have notified its members of annual meetings for the past two years. Nevertheless, no members, other than the board members themselves, have ever been present and voting at those meetings. There is no evidence that members are afforded any other means of participation in the organization. Further, no "member" participation has ever actually occurred.

Therefore, there is reason to believe that all of INCA's past solicitations for contributions to INCA-PAC violated 2 U.S.C. § 441b. Further, there is reason to believe that continued solicitation by INCA for contributions to INCA-PAC, under the current organizational structure and procedures, would violate 2 U.S.C. § 441b.

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 6, 1992

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Ronald E. Moser, President
General Services Life Holding Corp.
4333 Edgewood Road, N.E.
Cedar Rapids, IA 52499

RE: MUR 3183
General Services Life Holding
Corporation, as successor in
interest to The Regan Group
Insurance Marketing Company

Dear Mr. Moser:

On February 25, 1992, the Federal Election Commission found that there is reason to believe General Services Life Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"), and 11 C.F.R. § 114.5(b), a provision of the regulations pertaining to the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against your corporation. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against your corporation, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter.

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Ronald E. Moser, President
Page 2

Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have enclosed a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Tonda M. Mott, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,

Joan D. Aikens

Joan D. Aikens
Chairman

Enclosures

Factual and Legal Analysis
Procedures
Designation of Counsel Form

94030964761

FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

MUR # 3183

RESPONDENT: General Services Life Holding Corporation,
as successor in interest to
The Regan Group Insurance Marketing Company¹

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities.

The Act prohibits corporations from contributing to campaigns or making campaign-related expenditures, including contributions made by a corporation to a separate segregated fund. 2 U.S.C. § 441b(a). It is unlawful for any corporation to make a contribution to or expenditure for a Federal candidate in connection with an election, primary, political convention, or caucus. However, corporations are allowed to pay for the costs of soliciting contributions to their own separate segregated fund. 2 U.S.C. § 441b(b)(2)(C); 11 C.F.R. § 114.5(b). If a corporation is reimbursing its separate segregated fund for expenses incurred in solicitation, such reimbursement must occur "no later than thirty calendar days after the expense was paid by the separate segregated fund." 11 C.F.R. § 114.5(b)(3).

This provision was recently upheld in FEC v. NRA Political Victory Fund, No. 90-3090, slip op., (D.C. Nov. 15, 1991).

1. On December 31, 1989, The Regan Group Insurance Marketing Company merged into and with General Services Life Holding Corporation.

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The Court stated that "[t]he regulations provide a reasonable window of time for transferring funds in the event that there has been an accounting error or that the decision is made to shift the burden of solicitation expenses." Id. at 4. The Court goes on to state that "[t]here is no legal basis for ignoring or overturning this regulation." Id. at 4-5.

The Regan Group Insurance Marketing Company ("TRG") was a corporation owned and operated by John D. Regan, president of INCA and INCA-PAC. On March 2, 1989, TRG made a deposit, in the amount of \$29,575.78, into the INCA-PAC account, which Respondents termed as a "capital contribution...on behalf of INCA to cover certain administrative expenses...which had been previously paid by INCA from funds that should have been transferred to INCA-PAC."

According to the Commission records, INCA-PAC never registered TRG as a connected organization. Because TRG is not a connected organization, it could not make a "reimbursement" to cover solicitation expenses, nor could it directly pay for solicitation expenses. Thus, the corporate contribution made by TRG as a "reimbursement" for solicitation expenses is a violation of 2 U.S.C. § 441b(a), because TRG is not an entity which could make such a contribution.²

2. Further, even if the "reimbursement" were allowable, TRG did not make its contribution within the 30 days allowed by the Regulation. According to the FEC reports filed by INCA-PAC, INCA-PAC disbursed \$11,985 for operating expenses in 1988. TRG made its "reimbursement," subsumed within the \$29,575.78 deposit into INCA-PAC's account, on March 2, 1989. Following the "reimbursement" by TRG, INCA-PAC amended its reports to show only \$119.85 in operating expenses paid for 1988. Because TRG's

Further, according to information submitted by INCA, "prior to 1988, INCA's solicitation expenses were directly paid for by The Regan Group." Attachment 4, Answer 2. A corporation may use its general treasury monies to pay the establishment, administrative and solicitation costs of its own separate segregated fund. 11 C.F.R. § 114.5(b). However, because TRG is not the connected organization of INCA-PAC, all solicitation costs directly paid by TRG constitute a violation of the Act and Regulations.

Therefore, there is reason to believe that General Services Life Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a), by making the March 2, 1989 transfer of funds to INCA-PAC and violated 11 C.F.R. § 114.5(b) by directly paying the solicitation costs of INCA-PAC prior to 1988.

(Footnote 2 continued from previous page)
"reimbursement" occurred after the thirty days allowed by the Regulations, a minimum of \$11,865.15 of the funds (the amount used to reimburse for past operating expense disbursements) would constitute a prohibited contribution, and as such would be a violation of the Act.

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FAX 301-539-0489

117 BAY STREET
EASTON, MARYLAND 21821
301-830-4460
FAX 301-830-4463

JOHN J. DUFFY
202-661-3938

1200 NINETEENTH STREET, N.W.
WASHINGTON, D.C. 20036-2430
202-661-3900
FAX 202-223-2085

31 WEST 82ND STREET
NEW YORK, NEW YORK 10016
212-281-2000
FAX 212-281-2001

14 AUSTIN FRANKS
LONDON EC2M 8HE
071-636-3633
FAX 071-636-4008

March 24, 1992

VIA TELECOPY

Tonda M. Mott, Esq.
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20461

Re: MUR 3183

Dear Ms. Mott:

I enclose for your information a copy of a Statement of Designation of Counsel confirming my representation of GSL Holding Corp. in the above-referenced matter.

Please correct your records to reflect that my client's name is GSL Holding Corp., rather than General Services Life Holding Corporation, as indicated in your MUR.

My client received Ms. Aikens' letter dated March 6, 1992 on March 16, 1992; consequently, our time to respond ends on March 31, 1992. On behalf of GSL Holding Corp., therefore, I request a 10-day extension of time up to April 10, 1992 to respond to the Commission's reason to believe finding.

Sincerely,

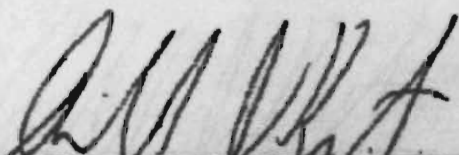
John J. Duffy

JJD:cpm

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STATEMENT OF DESIGNATION OF COUNSEL

John J. Duffy, Esq., Piper & Marbury, 1200 19th Street, N.W., Washington, D.C. 20036, (202)861-3938, is hereby designated as counsel for GSL Holding Corp., respondent in MUR 3183, and is authorized to receive any notification or other communication from the Commission and to act before the Commission on its behalf in the above-referenced matter.


Richard J. Rypta, Esq.
Vice President and General Counsel
GSL Holding Corp.
2199 S. McDowell Extension
Petaluma, CA 94954
(707)762-6525

Dated: _____

3/23/92

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 27, 1992

John J. Duffy, Esq.
Piper & Marbury
1200 Nineteenth Street, N.W.
Washington, D.C. 20036-2430

RE: MUR 3183
General Services Life
Holding Corporation, as
successor in interest to
The Regan Group Insurance
Marketing Company

Dear Mr. Duffy:

This is in response to your letter dated March 24, 1992, which we received on March 24, 1992, requesting an extension of 10 days to respond to the Commission's finding in MUR 3183. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on April 10, 1992.

If you have any questions, please contact me at
(202) 219-3400.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tonda M. Mott", is written over a horizontal line.

Tonda M. Mott
Attorney

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WR 3183

O.G.C. 4664

PIPER & MARBURY

1200 NINETEENTH STREET, N.W.
WASHINGTON, D. C. 20036-2430
202-861-3900
FAX: 202-223-2085

JOHN J. DUFFY
202-861-3938

BALTIMORE
NEW YORK
PHILADELPHIA
LONDON
EASTON, MD

92 APR 10 AM 11:27

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

April 10, 1992

VIA TELECOPY

Tonda M. Mott, Esq.
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20461

Re: MUR 3183

Dear Ms. Mott:

In light of the need to gather further information to complete our response, we request, on behalf of GSL Holding Corp., an additional 10-day extension of time, up to and including April 20, 1992, in which to respond to the Federal Election Commission's reason to believe finding.

Sincerely,

John J. Duffy

JJD:cpm

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

April 14, 1992

FACSIMILE and
CERTIFIED MAIL

John J. Duffy, Esq.
Piper & Marbury
1200 Nineteenth Street, N.W.
Washington, D.C. 20036-2430

Re: MUR 3183

Dear Mr. Duffy:

This is in response to your letter dated April 10, 1992, which we received on April 10, 1992, requesting an additional extension of 10 days to respond to the Commission's finding regarding your client, GSL Holding Corp. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on April 20, 1992. No further extensions will be granted.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tonda M. Mott", is written over a horizontal line.

Tonda M. Mott
Attorney

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PIPER & MARBURY

1200 NINETEENTH STREET, N.W.
WASHINGTON, D. C. 20036-2430
202-861-3900
FAX: 202-863-2083

JOHN J. DUFFY
202-861-3938

BALTIMORE
NEW YORK
PHILADELPHIA
LONDON
EASTON, MD

92 APR 20 AM 5:00

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

April 20, 1992

VIA TELECOPIER

Tonda M. Mott, Esq.
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20461

Re: MUR 3183

Dear Ms. Mott:

On behalf of GSL Holding Corp., we submit the following response to the General Counsel's Factual and Legal Analysis in the above-referenced matter. For the reasons given below we urge the Commission to close the file on this matter without further action.

The General Counsel recognizes in his Factual and Legal Analysis that GSL Holding Corp. had no involvement in the alleged violations that form the basis of this MUR and that GSL Holding Corp. has been made the subject of this enforcement action only because it subsequently absorbed TRG, the perpetrator of the alleged violations, in a merger. The General Counsel fails to explain, however, why vicarious liability should be imposed in the circumstances of this case.

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Tonda M. Mott, Esq.
Page 2
April 20, 1992

PIPER & MARBURY

The role that successor liability should play in penalty proceedings, such as the Commission's civil enforcement process, is hotly debated, and even when sanctions have been imposed on successor corporations, the courts have not automatically done so, but have considered whether or not to impose sanctions in light of the purpose to be served by the sanctions in that particular case. The concept of "successor" liability derives from principles of tort and does not have, and the Commission should not give it, a necessary application in its proceedings.

Although GSL Holding Corp. was not a party to the actions of TRG, as described in the General Counsel's Factual and Legal Analysis, and does not adopt them, in light of the General Counsel's proposal to hold GSL Holding Corp. vicariously liable for these actions of TRG, we offer the following objections to his legal conclusion.

The General Counsel states in his Factual and Legal Analysis that TRG made a deposit, in the amount of \$29,375.78, into the INCA-PAC account. He also notes that "INCA and INCA-PAC have termed this as a capital contribution. . . on behalf of INCA to cover certain administrative expenses. . . which had been previously paid by INCA from funds that should have been transferred to INCA-PAC". The General Counsel then concludes that because TRG is not INCA's connected

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Tonda M. Mott, Esq.
Page 3
April 20, 1992

PIPER & MARBURY

organization, TRG could not reimburse INCA-PAC for its solicitation expenses.^{1/} As the quoted language indicates, however, TRG's transfer of funds to INCA-PAC did not constitute a "reimbursement" to cover solicitation expenses paid initially by INCA-PAC. TRG transferred money to INCA-PAC to reimburse INCA-PAC for certain contributions to INCA-PAC that INCA had received as INCA-PAC's agent, but had never forwarded to INCA-PAC. INCA had used these monies to pay INCA's own expenses, primarily accounting costs. In other words, TRG was not reimbursing INCA-PAC for "solicitation" expenses previously paid by INCA-PAC, but was transferring to INCA-PAC the value of contributions made to INCA-PAC that had been received by INCA, but never forwarded to INCA-PAC.

The Federal Election Campaign Act of 1971, as amended (the "Act"), does not prohibit TRG from making "capital contributions" or other payments to INCA to: (1) defray other INCA expenses; or (2) permit INCA to repay monies borrowed from INCA-PAC to pay INCA expenses. TRG's payment to INCA-PAC does not constitute a prohibited "contribution" to INCA-PAC because it is was not made "for the purpose of influencing a federal

^{1/} The General Counsel also notes that any reimbursement of solicitation expenses must occur within 30 days of the date the expenses were incurred. Since the monies paid were not a "reimbursement" for "solicitation" expenses, this provision of the regulation is irrelevant.

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Tonda M. Nott, Esq.
Page 4
April 20, 1992

PIPER & MARBURY

election," but solely for the purpose of reimbursing INCA-PAC for monies borrowed from INCA-PAC by INCA.

The General Counsel also asserts that prior to 1988, INCA's solicitation expenses were directly paid by TRG, and that the payment of such expenses by TRG, which was neither INCA-PAC's connected organization, nor a member of INCA, was a violation of the Act. INCA's solicitations of contributions to INCA-PAC, however, accompanied INCA's solicitations of potential new members. INCA's solicitation of potential new members is not regulated by the Act and monies for this effort can be received from any source, including TRG. Any additional cost to INCA, and TRG, of the solicitation of contributions to INCA-PAC would appear to be de minimis.

Sincerely,

John J. Duffy

JJD:cpm

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PIPER & MARBURY

1200 NINETEENTH STREET, N.W.
WASHINGTON, D. C. 20036-2430EO2-861-3900
FAX EO2-223-2085JOHN J. DUFFY
202-861-3936BALTIMORE
NEW YORK
PHILADELPHIA
LONDON
EASTON, MD

April 21, 1992

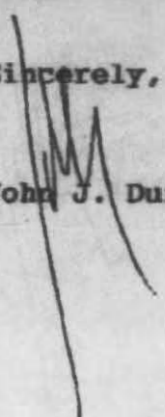
VIA TELECOPIERTonda M. Mott, Esq.
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20461Re: MUR 3183

Dear Ms. Mott:

I am writing on behalf of GSL Holding Corp. to request
a meeting to discuss preprobable cause conciliation.

Please call me at your earliest convenience to
schedule a mutually satisfactory time.

Sincerely,


John J. Duffy

JJD:cpm

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)

GSL Holding Corp.,¹ as successor)
in interest to The Regan Group)
Insurance Marketing Company)

MUR 3183

SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On February 25, 1992, the Commission found reason to believe GSL Holding Corporation ("Respondent" or "GSL"), as successor in interest to The Regan Group Insurance Marketing Company ("TRG"), violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.5(b).² This Office did not recommend, at that time, to enter into pre-probable cause conciliation with GSL.

Following notification of the Commission's action, this Office received a response from GSL on April 20, 1992. Attachment 2. This response requested that the Commission take no further action against GSL. The following day, counsel for Respondent requested a meeting with this Office to discuss the

1. By letter dated March 24, 1992, counsel for Respondent informed this Office that his "client's name is GSL Holding Corp., rather than General Services Life Holding Corporation, as indicated in [the] MUR." Attachment 1.

2. On the same day, the Commission voted to enter into pre-probable cause conciliation with the other Respondents in this matter, Insurance Coalition of America, Inc. ("INCA") and Insurance Coalition of America ("INCA-PAC") and John D. Regan, as treasurer. The Commission had previously, on November 27, 1990, found reason to believe that INCA had violated 2 U.S.C. §§ 432(b)(2) and 441b(a); and INCA-PAC and John D. Regan, as treasurer, violated 2 U.S.C. §§ 434(a)(4)(A), 433(a), 432(h), 432(b)(2) and 441b of the Act.

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Respondent's possible interest in entering into pre-probable
cause conciliation.

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Nevertheless, this Office recommends that the Commission
approve entering into conciliation with the Respondent.
Thus, this Office recommends that the Commission reject the
Respondent's request to take no further action.

This Office
recommends that the Commission approve the attached proposed
conciliation agreement drafted by this Office. Attachment 5.

II. DISCUSSION OF CIVIL PENALTY

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III. RECOMMENDATIONS

1. Enter into conciliation with GSL Holding Corp., as successor in interest to The Regan Group Insurance Marketing Company, prior to a finding of probable cause to believe.
2. Reject the request of GSL Holding Corp. to take no further action.
3. Approve the attached conciliation agreement (Attachment 5) and the appropriate letter.

Lawrence M. Noble
General Counsel

Date

6/1/92

BY:

Lois G. Verner
Associate General Counsel

94030964778

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
GSL Holding Corp., as successor) MUR 3183
in interest to The Regan Group)
Insurance Marketing Company.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on June 5, 1992, the Commission decided by a vote of 6-0 to take the following actions in MUR 3183:

1. Enter into conciliation with GSL Holding Corp., as successor in interest to The Regan Group Insurance Marketing Company, prior to a finding of probable cause to believe.
2. Reject the request of GSL Holding Corp. to take no further action.
3. Approve the conciliation agreement (Attachment 5) and the appropriate letter, as recommended in the General Counsel's Report dated June 1, 1992.

Commissioners Aikens, Elliott, McDonald, McGarry, Potter and Thomas voted affirmatively for the decision.

Attest:

6-5-92
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Mon., June 1, 1992 5:17 p.m.
Circulated to the Commission: Tues., June 2, 1992 11:00 a.m.
Deadline for vote: Fri., June 5, 1992 4:00 p.m.

dr

94030964779



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 10, 1992

John J. Duffy, Esq.
Piper & Marbury
1200 Nineteenth Street, N.W.
Washington, D.C. 20036-2430

RE: MUR 3183

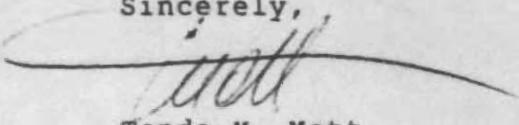
Dear Mr. Duffy:

On February 25, 1992, the Federal Election Commission found reason to believe that your client, GSL Holding Corp., as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.5(b). At your request, on June 5, 1992, the Commission determined to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If your client agrees with the provisions of the enclosed agreement, please sign and return it, along with the civil penalty, to the Commission. In light of the fact that conciliation negotiations, prior to a finding of probable cause to believe, are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

If you have any questions or suggestions for changes in the agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact me at (202) 219-3400.

Sincerely,


Tonda M. Mott
Attorney

Enclosure
Conciliation Agreement

94030964780

BEFORE THE FEDERAL ELECTION COMMISSION

SENSITIVE

In the Matter of

GSL Holding Corp., as successor
in interest to The Regan Group
Insurance Marketing Company

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MUR 3183

GENERAL COUNSEL'S REPORT

On February 25, 1992, the Commission found reason to believe GSL Holding Corporation ("Respondent" or "GSL"), as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.5(b). On June 5, 1992, the Commission voted to enter into pre-probable cause conciliation with GSL and approved a proposed conciliation agreement

With negotiations at a standstill, this Office will proceed to the next stage of the enforcement process and will prepare and forward a General Counsel's Brief.

Date

9/1/92

Lawrence M. Noble
General Counsel

Attachment (1)

94030964781



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 5, 1992

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

John J. Duffy, Esq.
Piper & Marbury
1200 Nineteenth St., N.W.
Washington, D.C. 20036-2430

RE: MUR 3183

Dear Mr. Duffy:

On February 25, 1992, the Commission found reason to believe GSL Holding Corporation ("GSL"), as successor in interest to The Regan Group Insurance Marketing Company violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.5(b). On June 5, 1992, the Commission voted to enter into pre-probable cause conciliation with GSL.

Therefore, with further negotiation at a standstill, this Office will proceed to the next stage of the process. In this respect, please have your client respond to the enclosed Interrogatories and Request for Production of Documents. It is required that you submit all answers to questions under oath within 30 days of your receipt of this request.

If you have any further questions, please contact me at (202) 219-3400.

Sincerely,

Tonda M. Mott
Attorney

Enclosure
Interrogatories and Request for Documents

94030964782

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

)
)
)
)

MUR 3183

INTERROGATORIES AND REQUEST
FOR PRODUCTION OF DOCUMENTS

TO: GSL Holding Corp., as successor
in interest to The Regan Group
Insurance Marketing Company

In furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby requests that you submit answers in writing and under oath to the questions set forth below within 30 days of your receipt of this request. In addition, the Commission hereby requests that you produce the documents specified below, in their entirety, for inspection and copying at the Office of the General Counsel, Federal Election Commission, Room 659, 999 E Street, N.W., Washington, D.C. 20463, on or before the same deadline, and continue to produce those documents each day thereafter as may be necessary for counsel for the Commission to complete their examination and reproduction of those documents. Clear and legible copies or duplicates of the documents which, where applicable, show both sides of the documents may be submitted in lieu of the production of the originals.

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INSTRUCTIONS

In answering these interrogatories and request for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

94030964784

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondent in this action to whom these discovery requests are addressed, including all officers, employees, agents or attorneys thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

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QUESTIONS

1. Provide copies of all documents relating to the December 31, 1989 merger of The Regan Group and GSL Holding Corporation, (the "merger") including, but not limited to, contracts between the parties, correspondence between the parties, and proxy notices.
2. Provide copies of all articles of incorporation and bylaws of GSL in effect from November 1, 1989 to present.
3. State whether the merger involved any sale or exchange of stock.
4. Provide the names of all GSL shareholders, past and present, since December 31, 1989.
5. Provide the names of all members of the board of directors and all officers of GSL, past and present, since December 31, 1989.

94030964786

BROBECK, PHLEGER & HARRISON

ATTORNEYS AT LAW

SPEAR STREET TOWER

ONE MARKET PLAZA

SAN FRANCISCO, CALIFORNIA 94105

FACSIMILE: (415) 442-1010

TELEX: INT'L 5771160 BPH UW DOMESTIC 34220 BPH SFO

TELEPHONE: (415) 442-0900

LOS ANGELES OFFICE
444 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90017
(213) 489-4060

SAN DIEGO OFFICE
550 WEST C STREET
SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1966

PALO ALTO OFFICE
TWO ENBARCADERO PLACE
2200 GENG ROAD
PALO ALTO, CALIFORNIA 94303
(415) 424-0180

NEWPORT BEACH OFFICE
4675 MACARTHUR COURT
SUITE 1000
NEWPORT BEACH, CALIFORNIA 92660
(714) 752-7535

October 22, 1992

VIA FEDERAL EXPRESS

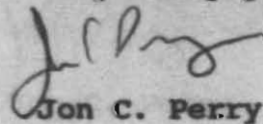
Tonda M. Mott, Esq.
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 3183 -- Insurance Coalition of America, Inc.
("INCA"), Insurance Coalition of America Political
Action Committee ("INCA-PAC"), and John D. Regan

Dear Ms. Mott:

At Michael M. Moore's request, I am sending you a copy of the Advisory Opinion Request which we have filed with Bradley Litchfield of your offices on behalf of INCA. We wish to thank you for your assistance in the advisory opinion request process.

Very truly yours,



Jon C. Perry

Enclosure

cc: Michael M. Moore, Esq.

RECEIVED
FEDERAL ELECTION
COMMISSION
MAIN COPY ROOM
OCT 23 10 19 AM '92

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
92 OCT 23 PM 3:06

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BROBECK, PHLEGER & HARRISON

LOS ANGELES OFFICE
444 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90017
(213) 488-4060

SAN DIEGO OFFICE
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SUITE 1300
SAN DIEGO, CALIFORNIA 92101
(619) 234-1966

ATTORNEYS AT LAW
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FACSIMILE (415) 442-1010
TELEX INT'L 6771160 BPH UW DOMESTIC 34228 BPH SFO
TELEPHONE (415) 442-0900

PALO ALTO OFFICE
TWO EMBARCADERO PLACE
2200 GENG ROAD
PALO ALTO, CALIFORNIA 94303
(415) 424-0160

NEWPORT BEACH OFFICE
4675 MACARTHUR COURT
SUITE 1000
NEWPORT BEACH, CALIFORNIA 92660
(714) 752-7535

October 21, 1992

VIA FEDERAL EXPRESS

Bradley Litchfield, Esq.
Associate General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Advisory Opinion Request

ADVISORY OPINION REQUEST

On behalf of Insurance Coalition of America ("INCA") we are writing to seek an advisory opinion from the Federal Elections Commission ("FEC") in order to confirm that INCA's proposed method of soliciting contributions from its members to an affiliated political action committee complies with Federal law.

FACTS

INCA is a non-profit corporation organized under the laws of the State of Texas. It was established in 1983 with the purpose of protecting and enhancing the interests of those who buy or sell any type of life, health, or annuity insurance product. INCA's members have an interest in the insurance industry as policyholders or insurance agents, and as INCA members they become eligible for certain group life insurance or annuity policies available through INCA to its members. Other benefits received by the members include the INCA Newsletter which is issued periodically and which informs them as to regulatory and legislative issues affecting insurance and annuity policies and the insurance industry as a whole. INCA's members interests are also represented in Washington D.C. by INCA's board of directors and lobbyists retained by INCA.

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Bradley Litchfield, Esq.
Federal Elections Commission
October 21, 1992

Page 2

The only duty imposed on INCA's members is contained in its By-Laws which require that contributions from each member must be paid in an amount not less than \$25.00.^{1/} INCA's By-Laws also provide that members are entitled to vote to elect the board of directors of INCA. These rights and obligations of INCA's members satisfy the requirements of Texas law^{2/} for membership in a Texas nonprofit corporation.

INCA has not been soliciting new members since June 15, 1992.

As a corollary to its activities, INCA has established a political action committee ("INCA-PAC"), a separate segregated fund to which INCA has been soliciting contributions from those of its members who are individuals. The definition of member for F.E.C. regulatory purposes is contained in 11 C.F.R. § 114.1 (e) ("Members means all persons who are currently satisfying the requirements for membership in a membership organization, trade association, cooperative, or corporation without capital stock. . .").

PROPOSED ACTION

The FEC regulations do not clearly exclude soliciting contributions from persons who become members simultaneously with their first contribution. Nevertheless, INCA recognizes the potential for abuse under the Federal election laws if any corporation were routinely permitted to seek new members and simultaneously solicit for political contributions. INCA proposes to use a two-step solicitation procedure (described more fully below) to ensure that solicitation of its members for contributions to INCA-PAC occurs only after the members have paid their dues and become members in good standing of INCA.

-
- ^{1/} INCA's current practice is to give the members an option to pay a lifetime membership fee in a lump sum of \$25.00 or have it deducted at the rate of \$1 per month from the cash values of a member's life insurance or annuity policy for the life of the contract.
 - ^{2/} Article 1396-1.02 of the Texas Non-Profit Corporation Act defines *member* as "one having membership rights in a corporation organized in accordance with the provisions of its articles of incorporation or its by-laws." Tex. Rev. Civ. Stat. Ann. art. 1396 (Vernon 1980).

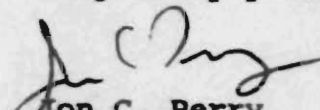
Bradley Litchfield, Esq.
Federal Elections Commission
October 21, 1992

Page 3

INCA proposes to solicit new members through the use of a membership application form (see Exhibit A hereto) that makes no reference to INCA-PAC. To solicit contributions to INCA-PAC, INCA would use a separate form (see Exhibit B hereto), which would be sent only to persons who already qualify as INCA members, i.e. individuals who have previously paid their dues (or agreed to the one dollar per month dues deduction procedure) and have filled out and signed a membership application. INCA and INCA-PAC believe that this procedure will comply with Section 316 of the Federal Election Campaign Act.^{3/}

We would appreciate your opinion as to whether the above described membership application and separate contribution solicitation form process accords with the requirements of applicable Federal law. If you have any questions pertaining to this matter please call me at (415) 442-1692 or Michael M. Moore, also of this firm, at (415) 442-1136.

Very truly yours,


Jon C. Perry

JCP\pjj

enclosures

^{3/} 2 U.S.C. § 441 (b)

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INCA / INCA-PAC -- Advisory Opinion Request
Exhibit A

THE
INSURANCE
COALITION
OF
AMERICA
(INCA)

94030964791

**INCA / INCA-PAC -- Advisory Opinion Request
Exhibit A**

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FEDERAL ELECTION COMMISSION

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Mail fees to:
The Insurance Coalition of America
Post Office Box 751145
Petaluma, CA 94975-1145
(707) 523-8493

Lobbyists:
Ginn, Edington, Wade & Sanders
Alexandria, VA

INCA / INCA-PAC -- Advisory Opinion Request
Exhibit A

Yes, I want to join INCA. I support its efforts to protect and enhance the interest of policyholders, consumers, and the traditional and special provisions relating to life, health, and annuity policies.

- ☐ Enclosed is \$25.00 for my Lifetime INCA Membership.
- ☐ Instead of enclosing the \$25.00 membership fee, I hereby authorize _____ to deduct \$1.00 a month from my cash values, for the life of the contract, and to transfer such monies to INCA. (name of company)

*Signature of member applicant _____
(Applications must be signed by the applicant)

Please type or clearly print the following information:

Name _____ Age _____
Address _____ Telephone _____
City _____ State _____ Zip _____

Please make all checks payable to INCA. Only personal checks and money orders from the applicant will be accepted. No cash please. Membership fees are non-refundable and not tax deductible. Returned checks are subject to a \$10.00 fee.

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INCA / INCA-PAC -- Advisory Opinion Request
Exhibit A

THE INSURANCE COALITION OF AMERICA

The Insurance Coalition of America (INCA) was established in 1983 as a 501C(6) non-profit organization based in Washington, DC with the purpose of protecting and enhancing the interests of those who buy or sell any type of life, health, or annuity insurance product. The impetus for INCA was the effort of the 98th Congress to simultaneously threaten the key policyholder provisions of: financed life insurance policies; annuities; group insurance; and the definition of insurance (the "Stark/Moore" proposals).

INCA fought these proposals nearly single-handedly while official industry groups such as NALU, AALU, ACLI, etc. watched from the sidelines . . . and while insurance companies refused to even notify policyholders of these onerous provisions. In spite of our lone quest, INCA was very successful in combating efforts to remove vital policyholder protections. Specifically, INCA thwarted the efforts of Congress to limit the interest deduction on life insurance borrowing by full deletion of this provision in the final legislation (the Tax Reform Act of 1984).

But that's yesterday. What's important is today and tomorrow. There are many in Washington who would entirely destroy the insurance industry as we know it today! The tax-free buildup of insurance contracts is in jeopardy. The tax-free nature of the death benefit is in jeopardy. In fact, there is really no life or health insurance product, or sales concept, that a consumer can purchase today, that hasn't been severely threatened with fundamental change or extinction!

The threatened changes affect not only the interest and livelihood of a couple of hundred thousand individuals who sell life, health, or annuity insurance products . . . but more importantly, the consumers of insurance products. That's hundreds of millions of Americans . . . and that's where the power is!

We need you to join INCA today. The membership fee is only \$25. If you are a producer, we need you to start selling your clients and prospects on joining TODAY. Make it a part of your sales and service process. If you do, you'll help insure the continuation of that sales and service process tomorrow. If you don't--?

So take the time TODAY to protect your future for tomorrow. DO IT NOW!

THE
INSURANCE
COALITION
OF
AMERICA
(INCA)

&

THE
INSURANCE
COALITION
OF AMERICA
POLITICAL
ACTION
COMMITTEE
(INCA-PAC)

INCA / INCA-PAC -- Advisory Opinion Request
Exhibit B

**[The INCA-PAC contribution form
will be accompanied by a message encouraging INCA members
to get involved in the political process
through contributions to INCA-PAC
that will be used to support candidates supportive of INCA's goals]**

**Mail contributions to:
The Insurance Coalition of America
Political Action Committee
Post Office Box 751145
Petaluma, CA 94975-1145
(707) 523-8493**

**Lobbyists:
Ginn, Edington, Wade & Sanders
Alexandria, VA**

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INCA / INCA-PAC -- Advisory Opinion Request
Exhibit B

Yes, as a member of INCA I wish to contribute to INCA-PAC. Enclosed is my \$ _____ voluntary contribution.
(amount)

(A \$20.00 contribution is suggested, but I understand that I am free to contribute more or less than the suggested contribution and that I will not be favored or disadvantaged by reason of the amount of my contribution or a decision not to contribute.)

*Signature of member contributor _____
(Applications must be signed by the contributor)

Please type or clearly print the following information:

Name _____ Age _____

Address _____ Telephone _____

City _____ State _____ Zip _____

Please make all checks payable to INCA-PAC. Only personal checks and money orders from the contributor will be accepted. No cash please. Contributions are non-refundable and not tax deductible. Returned checks are subject to a \$10.00 fee. Contributions to INCA-PAC are subject to the prohibitions and limitations of the Federal Election Campaign Act, as amended.

94030964797

PIPER & MARBURY

1800 NINETEENTH STREET, N.W.
WASHINGTON, D. C. 20036-2430
202-661-3900
FAX: 202-223-2085

JOHN J. DUFFY
202-661-3936

BALTIMORE
NEW YORK
PHILADELPHIA
LONDON
EASTON, MD

November 5, 1992

VIA TELECOPY

Tonda M. Mott, Esq.
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20491

Re: MUR 3183

Dear Ms. Mott:

I am seeking your consent for a 30-day extension of time to file our response to the Commission's Interrogatories and Request for Production of Documents in the above-reference matter. Our response is now due on November 5, and we request an extension up to and including December 5, 1992.

Sincerely,

John J. Duffy

JJD:cpm

94030964798



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

November 9, 1992

John J. Duffy
Piper & Marbury
1200 Nineteenth Street, N.W.
Washington, D.C. 20036-2430

RE: MUR 3183
General Services Life
Holding Corporation, as
successor in interest
to The Regan Group
Insurance Marketing
Company

Dear Mr. Duffy:

This is in response to your letter dated November 5, 1992, which we received on November 5, 1992, requesting an extension until December 5, 1992, to respond to Interrogatories and Request for Production of Documents. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. No further extensions will be granted. Accordingly, your response is due by the close of business on December 5, 1992.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Tonda M. Mott
Attorney

94030964799

PIPER & MARBURY

1200 NINETEENTH STREET, N.W.
WASHINGTON, D. C. 20036-2430
202-861-3800
FAX 202 225-2055

BALTIMORE
NEW YORK
PHILADELPHIA
LONDON
EASTON, MD

JOHN J. DUFFY
202-861-3938

December 7, 1992

VIA TELECOPY

Tonda M. Mott, Esq.
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20491

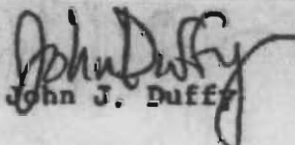
Re: MUR 3183

Dear Ms. Mott:

In order to provide most current data, I am seeking your consent for a one-week extension of time to file our response to the Commission's Interrogatories and Request for Production of Documents in the above-referenced matter. Our response is due today, and we request an extension up to and including December 14, 1992.

If you have any questions, please give me a call.

Sincerely,


John J. Duffy

JJD:cpm

94030964800



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 8, 1992

FACSIMILE

John J. Duffy, Esq.
Piper & Marbury
1200 Nineteenth St., N.W.
Washington, D.C. 20036-2430

RE: MUR 3183

Dear Mr. Duffy:

This is in response to your letter dated December 7, 1992, which we received on December 7, 1992. You are requesting an extension until close of business on December 14, 1992, to respond to the Interrogatories and Request for Production of Documents issued on October 5, 1992.

The response was originally due on November 5, 1992. On the day the response was due, you requested a 30-day extension. That request was granted, making the response due on December 5, 1992. In the letter advising you that your request had been granted, you were informed that no further extensions would be granted.

You have now requested, two days after the response was due, an additional extension of one week. This Office denies your request. You have been given 60 days to respond, you were advised that no further extensions would be granted, and your request is untimely. Therefore, this Office will seek a subpoena from the Commission for immediate production of the requested documents and answers to the questions.

If you have any further questions, please contact me at (202) 219-3400.

Sincerely,

Tonda M. Mott
Attorney

94030964801

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

GSL Holding Corp., as successor
in interest to The Regan Group
Insurance Marketing Company

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) MUR 3183
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SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On February 25, 1992, the Commission found reason to believe GSL Holding Corporation ("GSL" or "the Respondent"), as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.5(b). On June 5, 1992, the Commission determined to enter into pre-probable cause conciliation with GSL.

Thus, on October 5, 1992, this Office notified the Respondent that it would proceed to the next stage of the process. At that time, this Office also sent Interrogatories and a Request for Documents.

The response to the Interrogatories and Request for Documents was originally due on November 5, 1992. On the day the response was due, Respondent's counsel requested a 30-day extension to respond. That request was granted, making the response due on December 5, 1992. In the letter advising counsel that the request had been granted, this Office informed counsel that no further extensions would be granted.

On December 7, 1992, two days after the response was due,

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this Office received, by facsimile letter, a request for an additional extension of one week or until close of business on December 14, 1992. On December 8, 1992, this Office advised counsel, by facsimile letter, that the request was denied, stating that counsel had been given 60 days to respond, counsel had been advised that no further extensions would be granted, and the request was untimely. The letter further advised counsel that this Office would seek a subpoena from the Commission for immediate production of the requested documents and answers to the questions.

This Office recommends that the Commission approve the attached subpoena and order to GSL Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, in order to compel an immediate response to the Interrogatories and Request for Production of Documents, which was sent to Respondent on October 5, 1992.

II. RECOMMENDATIONS

1. Authorize the attached subpoena and order to GSL Holding Corp., as successor in interest to The Regan Group Insurance Marketing Company.

2. Approve the appropriate letter.

Lawrence M. Noble
General Counsel

Date

12/11/92

BY:

Lois G. Lerner
Associate General Counsel

Attachments

Subpoena/Order (1)

Staff Assigned: Tonda M. Mott

94030964803

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

GSL Holding Corp., as successor
in interest to The Regan Group
Insurance Marketing Company.

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MUR 3183

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on December 17, 1992, the Commission decided by a vote of 5-0 to take the following actions in MUR 3183:

1. Authorize the subpoena and order to GSL Holding Corp., as successor in interest to The Regan Group Insurance Marketing Company.
2. Approve the appropriate letter, as recommended in the General Counsel's Report dated December 11, 1992.

Commissioners Aikens, Elliott, McDonald, Potter, and Thomas voted affirmatively for the decision; Commissioner McGarry did not cast vote.

Attest:

12-18-92
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Fri., Dec. 11, 1992 2:10 p.m.
Circulated to the Commission: Mon., Dec. 14, 1992 11:00 a.m.
Deadline for vote: Thurs., Dec. 17, 1992 4:00 p.m.

94030964804

OGC 7904

BEFORE THE FEDERAL ELECTION COMMISSION

DRAFT

In the Matter of

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)
)

MUR 3183

RESPONSE TO INTERROGATORIES AND
REQUEST FOR PRODUCTION OF DOCUMENTS

92 DEC 14 PM 4:33

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE

1. Provide copies of all documents relating to the December 31, 1989 merger of The Regan Group and GSL Holding Corporation, (the "merger") including, but not limited to, contracts between the parties, correspondence between the parties, and proxy notices.

Answer to Interrogatory No. 1

Enclosed please find copies of the Merger Agreement, Amendments to the Merger Agreement and a draft of the Notice of Special Meeting of Shareholders and Proxy Statement.

2. Provide copies of all articles of incorporation and bylaws of GSL in effect from November 1, 1989 to present.

Answer to Interrogatory No. 2

Enclosed please find all articles of incorporation and bylaws of GSL Holding Corp. in effect from November 1 to present.

3. State whether the merger involved any sale or exchange of stock.

Answer to Interrogatory No. 3

Yes, the merger involved an exchange of Class B Common Stock of GSL Holding Corp. for the Common Stock of The Regan Group Insurance Marketing.

4. Provide the names of all GSL shareholders, past and present, since December 31, 1989.

Answer to Interrogatory No. 4

Enclosed please find a list of all GSL Holding Corp. shareholders past and present.

94030964805

5. Provide the names of all members of the board of directors and all officers of GSL, past and present, since December 31, 1989.

Answer to Interrogatory No. 5

Directors:

Patrick S. Baird	John D. Regan
Larry G. Brown	Lynda L. Regan
Patrick E. Falconio	Douglas Thornsjo
Ronald F. Mosher	Virgil D. Wagner
Wayne N. Rawls	Donald W. Zierath

Officers:

Ronald F. Mosher	Patrick S. Baird
John D. Regan	Kenneth S. Carpenter
Douglas Thornsjo	Brenda K. Clancy
Donald J. Shepard	Robert J. Kontz
Patrick E. Falconio	Lynda L. Regan
Wayne N. Rawls	Craig D. Vermie
Virgil D. Wagner	

As of February 5, 1990:

John D. and Lynda L. Regan no longer officers.
Richard J. Kypta added as appointed officer.
Paul C. Carrol and William P. Squire added as advisory directors.

As of April 30, 1990:

Class A Directors:

Patrick S. Baird
Larry G. Brown
Patrick E. Falconio
Ronald F. Mosher
Virgil D. Wagner
Donald W. Zierath

Class B Directors:

Donald R. Williams
Richard P. Alexander
David E. Perrine
Harry B. Richardson

As of May 10, 1991:

Officers:

Ronald F. Mosher	Patrick S. Baird
Donald J. Shepard	Kenneth S. Carpenter
Patrick E. Falconio	Robert J. Kontz
Douglas Thornsjo	Richard J. Kypta
Wayne N. Rawls	Craig D. Vermie
Virgil D. Wagner	Waitee M. Jung, appointed

Class A Directors remained the same. Class B Directors Don Williams and Richard Alexander were

replaced by Omer T. Simeon and Beth B. Kennedy.
Advisory Directors remained the same.

As of March 18, 1992:

Officers:

Ronald F. Mosher	Patrick S. Baird
Patrick E. Falconio	Kenneth S. Carpenter
Douglas Thornsjo	Robert J. Kontz
Wayne N. Rawls	Richard J. Kypta
Thomas F. Mobley	Craig D. Vermie
	Kaitee M. Jung, appointed

Class A Directors:

Larry G. Brown	Douglas S. Pelton
Kenneth S. Carpenter	Allen W. Rightmyer
Patrick E. Falconio	Douglas Thornsjo
Richard J. Kypta	James R. Trefz
Ronald F. Mosher	Patrick S. Baird

As of August 27, 1992:

Richard R. Greer replaced James R. Trefz as
Class A Director.

I declare under penalty of perjury that the foregoing
is true and correct to the best of my knowledge and belief.

Richard J. Kypta

December 14, 1992

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THE REGAN GROUP INSURANCE MARKETING

201 Alameda del Prado
Novato, California 94949

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held on September 14, 1989

To the Shareholders
of The Regan Group Insurance Marketing:

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders of The Regan Group Insurance Marketing, a California corporation (the "Company"), will be held on Thursday, September 14, 1989 at 10:00 a.m. (Pacific time), in _____ (the "Special Meeting"), for the following purposes:

1. To consider and vote upon a proposal to approve an Agreement and Plan of Merger, dated as of January 1, 1989 (the "Merger Agreement") among the Company, GSL Holding Corp., an Iowa corporation ("GSLH"), and Cadet Holding Corp., an Iowa corporation and the immediate parent corporation of GSLH, pursuant to which, among other things:

(a) The Company would be merged with and into GSLH (the "Merger"), with GSLH continuing as the surviving corporation; and

(b) Each share of the Company's Common Stock, no par value ("TRG Common Stock"), outstanding immediately prior to the effective time of the Merger would be converted into and become exchangeable for, subject to certain potential adjustments described in the Merger Agreement, 2.23 shares of GSLH's Class B Common Stock, par value \$0.01 per share ("Class B Stock"), which will be issued outright and 1.77 shares of Class B Stock which will be held in escrow and released periodically thereafter to the present holders of TRG Common Stock provided that GSLH, in combination with its insurance company subsidiary, General Services Life Insurance Company, an Iowa corporation, meets certain financial goals in the period following the Merger and extending through at least December 31, 1992.

2. To approve and ratify a proposal to issue to John D. Regan, Chairman of the Company's Board of Directors, and Douglas Thorsjo, Chief Operating Officer of the Company, options to purchase up to a maximum of 4,667 and 2,333 shares of TRG Common Stock, respectively.

3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

A copy of the Merger Agreement is set forth as Appendix I to, and described in, the attached Proxy Statement. All references in the attached Proxy Statement to the Merger Agreement are qualified in their entirety by reference to the complete text of the Merger Agreement.

Only holders of TRG Common Stock of record at the close of business on August, 1989, the record date for the Special Meeting, are entitled to notice of and to vote at the Special Meeting.

In order to assure that your interests will be represented, whether or not you plan to attend the Special Meeting, please complete, sign, date and return the enclosed proxy card in the enclosed prepaid return envelope. You may revoke your proxy in the manner described in the attached Proxy Statement at any time before it has been voted.

BY ORDER OF THE BOARD OF DIRECTORS

Lynda L. Regan
Secretary

Novato, California
August, 1989

PLEASE DO NOT SEND IN ANY STOCK CERTIFICATES AT THIS TIME. IF THE MERGER IS CONSUMMATED, SHAREHOLDERS WILL BE FURNISHED INSTRUCTIONS FOR EXCHANGING THEIR SHARES FOR SHARES OF GSLH'S CLASS B STOCK.

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PROXY STATEMENT

THE REGAN GROUP INSURANCE MARKETING

201 Alameda del Prado
Novato, California 94949

SPECIAL MEETING OF SHAREHOLDERS

To Be Held on Thursday, September 14, 1989

INTRODUCTION

This Proxy Statement is being furnished to the holders ("TRG Shareholders") of Common Stock, no par value ("TRG Common Stock"), of The Regan Group Insurance Marketing, a California corporation (the "Company"), in connection with the solicitation of proxies by the Board of Directors of the Company (the "Board of Directors") for use at the Special Meeting of Shareholders of the Company to be held on Thursday, September 14, 1989 at 10:00 a.m. (Pacific time), in _____, and at any adjournment or postponement thereof (the "Special Meeting"). This Proxy Statement, the attached notice and the enclosed proxy card are first being mailed to TRG Shareholders on or about August 1, 1989.

At the Special Meeting, TRG Shareholders will be asked to consider and vote upon a proposal to approve an Agreement and Plan of Merger, dated as of January 1, 1989 (the "Merger Agreement") among the Company, GSLH Holding Corp., an Iowa corporation ("GSLH"), and Cadet Holding Corp., an Iowa corporation and the immediate parent corporation of GSLH ("Cadet"), pursuant to which the Company will be merged with and into GSLH (the "Merger"), with GSLH continuing as the surviving corporation.

Pursuant to the terms of the Merger Agreement, each share of TRG Common Stock outstanding immediately prior to the effective time of the Merger will be converted into and become exchangeable for, subject to certain potential adjustments described in the Merger Agreement, 2.23 shares of GSLH's Class B Common Stock, par value \$.01 per share, ("Class B Stock") which will be issued outright and 1.77 shares of Class B Stock which will be held in escrow and released periodically thereafter to the TRG Shareholders provided that GSLH, in combination with its insurance company subsidiary, General Services Life Insurance Company, an Iowa corporation ("General Services Life"), meets certain financial goals in the period following the Merger and extending through at least December 31, 1992.

The Board of Directors believes that the terms of the Merger are fair to the TRG Shareholders, and that the Merger is in the best interests of the Company and the TRG Shareholders. The Board of Directors unanimously recommends that the TRG Shareholders vote FOR approval of the Merger Agreement.

Consummation of the Merger is subject to certain conditions, including the approval of the Merger Agreement by the requisite vote of the TRG Shareholders. See THE MERGER—Merger Agreement.

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Conditions to the Merger." The Merger cannot be effected unless it is approved by the holders of at least one-half of all outstanding shares of TRG Common Stock. Persons who hold, have the right to vote or will otherwise direct the voting of 342,206.65 shares of TRG Common Stock aggregating approximately 62% of the outstanding shares of TRG Common Stock have indicated to the Company that they intend to vote such shares for the approval of the Merger Agreement. These persons consist of John D. Regan ("Mr. Regan") and Lynda L. Regan ("Mrs. Regan"), Chairman of the Board of the Company and Executive Vice President and Secretary of the Company, respectively, and certain other of the Company's executive officers and directors. Mr. and Mrs. Regan are related as husband and wife. See "VOTING RIGHTS AND PROXY INFORMATION."

TRG Shareholders who do not vote any or all of the TRG Common Stock which they are entitled to vote in favor of the Merger and who comply with the requirements of California law will, if the Merger is consummated, be entitled to rights of appraisal with respect to their shares of TRG Common Stock. See "RIGHTS OF DISSIDENTING SHAREHOLDERS."

At the Special Meeting, TRG Shareholders will also be asked to approve and ratify the proposed issuance to Mr. Regan and Douglas Thornsjo ("Mr. Thornsjo"), Chief Operating Officer of the Company, of options to purchase up to a maximum of 4,667 and 2,333 shares of TRG Common Stock, respectively (the "Stock Options"). The exact number of shares of TRG Common Stock to be subject to the Stock Options, which in no event will be less than 1,313 and 657, respectively, will be determined upon the resolution of certain disputes connected with a recent acquisition of an independent insurance brokerage organization involving both the Company and GSLH in which 5,030 shares of TRG Common Stock were to be issued as part of the total consideration paid. See "ISSUANCE OF STOCK OPTIONS TO EXECUTIVE OFFICERS."

The Board of Directors believes that it will be of key importance to the Company to retain the services of Messrs. Regan and Thornsjo as it approaches the finalization of the Merger and continues its business as a combined entity with GSLH. The Board of Directors further believes that the grant of these Stock Options will provide additional incentive for them to remain affiliated with the Company.

Applicable law does not require that the issuance of the Stock Options be approved in advance by the TRG Shareholders. However, because Mr. Regan is a member of the Board of Directors and Mr. Thornsjo is an executive officer of the Company, the Board of Directors has deemed it in the best interests of the Company to place the matter before the TRG Shareholders at the Special Meeting for approval. If the proposal is not approved by holders of at least one-half of the outstanding shares of TRG Common Stock represented and voted at the Special Meeting, the Stock Options will not be issued. Mr. and Mrs. Regan have agreed in advance to vote their shares of TRG Common Stock for and against the proposal in accordance with the votes cast by all other shareholders voting at the Special Meeting. See "VOTING RIGHTS AND PROXY INFORMATION." The Board of Directors makes no recommendation with respect to the approval of the issuance of the Stock Options.

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Addendum to Agreement and Plan of Merger
Among The Regan Group Insurance Marketing,
GSL Holding Corp., and Cadet Holding Corp.
as of January 1, 1989
("The Agreement")

This Addendum is made to clarify certain terms and references contained in Exhibit F to the Agreement. The term "company" as set forth in Exhibit F, refers to GSL Holding Corp. and its subsidiaries.

The provision for determination of Adjusted Book Value, as set forth in Exhibit F, as being equal to statutory capital and surplus as adjusted by paragraphs 1 - 6 applies to insurance company subsidiaries. For non-insurance subsidiaries, Adjusted Book Value will be calculated in accordance with generally accepted accounting principles (GAAP).

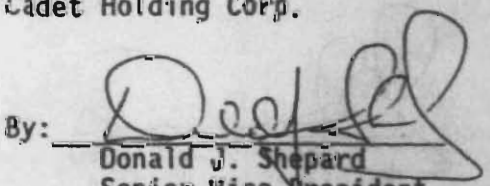
IN WITNESS WHEREOF, each of the parties has caused this Addendum to be executed on this 8 day of September, 1989.

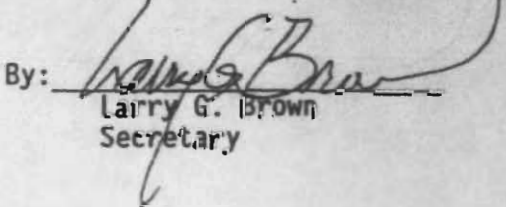
The Regan Group Ins. Marketing

By: 
John D. Regan, President

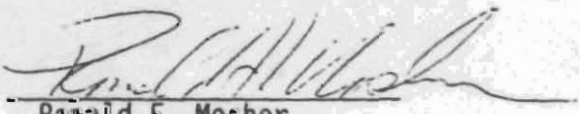
By: 
Lynda L. Regan, Secretary

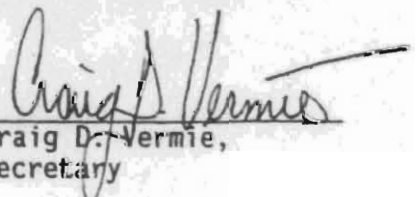
Cadet Holding Corp.

By: 
Donald J. Shepard
Senior Vice President

By: 
Larry G. Brown
Secretary

GSL Holding Corp.

By: 
Ronald F. Mosher,
Chairman of the Board

By: 
Craig D. Vermie,
Secretary

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ADDENDUM TO AGREEMENT AND PLAN OF MERGER
AMONG THE REGAN GROUP INSURANCE MARKETING,
GSL HOLDING CORP., AND CADET HOLDING CORP.
AS OF JANUARY 1, 1989
("THE AGREEMENT")

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This Addendum is made to clarify certain terms and references contained in Exhibit B to the Agreement.

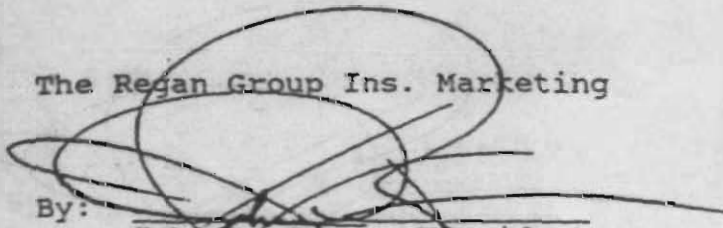
The provisions, as set forth in Exhibit B, in subsection (e) of Section 2 of Article 2 of the Articles of Incorporation of GSL Holding Corp. shall be revised to include the following language:

After a shareholder has held such stock for a period of five (5) consecutive years from the merger date, such shareholder shall have the right to demand that the corporation repurchase each year the greater of: (i) ten percent (10%) of the common stock held by such shareholder, or (ii) an amount that such shareholder could have demanded that the corporation repurchase during the prior year, subject to the restrictions set forth in Section 2(e)(ii) of this Article.

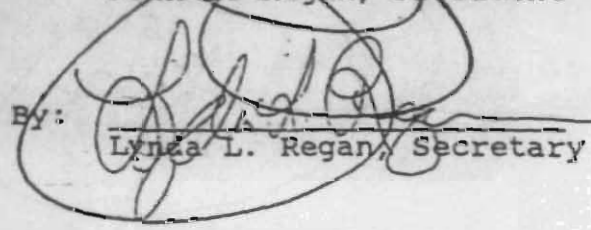
IN WITNESS WHEREOF, each of the parties has caused this Addendum to be executed on the 31st day of October, 1989.

The Regan Group Ins. Marketing

By:

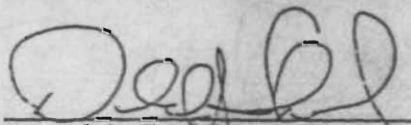

John D. Regan, President

By:

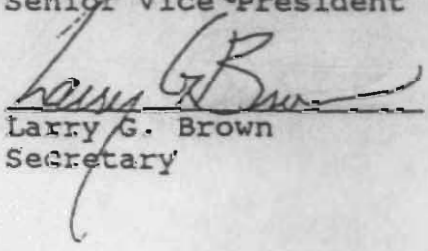

Lynne L. Regan, Secretary

Cadet Holding Corp.

By:

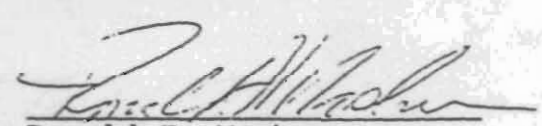

Donald J. Shepard
Senior Vice President

By:

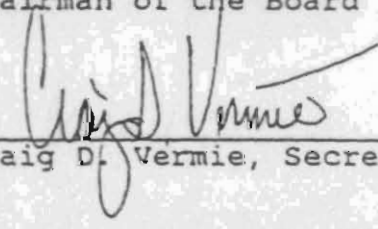

Larry G. Brown
Secretary

GSL Holding Corp.

By:


Ronald F. Mosher
Chairman of the Board

By:


Craig D. Vermie, Secretary

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AGREEMENT AND PLAN OF MERGER

AMONG

THE REGAN GROUP INSURANCE MARKETING

GSL HOLDING CORP.

AND CADET HOLDING CORP.

as of

January 1, 1989

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") dated as of January 1, 1989, by and among The Regan Group Insurance Marketing, a California corporation ("TRG"), GSL Holding Corp., an Iowa corporation ("GSL"; TRG and GSL are sometimes collectively referred to herein as the "Constituent Corporations") and Cadet Holding Corp., an Iowa corporation ("Cadet").

WITNESSETH:

WHEREAS, TRG is a corporation organized and existing under the laws of the State of California. The principal office of the corporation in the State of California is located at 201 Alameda del Prado, Novato, California 94949; and

WHEREAS, the authorized capital stock of TRG consists of 5,000,000 shares of common stock, no par value ("TRG Stock" or "TRG Shares"), of which 543,000 shares are presently issued and outstanding or reserved for issuance pursuant to outstanding stock options. Chapter 11 of the California General Corporation Law ("California Law") confers upon TRG the power to merge with a foreign corporation; and

WHEREAS, GSL is a corporation organized and existing under the laws of the State of Iowa. The principal office of the corporation in the State of Iowa is located at 4333 Edgewood Road N.E., Cedar Rapids, Iowa 52499; and

WHEREAS, the authorized capital stock of GSL consists of 2,000 shares of common stock, par value \$1,000 per share, each of which is presently issued and outstanding and held solely by Cadet. Section 496A.74 of the Iowa Business Corporation Act ("Iowa Law") confers upon GSL the power to merge with a foreign corporation; and

WHEREAS, Cadet is a corporation organized and existing under the laws of the State of Iowa. The principal office of the corporation in the State of Iowa is located at 4333 Edgewood Road N.E., Cedar Rapids, Iowa 52499; and

WHEREAS, Cadet is a wholly owned subsidiary of AUSA Life Insurance Company, an Iowa corporation ("AUSA"); and

WHEREAS, GSL is a wholly owned subsidiary of Cadet; and

WHEREAS, General Services Life Insurance Company, an Iowa corporation ("General Services Life"), is a wholly owned subsidiary of GSL; and

WHEREAS, the respective boards of directors of TRG and GSL deem it desirable and in the best interest of said corporations and their respective shareholders that TRG be merged with and into GSL (the "Merger"), with GSL continuing as the surviving corporation (the "Survivor Corporation"), upon the terms and subject to the conditions hereinafter set forth and in such a manner that the

Merger will constitute a tax free reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, it is agreed:

ARTICLE I

THE MERGER

SECTION 1.1 The Merger. On the Merger Date (as defined in Section 1.2 hereof), upon the terms and subject to the conditions set forth herein and in accordance with Iowa Law and California Law, TRG shall be merged with and into GSL, the separate corporate existence of TRG shall cease and GSL shall continue as the Survivor Corporation.

SECTION 1.2 Merger Date. As promptly as practicable after the satisfaction of the conditions set forth in Article IX hereof, the parties hereto shall cause the Merger to be consummated by delivering articles of merger in the form of Exhibit A hereto, executed in accordance with the relevant provisions of Iowa Law, to the Secretary of State of the State of Iowa (the "Secretary"). On the date of the filing of such articles of merger with the Secretary, the Merger shall be effected (the date of such filing of the articles of merger being referred to hereinafter as the "Merger Date").

SECTION 1.3 Effect of the Merger. On the Merger Date, the effect of the Merger shall be as provided by Iowa Law and California Law, respectively. Without limiting the generality of the foregoing, and subject thereto, on the Merger Date, the Survivor Corporation shall retain the corporate name GSL Holding Corp., with its identity, existence, purposes, powers, objects, franchises, rights and immunities continuing unaffected and unimpaired by the Merger except as altered herein. The corporate identity, existence, purposes, powers, objects, franchises, rights and immunities of TRG, including, but not limited to, the corporate name "The Regan Group Insurance Marketing," shall be wholly merged into the Survivor Corporation. All property, real, personal and mixed, and all debts due to either of the Constituent Corporations on whatever account, as well as all other choses in action, and all and every other interest of or belonging to either of the Constituent Corporations shall be taken by and deemed to be transferred to and vested in the Survivor Corporation without further act or deed; and all property and every other interest shall be thereafter the property of the Survivor Corporation as it was of the respective Constituent Corporations, and the title to any real estate or any interest therein, whether vested by deed or otherwise, in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger; provided, however, that all rights of creditors and all liens upon the property of either of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities, obligations and duties of the respective Constituent Corporations shall thenceforth attach to the Survivor Corporation, and may be enforced against the Survivor Corporation to the same extent as if said debts, liabilities, obligations and duties had been incurred or contracted by it. Any action or proceeding pending by or against either of the Constituent Corporations may be prosecuted to judgment as if the Merger had not taken place,

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or the Survivor Corporation may be substituted in place of either of the Constituent Corporations. The Constituent Corporations respectively agree that from time to time, when requested by the Survivor Corporation or by its successors or assigns, they will execute and deliver or cause to be executed and delivered all such deeds and instruments, and will take or cause to be taken all such further or other action, as the Survivor Corporation may deem necessary or desirable in order to vest in and confirm to the Survivor Corporation or its successors or assigns title to and possession of all the aforesaid property and rights and otherwise necessary to carry out the intent and purposes of this Agreement.

SECTION 1.4 Conversion of Shares.

(a) At the effective time of the Merger on the Merger Date: (i) each share of TRG Stock issued and outstanding immediately prior to the effective time of the Merger shall, subject to the terms of the immediately following sections, automatically, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become exchangeable for (A) 2.23 shares of Class B common stock, par value \$.01 per share, of the Survivor Corporation ("Class B Stock" or "Class B Shares") which shall be issued subject to the rights, preferences, privileges and restrictions relating to such shares as shall be set forth in GSE's Articles of Incorporation, which, as of the Merger Date, shall include provisions substantially in the form of the provisions set forth in Exhibit B hereto; and (B) 1.77 shares of Class B Stock which shall be immediately deposited in the Escrow Account, as hereinafter defined, and shall, in addition to the rights, preferences, privileges and restrictions relating to such shares as shall be set forth in GSE's Articles of Incorporation, be and remain subject to the escrow restrictions set forth in Article IV hereof; and (ii) each Dissenting Share, as hereinafter defined, shall be converted as provided in Section 1.5 hereof. The parties hereto acknowledge that the allocation set forth in subsection (i) of this Section 1.4(a) between those Class B Shares to be issued outright and those to be placed in the Escrow Account represents the best estimate made by the parties as of the date hereof. The actual allocation between those shares to be issued outright and those shares to remain subject to the escrow restrictions provided for herein shall be determined as of the Merger Date pursuant to the formula set forth in subsections (b) and (c) of Section 4.1 hereof (provided that such formula shall be adjusted such that the Earn-out Value, as hereinafter defined, as of the Merger Date shall be increased by \$1 million to reflect the value assigned by the parties to the TRG assets). The holders of TRG Stock who shall be entitled to receive shares of Class B Stock pursuant to this Section 1.4(a) are sometimes referred to herein alternatively as the "TRG Shareholders" or the "Class B Shareholders."

(b) At any time and from time to time after the Merger Date, each holder of an outstanding certificate which immediately prior to the effective time of the Merger represented a share of TRG Stock (a "Certificate") shall be entitled, upon the terms and the conditions set forth herein and upon the surrender of such Certificate or Certificates at the office of the Survivor Corporation in Novato, California, to receive in exchange therefor a certificate or certificates representing the number of shares of Class B Stock not subject to the escrow restrictions set forth herein into which the shares of TRG Stock theretofore represented by the Certificate or Certificates so surrendered shall have been converted pursuant to subsection (a) of this Section 1.4. Each such certificate representing

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shares of Class B Stock shall bear on its face a legend stating that the shares are subject to certain repurchase and transfer rights which are set forth in the Survivor Corporation's Articles of Incorporation. Upon the surrender of such Certificate or Certificates, each TRG Shareholder shall also be entitled to receive a written acknowledgment from the Survivor Corporation which shall state the number of Class B Shares subject to the escrow restrictions set forth herein held at such time by the Survivor Corporation on behalf of such shareholder. No dividend shall be paid by the Survivor Corporation to the holders of outstanding Certificates representing shares of TRG Stock, but, upon surrender and exchange thereof as herein provided, there shall be paid to such holder an amount with respect to each such share of Class B Stock equal to all dividends which shall have been paid or become payable to holders of record of such Class B Stock between the Merger Date and the date of such exchange.

SECTION 1.5 Dissenting Shares.

(a) Notwithstanding any provision of this Agreement to the contrary, each outstanding share of TRG Stock held by a holder who has demanded and perfected his or her dissenters' rights in accordance with California Law and who has not effectively withdrawn or lost his or her right to such dissenters' rights (a "Dissenting Share"), shall not be converted into, become exchangeable for or represent a right to receive shares of Class B Stock pursuant to Section 1.4(a)(i) hereof, but rather the holder thereof shall only be entitled to such rights as are granted by California Law and shall not be entitled to vote or to exercise any other rights of a shareholder of TRG. Each holder of Dissenting Shares who becomes entitled to payment therefor pursuant to California Law shall receive such payment from the Survivor Corporation in accordance with California Law.

(b) Notwithstanding the provisions of Section 1.5(a) hereof, if any TRG Shareholder who demands dissenters' rights with respect to a share of his or her TRG Stock under California Law shall effectively withdraw or lose (through failure to perfect or otherwise) his or her right to appraisal, such share shall automatically be converted into, become exchangeable for and represent only the right to receive shares of Class B Stock as set forth in Section 1.4(a)(i) hereof.

SECTION 1.6 Stock Options.

(a) Attached hereto as Schedule 1.6 is a description of each outstanding employee stock option (an "Employee Option") to purchase shares of TRG Stock heretofore granted by TRG under any plan, agreement or other arrangement. On the Merger Date, each such Employee Option shall automatically by virtue of the Merger and without any action on the part of the holder thereof be converted into the right to purchase at an exercise price per share equal to the exercise price per share that would have been applicable to the purchase of shares of TRG Stock pursuant to the original terms of such Employee Option (adjusted to reflect the exchange ratio for such shares set forth in Section 1.4(a) hereof, as required by the terms of each such Employee Option) that number of shares of Class B Stock which the optionholder would have received, subject to the same conditions and restrictions thereon, including any applicable escrow restrictions pursuant to the terms of Article IV hereof, had the Employee Option been exercised immediately prior to the Merger and the TRG Shares received in

exchange therefor been converted to Class B Shares pursuant to the terms of Section 1.4(a) hereof. The Survivor Corporation shall assume and be bound by each of the other terms and conditions of the aforesaid Employee Options as if the Survivor Corporation had been an original party thereto. The right to purchase shares of Class B Stock provided for in this Section 1.6 and the exercise price per share in connection therewith shall be appropriately adjusted if any additional shares of capital stock are issued by the Survivor Corporation in respect of its Class B Stock in connection with any stock split, stock dividend, stock distribution or other reclassification or recapitalization of the Class B Stock occurring between the Merger Date and the date each respective Employee Option shall expire.

(b) In the event that any Employee Option which is outstanding on the Merger Date shall expire according to its terms prior to the exercise thereof by its holder, the Board of Directors of the Survivor Corporation shall declare a stock dividend pursuant to which each Class B Shareholder shall receive his or her pro rata portion of the Class B Shares which the holder of the Employee Option would have received, subject to the same conditions and restrictions thereon, including any applicable escrow restrictions pursuant to the terms of Article IV hereof, had the Employee Option been exercised immediately prior to the Merger and the TRG Shares received in exchange therefor been converted to Class B Shares pursuant to the terms of Section 1.4(a) hereof.

ARTICLE II

CORPORATE MATTERS

SECTION 2.1 Governing Law. Subject to the effect of any other applicable federal or state laws, the laws of the State of Iowa shall govern the Survivor Corporation.

SECTION 2.2 Articles of Incorporation. From and after the Merger Date, the Articles of Incorporation of GSL as in effect on the Merger Date shall be and become the Articles of Incorporation of the Survivor Corporation, which Articles may, subject to the restrictions set forth in Section 10.6 hereof, be amended thereafter in accordance with Iowa Law.

SECTION 2.3 Bylaws. From and after the Merger Date, the Bylaws of GSL as in effect on the Merger Date shall be and become the Bylaws of the Survivor Corporation, which Bylaws may, subject to the restrictions set forth in Section 10.6 hereof, be amended thereafter in accordance with Iowa Law.

ARTICLE III

DIRECTORS AND OFFICERS

SECTION 3.1 Directors and Officers. The directors and officers of the Survivor Corporation (and each of its Subsidiaries) from and after the Merger Date, who shall hold office until their successors shall have been elected or appointed and shall have qualified, or as otherwise provided in its Bylaws, shall be

the directors and officers, respectively, of GSL (and each of its Subsidiaries) immediately prior to the Merger Date.

SECTION 3.2 Vacancy. If, on or after the Merger Date, a vacancy shall for any reason exist in the Board of Directors of the Survivor Corporation, or in any of the offices thereof, such vacancy shall thereafter be filled in the manner provided in the Bylaws of the Survivor Corporation.

ARTICLE IV

ESCROW ARRANGEMENTS

SECTION 4.1 Escrow Account. Pursuant to and in connection with the conversion procedure set forth in Section 1.4(a) hereof, on the Merger Date the Survivor Corporation shall deposit into an escrow account maintained by the Survivor Corporation (the "Escrow Account") each share of Class B Stock issued to the respective TRG Shareholders pursuant to the terms set forth in Section 1.4(a) hereof. The number of Class B Shares to be issued on the Merger Date and the number of Class B Shares subject to the escrow restrictions to be released from the Escrow Account from time to time shall be determined on the following terms and conditions:

(a) With respect to the Merger Date and within 90 days following each of December 31, 1989, 1990, 1991 and 1992 (or in the event that a majority of the members of the Survivor Corporation's Board of Directors elects to defer a valuation date to the end of any succeeding fiscal year falling within five (5) years of the Merger Date, 30 days after the end of the fiscal year selected), the Survivor Corporation shall determine as of the end of its most recently concluded fiscal year the dollar amount of its "In-Force Premium," as defined below in Section 4.1(f) and (g). Each such determination date shall be referred to herein as a "Valuation Date."

(b) It is understood that the maximum number of Class B Shares eligible to be issued outright on the Merger Date pursuant to Section 1.4(a) hereof or eligible to be released to the TRG Shareholders from the Escrow Account on each Valuation Date will be determined by the following calculations of shares eligible for issuance or release, as the case may be, and by the calculation of "Earn-out Value," as defined below:

(i) For the first \$12 million of In-Force Premium existing on such date, Class B Shares representing 1% of the total common stock of the Survivor Corporation shall be eligible for issuance or release, as the case may be, for each \$1 million of such In-Force Premium. Such \$12 million of In-Force Premium is referred to herein as the "Base Premium." For purposes of this Section 4.1, the "total common stock of the Survivor Corporation" shall be deemed to include (A) all Class B Shares issued and held outright by the Class B Shareholders at such time, (B) all Class B Shares issued and held at such time by the Survivor Corporation in the Escrow Account for the account of the Class B Shareholders, (C) all shares of the Survivor Corporation's Class A common stock, par value \$.01 per share ("Class A Stock" or "Class A Shares"), issued and outstanding at such time, and (D) all Class A Shares and Class B Shares reserved for issuance at such

time pursuant to outstanding stock options (collectively, the "Survivor Corporation's Total Stock").

(ii) For the next \$15 million of In-Force Premium beyond the Base Premium, Class B Shares representing 1% of the Survivor Corporation's Total Stock shall be eligible for issuance or release, as the case may be, for each \$1,250,000 of In-Force Premium.

(iii) For up to \$43 million of In-Force Premium beyond the first \$27 million of In-Force Premium, Class B Shares representing an additional 1% of the Survivor Corporation's Total Stock shall be eligible for issuance or release, as the case may be, for each full \$2,687,500 In-Force Premium.

(c) Subject to the limitations of Section 4.1(b), the Class B Shareholders shall be entitled to receive on such date that number of Class B Shares which have an "Assigned Value," as hereinafter defined, equal to the "Earn-out Value," as hereinafter defined, of such In-Force Premium. Such determination shall be made as follows:

(i) In-Force Premium on the Merger Date or on any Valuation Date shall be multiplied by 10.47%, which shall establish the "Earn-out Value" for such In-Force Premium.

(ii) The "Assigned Value" of each Class B Share on each Valuation Date shall be equal to the average per share cost to the holders of Class A Shares (the "Class A Shareholders") on that date of their Class A Shares, including any additional contributions to the equity capital of the Survivor Corporation made by the Class A Shareholders after the initial purchase of their Class A Shares, but excluding any loans or other advances made by the Class A Shareholders to the Survivor Corporation. Each party hereto agrees that the Assigned Value on the Merger Date shall be \$3.27 per share of Class B Stock.

(iii) In no event may the Class B Shareholders receive more Class B Shares than remain in the Escrow Account even if the Earn-out Value of the In-Force Premium on any Valuation Date exceeds the Assigned Value of the Class B Shares remaining in the Escrow Account, nor may the total of Class B Shares issued exceed 40% of the Survivor Corporation's Total Stock. On any Valuation Date, however, on which the Earn-out Value of the In-Force Premium is not sufficient to cover the Assigned Value of the Class B Shares eligible for release from the Escrow Account pursuant to Section 4.1(b) above, each Class B Shareholder may purchase for cash at the Assigned Value any such Class B Shares not so covered to which he or she is entitled; provided, however, that no Class B Shareholders shall be entitled to purchase any Class B Shares held in the Escrow Account for the account of any other Class B Shareholder. Each such cash purchase of Class B Shares shall be effected in accordance with the following procedures:

(A) Upon the occurrence of any Valuation Date on which the Earn-out Value of the In-Force Premium is not sufficient to cover the Assigned Value of the Class B Shares eligible for release from the Escrow Account, the members of the Survivor Corporation's Board of Directors elected by the Class B Shareholders (the "Class B Directors") shall send notice to each

Class B Shareholder advising them of their right to purchase for cash those Class B Shares eligible for release from the Escrow Account which remain held by the Survivor Corporation for their account. At a minimum, such notice shall state (1) the number of Class B Shares eligible for purchase for cash by such Class B Shareholder at such time, and (2) the then current Assigned Value of each such Class B Share. All funds received from the Class B Shareholders by the Class B Directors within 30 days of the giving of such notice shall be tendered to the Survivor Corporation for the purchase of such Class B Shares.

(B) Upon receipt of such funds, the Survivor Corporation shall release from the Escrow Account, upon instructions from the Class B Directors, the Class B Shares so purchased by delivering to the shareholders on whose behalf the funds shall have been received certificates representing such Class B Shares in such Class B Shareholders' names. Each such certificate shall, in accordance with Section 1.4(b) hereof, bear on its face a legend stating that the shares are subject to certain repurchase and transfer rights which are set forth in the Survivor Corporation's Articles of Incorporation.

(C) If, on any Valuation Date, the Earn-out Value of the In-Force Premium is not sufficient to cover the Assigned Value of the Class B Shares eligible for release and such Class B Shares are not purchased in cash pursuant to subsections (A) and (B) of this Section 4.1(c)(iii), any such Class B Shares shall remain in the Escrow Account and shall be eligible for release on the next succeeding Valuation Date pursuant to the terms hereof applicable to such Valuation Date.

(d) The total number of Class B shares released on the basis of Earn-out Value from the Escrow Account shall be distributed pro rata to each of the Class B Shareholders in whose names such shares are held. No fractional shares shall be issued outright on the Merger Date or released from escrow and the number of shares to be released from escrow in each case shall be rounded down to the nearest whole number.

(e) In the case of Class B Shareholders who are no longer employees or "Producers," as hereinafter defined, of the Survivor Corporation or General Services Life (apart from those employees and Producers as to whose shares the Survivor Corporation's Board of Directors has elected to waive or suspend repurchase rights) the Survivor Corporation may within twelve (12) months of the termination of such Class B Shareholder's employment or Producer status with the Survivor Corporation or General Services Life, in lieu of releasing from the Escrow Account their pro rata portion of the Class B Shares, repurchase such shares, including all escrowed shares not eligible for release at such time. Such repurchase shall be effected by paying to each such Class B Shareholder the fair market value (as determined in accordance with the procedures which shall be set forth in the Survivor Corporation's Articles of Incorporation respecting such right of repurchase) as of the date of termination of such Class B Shareholder's employment or Producer status with the Survivor Corporation or General Services Life of his or her portion of the Class B Shares due to be released from the Escrow Account. The term "Producer" shall mean an independent contractor or agent who is engaged in selling insurance products for General Services Life. Any Producer

who has not earned at least \$25,000 in new commissions from GSL in any one calendar year shall no longer be deemed to be a "Producer" for purposes of this Agreement.

(f) "In-Force Premium" as used herein shall be composed of the following amounts, subject to the adjustments set forth in Section 4.1(g):

(i) The dollar amount of insurance or annuity premiums received (or the annualized amount of premium previously received in the case of a "vanishing" scheduled premium contract as long as such contract is still in force) in accordance with a schedule of periodic premium or other payments called for by the policy or contract ("Scheduled Premiums"); plus

(ii) Fifteen percent (15%) of the dollar amount of all insurance or annuity premiums received which are not called for pursuant to a schedule of periodic premiums or payments provided for by the policy or contract, such as policy fund transfers, single-premium life policies, cash value pour-in elections and single-premium annuity deposits ("Unscheduled Premiums").

(iii) For purposes of calculating maximum In-Force Premium on any Valuation Date after the Merger Date, In-Force Premium shall include only premiums with not less than one (1) year of aging.

(iv) For purposes of calculating the Earn-out Value of In-Force Premium on any Valuation Date after the Merger Date, the amount of In-Force Premium fixed on the Merger Date will be adjusted by actual historic lapse experience. For purposes of calculating the earn-out value of In-Force Premium on the Merger Date only, no such adjustment shall be made.

(g) The calculation of Scheduled and Unscheduled Premiums shall be adjusted as follows:

The dollar amount of Unscheduled Premium included in the calculation of In-Force Premium (after allowance for the 85% discount on such premium) may not exceed 50% of such total for any calculation made as of the Merger Date, or 75% of such total for any Valuation Date occurring thereafter, unless such latter percentage is increased by action of the the Survivor Corporation's Board of Directors. The Directors of the Survivor Corporation, after the second Valuation Date, may consider an increase in such percentage. An example illustrating the calculations to be made pursuant to this Section 4.1(g) has been attached hereto as Exhibit E.

(h) In the event that, as a result of additional contributions to the Survivor Corporation's equity capital, as contemplated by Section 10.2 hereof, which increase the Assigned Value of the Class B Shares, the Earn-out Value of the In-Force Premium is insufficient on or before the fourth Valuation Date to entitle the Class B Shareholders to the release of all Class B Shares remaining in the Escrow Account, the four (4) year escrow earn-out period shall be extended in proportion to the proportionate increase in the Assigned Value of the Class B Shares during such period; provided, however, that in no event shall such escrow earn-out period be extended beyond seven (7) years from the Merger Date. For

example, if the Assigned Value of Class B Shares has increased by 50% during the escrow earn-out period due to additional contributions to the Survivor Corporation's equity capital, the escrow earn-out period shall be extended by an additional 50%, or an additional two (2) years. Accordingly, in this example, there would be two additional Valuation Dates falling within 90 days following each of December 31, 1993 and 1994.

(i) Class B Shares not required to be released to the Class B Shareholders pursuant to the terms hereof after the last Valuation Date provided for hereunder shall be returned to the Survivor Corporation to be held as treasury shares where such shares shall be available for later resale to employees and Producers of the Survivor Corporation or General Services Life, as the case may be, at prices, on terms and with conditions authorized and determined by the Survivor Corporation's Board of Directors.

SECTION 4.2 Status of Shares Held in Escrow. From and after the Merger Date and until the shares of Class B Stock subject to the escrow restrictions provided for in this Article IV shall be released from the Escrow Account to their respective owners, such shares of Class B Stock shall:

- (a) Appear as issued and outstanding shares on the books of the Survivor Corporation;
- (b) Entitle the respective owners thereof to dividends paid thereon, if any;
- (c) Entitle the respective owners thereof to vote them in connection with any matter properly before the Class B Shareholders; and
- (d) Not be transferable.

ARTICLE V

RESOLUTION OF POLICY DISPUTES

SECTION 5.1 Resolution Procedures.

(a) In the event that either the Class A Directors or the Class B Directors determine that serious policy differences exist between them relating to policy matters of the Survivor Corporation which they have been unable to resolve, either party (the Class A Shareholders as a group or the Class B Shareholders as a group) may, after a special meeting of the Board of Directors has been held to address such policy differences, subject to the terms set forth below, commence a mediation procedure in an effort to settle the matter but only at the following times:

- (i) within the thirty (30) day period commencing at the expiration of twelve (12) months after the Merger Date;

(ii) any time after the maximum 40% of the Survivor Corporation's total stock has been released pursuant to Article IV to the TRG shareholders; and

(iii) any time after April 1, 1993.

In order to do so, the party initiating the procedure shall first give written notice to the other signed by holders of at least two-thirds (2/3) of the outstanding fully paid shares of that class. Any such written notice shall state the nature of the policy dispute in reasonable detail and suggest a resolution that would be acceptable to the initiating party.

(b) After delivery of such notice, the Class A Directors and the Class B Directors shall within ten (10) business days jointly select a mediator who shall be either a current or retired executive with experience in the insurance industry. In the event the Directors cannot agree on a mediator, each group of Directors shall designate an individual that it approves as a mediator and the two designated individuals shall jointly select the mediator.

(c) The mediator shall be authorized to meet individually or jointly with the Class A Directors and the Class B Directors in an effort to resolve the dispute in a manner that is acceptable to both parties. The mediator shall not be required to follow any specified rules or procedures in seeking to resolve the dispute and his recommendations will not be binding on either party without such party's consent. Each group of Directors shall, however, meet with the mediator at times and locations which the mediator reasonably requests. In the event that the mediator does not succeed in resolving the dispute to the satisfaction of both parties within 60 days from the date of his appointment, the services of the mediator shall terminate. The costs and fees of the mediator shall be paid by the Survivor Corporation.

(d) Within 30 days after termination of the mediation procedure without a mutually agreeable resolution of the policy dispute, either party may initiate a final settlement of the matter by giving written notice to the other party of an offer to purchase (the "Offer Notice") signed by holders of not less than two-thirds (2/3) of the outstanding fully paid shares of that class. The Offer Notice shall state that it is delivered pursuant to the terms of this Section 5.1 after failure of the mediation process to resolve a policy dispute between the parties and shall set forth a price per share at which the notifying party thereby offers to purchase all, but not less than all, of the shares of the Survivor Corporation owned by the other party. Such notice shall be accompanied by the simultaneous deposit into a bank escrow account of cash equal to five percent (5%) of the aggregate amount payable pursuant to the terms of the Offer Notice (the "Offer Notice Deposit"). Upon receipt of the Offer Notice the receiving party may either accept the offer or elect to purchase (by giving written notice [the "Purchase Notice"] to the other party within 90 days after receipt of the Offer Notice) for the price per share specified in the Offer Notice all, but not less than all, of the shares of the Survivor Corporation owned by the party (the Class A Shareholders as a group or the Class B Shareholders as a group) who gave the Offer Notice. The Purchase Notice shall be accompanied by the simultaneous deposit into escrow of cash equal to five percent (5%) of the aggregate amount payable

pursuant to the terms of the Purchase Notice. Upon receipt of the Purchase Notice, the Offer Notice Deposit (plus interest earned thereon) shall be immediately released to the party who initiated the Offer Notice. In the event the receiving party does not reply to the Offer Notice within 90 days it shall be deemed to have elected to accept the offer set forth therein.

(c) The purchase contemplated by the Offer Notice or Purchase Notice, as the case may be, shall, subject to obtaining all required regulatory approvals, be closed within 120 days of the date of the acceptance of the offer (in the case of a purchase under the Offer Notice) or the date of the Purchase Notice (in the case of a purchase under the Purchase Notice). Both parties shall use their best efforts to secure all regulatory consents and approvals required for such purchase as soon as practicable. In the event the party required to make such purchase fails to tender payment (subject, if required, to all necessary regulatory approvals) for the other party's shares within such 120-day period (regardless of the reasons therefor), the money remaining in escrow shall be promptly paid to the other party. Such payment shall be the exclusive remedy for the purchasing party's failure to close the transaction.

SECTION 5.2 Procedures Pertaining to Class B Shareholders.

(a) Upon receipt of any Offer Notice from the Class A Shareholders, the Class B Directors shall within 30 days send notice thereof to each Class B Shareholder, together with a recommendation of the Class B Directors regarding whether the offer should be accepted or rejected through the delivery of a Purchase Notice to the Class A Directors. Such notice shall also state that such Class B Shareholder shall be entitled to vote the number of Class B Shares held by such shareholder (either outright or subject to the escrow restrictions set forth herein) as to whether the offer should be accepted or rejected. Each Class B Shareholder shall be required to respond within 30 days of receipt of such notice from the Class B Directors. In connection with a response to such an Offer Notice, the following procedures shall be in effect:

(i) In the event that Class B Shareholders holding at least two-thirds (2/3) of the Class B Shares outstanding at such time fail to reject the Class A Directors' offer pursuant to the Offer Notice (either by voting to accept the offer or by abstaining from voting in connection with the response to the Offer Notice), the Class B Directors shall be empowered pursuant to the terms of the Survivor Corporation's Articles of Incorporation to accept such offer on behalf of each Class B Shareholder. Promptly after communicating to the Class A Directors that their offer will be accepted, the Class B Directors shall send notice thereof to each Class B Shareholder (the "Acceptance Notice"). The Acceptance Notice shall state at a minimum that the Class A Shareholders' offer has been accepted, the price per share at which the Class B Shares are to be purchased and the procedures by which the Class B Shareholders shall be required to tender their Class B Shares for payment. Within 120 days following the mailing of the Acceptance Notice and upon being satisfied that each of the conditions precedent to such purchase have been met, the Class B Directors shall have the power to approve and authorize the transfer of each outstanding Class B Share to the Class A Shareholders. The Survivor Corporation shall be entitled to rely upon the

authorization of the Class B Directors to record such transfer in the corporation's stock records.

(ii) In the event that Class B Shareholders voting at least two-thirds (2/3) of the Class B Shares outstanding at such time elect to reject the Class A Shareholders' offer pursuant to the Offer Notice, the Class B Directors shall be, and hereby are, empowered by this Agreement to deliver a Purchase Notice to the Class A Directors on behalf of the Class B Shareholders (the "Counter-Offer"). Promptly after delivering such a Purchase Notice to the Class A Directors, the Class B Directors shall send notice of the Counter-Offer to each Class B Shareholder. In connection with the Counter-Offer, each Class B Shareholder shall be entitled, but not required, to purchase at the offer price that percentage of the outstanding Class A Shares which shall be equal to the percentage of the outstanding Class B Shares held by such Class B Shareholder at such time. In the event that any Class B Shareholder declines to participate in the Counter-Offer or elects to purchase a number of Class A Shares that is less than the total number to which such Class B Shareholder is entitled to purchase pursuant to the preceding sentence, such unpurchased shares shall be reallocated on a pro rata basis to those Class B Shareholders who desire to purchase additional Class A Shares. After collecting the required amounts from each Class B Shareholder electing to participate in the Counter-Offer and after satisfying themselves that each of the conditions precedent to the purchase have been met, including compliance with any applicable federal or state securities laws, the Class B Directors shall proceed to transfer the aggregate amount payable pursuant to the terms of the Counter-Offer to the Class A Shareholders in exchange for all of the outstanding Class A Shares. Promptly thereafter, such Class A Shares shall be appropriately distributed to the Class B Shareholders in accordance with their relative participation in the Counter-Offer.

(b) In the event that the mediation effort provided for in Section 5.1 hereof has failed and the Class B Directors deem it to be in the best interests of the Class B Shareholders, the Class B Directors shall within 30 days of the termination of such mediation procedure deliver notice to each Class B Shareholder setting forth their recommendation that the Class B Shareholders, as a group, make an offer to purchase each of the outstanding Class A Shares at a particular price per share through the delivery of an Offer Notice to the Class A Directors (the "Offer"). Such notice shall also state that each Class B Shareholder shall be entitled to vote the number of Class B Shares held by such shareholder (either outright or subject to the escrow restrictions set forth herein) as to whether the Offer should be made or not. Each Class B Shareholder shall be required to respond within 30 days of receipt of such notice and inquiry from the Class B Directors. In the event that Class B Shareholders voting at least two-thirds (2/3) of the Class B Shares outstanding at such time elect to make the Offer, the Class B Directors shall be, and hereby are, empowered by this Agreement to deliver an Offer Notice to the Class A Directors on behalf of the Class B Shareholders. Failure of any Class B Shareholder to respond within 30 days shall be deemed a vote against making the Offer. Promptly after delivering such an Offer Notice to the Class A Directors, the Class B Directors shall send notice to each Class B Shareholder that the Offer has been made. In connection with the Offer, each Class B Shareholder shall be entitled, but not required, to purchase at the offer price that percentage of the outstanding Class A Shares which shall be equal to

the percentage of the outstanding Class B Shares held by such Class B Shareholder at such time. In the event that any Class B Shareholder declines to participate in the Offer or elects to purchase a number of Class A Shares that is less than the total number to which such Class B Shareholder is entitled to purchase pursuant to the preceding sentence, such unpurchased shares shall be reallocated on a pro rata basis to those Class B Shareholders who desire to purchase additional Class A Shares. After collecting the required amounts from each Class B Shareholder electing to participate in the Offer and after satisfying themselves that each of the conditions precedent to the purchase have been met, including compliance with any applicable federal or state securities laws, the Class B Directors shall proceed to transfer the aggregate amount payable pursuant to the terms of the Offer to the Class A Shareholders in exchange for all of the outstanding Class A Shares. Promptly thereafter, such Class A Shares shall be appropriately distributed to the respective Class B Shareholders in accordance with their relative participation in the Offer.

(c) The Class B Directors shall be, and hereby are, empowered to adopt and implement such additional procedures as they deem necessary and appropriate to effect any purchase of Class A Shares pursuant to an Offer or Counter-Offer made pursuant to this Section 5.2 on behalf of the Class B Shareholders.

(d) After the date hereof, one or more entities affiliated with or related to one or more of General Services Life, the Survivor Corporation, Cadet or AUSA ("Affiliated Companies") may, with the prior approval of at least a majority of the Class B Directors, but shall not be obligated to, agree to assume or guarantee certain policyholder obligations or extend policyholder guarantees to or on behalf of General Services Life. Notwithstanding any other terms and conditions set forth in this Agreement, no offer by the Class B Shareholders or the Class B Directors on behalf of the Class B Shareholders, whether a Counter-Offer made pursuant to Section 5.2(a) or an Offer made pursuant to Section 5.2(b), can or will be accepted by the Class A Shareholders or the Class A Directors on behalf of the Class A Shareholders unless such offer is accompanied by the agreement(s) of one or more institutions or entities satisfactory to the Class A Shareholders, whose approval shall not be unreasonably withheld, to assume in full any such obligations or guarantees made by one or more Affiliated Companies and take the place of the Affiliated Companies thereon together with the agreement of such institutions or entities to hold harmless and fully indemnify such Affiliated Companies with respect to any liability, loss, claim, damage or expenses (including attorneys' fees) associated with or arising out of such obligations or guarantees.

(e) Any one or more of the Affiliated Companies shall, upon the closing of a sale of Class A Shares pursuant to Section 5.2(a) or Section 5.2(b), have the right to send notice to any person or entity, including policyholders, of the fact of such assumption or replacement.

SECTION 5.3 Procedures Pertaining to Class A Shareholders. In the event that Cadet shall no longer be the sole holder of Class A Shares at any time, the procedures described in Section 5.2 hereof pertaining to the giving and receiving of any Offer Notice or Purchase Notice by the Class B Shareholders shall apply with equal force to the giving and receiving of any Offer Notice or Purchase

Notice by the Class A Shareholders; provided, however, that any action requiring the consent of the respective shareholders pursuant to such Section 5.2 may be taken upon obtaining the consent of Class A Shareholders holding a majority of the Class A Shares outstanding at the time any vote required thereunder is taken.

SECTION 5.4 Assumption of Certain Insurance Products. In the event that the Class A Shareholders agree to sell all of their Class A Shares to the Class B Shareholders pursuant to a properly made Offer or Counter-Offer, the parties hereto agree that, as a condition to closing such sale of shares, the Survivor Corporation shall cause General Services Life to agree to assume any obligations associated with or arising out of insurance products issued by Pacific Fidelity Life Insurance Company ("PFL") at the time of such sale which were originally sold by TRG Producers to the respective policyholders, together with assets from PFL with a fair market value equal to the reserves maintained by PFL in connection with such insurance products; provided, however, that General Services Life's duty to assume such obligations shall be subject to obtaining any necessary regulatory or policyholder consents, which the Directors of the Survivor Corporation and General Services Life shall use their respective best efforts to obtain. Such assumption shall be effected through bulk reinsurance procedures or other procedures deemed acceptable to the Class A Shareholders. No additional consideration shall be payable to any party in connection with such assumption of obligations by General Services Life.

SECTION 5.5 Prohibited Corporate Actions.

From the time that any dispute resolution procedure is initiated under this Article V and until such procedure is concluded, unless such action is approved in advance by the vote or written consent of two-thirds (2/3) of the members of the Survivor Corporation's Board of Directors, the Survivor Corporation shall not:

(a) issue any additional shares of the capital stock of the Survivor Corporation or issue any subscriptions, options, warrants, rights, convertible securities or other agreements or commitments of any character relating to the issued or unissued capital stock or other securities of the Survivor Corporation obligating the Survivor Corporation to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock of the Survivor Corporation or obligating the Survivor Corporation to grant, extend or enter into any subscription, option, warrant, right, convertible security or other similar agreement or commitment; provided, however, that the Survivor Corporation may issue capital stock to satisfy the Survivor Corporation's obligations pursuant to the exercise of any validly issued stock option or right; provided further that the Survivor Corporation may issue capital stock of the Survivor Corporation or options to acquire capital stock of the Survivor Corporation in connection with any incentive or compensatory plan or arrangement involving employees or agents of the Survivor Corporation (or any of its Subsidiaries) which has been duly approved and authorized by a majority of the members of the Survivor Corporation's Board of Directors;

(b) permit any person or entity to make any additional contributions to the equity capital of the Survivor Corporation (or any of its Subsidiaries); provided, however, that the Class A Shareholders shall be permitted to make

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additional contributions to the equity capital of the Survivor Corporation (or any of its Subsidiaries) with the approval of a majority of the members of the Survivor Corporation's Board of Directors in the event that any regulatory authority with proper jurisdiction over the Survivor Corporation (or any of its Subsidiaries) requires that the equity capital of the Survivor Corporation (or any of its Subsidiaries, as the case may be) be increased;

(c) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any assets which are material, individually or in the aggregate, to the Survivor Corporation; and

(d) sell, lease or otherwise dispose of any of its consolidated assets which are material individually or in the aggregate, to the Survivor Corporation.

SECTION 5.6 Limited Applicability of Procedures. Notwithstanding the terms of this Article V or any other provision of this Agreement, the Class A Shareholders shall have the right to sell, at any time for any price and on any terms, all or part of the shares of the Survivor Corporation's capital stock (of any class) owned by them, subject only to (i) the right of first refusal set forth in Section 10.7(a), and (ii) the proposed buyer's agreement to be bound by and subject to the terms and conditions of this Agreement to the same extent as Cadet.

ARTICLE VI

COVENANTS

During the period from the date of this Agreement and continuing until the Merger Date, TRG, GSL and Cadet agree that:

SECTION 6.1 Ordinary Course. TRG, GSL and Cadet shall, and Cadet shall cause GSL and General Services Life to, conduct their respective businesses in the usual and ordinary manner, and shall not enter into any transaction other than in the usual and ordinary course of such business, except as herein provided, and except that nothing contained herein shall prohibit the acquisition of Financial Independence Partners, Inc. by GSL which involved the issuance of TRG stock.

SECTION 6.2 Negative Covenants Without limiting the generality of the foregoing, none of TRG, GSL nor Cadet shall, nor shall Cadet cause or permit GSL or General Services Life to, except as otherwise consented to in writing by the other parties hereto or as otherwise contemplated by this Agreement:

(a) Issue or sell any shares of its capital stock in addition to those outstanding on the date hereof; provided, however, that GSL shall be permitted to authorize and issue shares of its capital stock in connection with the recapitalization provided for in Section 6.3(b)(iv) hereof;

(b) Issue rights to subscribe to or options to purchase any shares of its capital stock in addition to those outstanding on the date hereof; provided,

however, that TRG shall be permitted to issue additional options to purchase up to 1,970 shares of TRG Stock if such issuance is approved by either the TRG Board of Directors or the TRG Shareholders; or

(c) Amend its Articles of Incorporation or Bylaws, except as specifically called for by this Agreement.

SECTION 6.3 Affirmative Covenants.

(a) TRG shall:

(i) Give to GSL and its authorized representatives full access to the premises and all of its books and records, furnish such financial and operating data and other information with respect to its business and properties as GSL shall from time to time reasonably request; provided, however, that any such investigation shall not affect any of the representations and warranties made herein;

(ii) Reasonably cooperate in any audit of TRG's financial records by independent public accountants or by such other auditors retained for such purpose; provided, however, that such audit shall be conducted at the Class A Shareholder's own cost and expense; and

(iii) Use its best efforts to cause its Board of Directors to recommend to its shareholders that such shareholders adopt and approve the terms and conditions of the Merger as set forth in this Agreement.

(b) Cadet shall:

(i) Approve, as GSL's sole shareholder, amendments to GSL's Articles of Incorporation such that such Articles of Incorporation shall include provisions substantially in the form of those set forth in Exhibit B hereto, and repeal all other provisions in such Articles of Incorporation inconsistent therewith;

(ii) Cause GSL's and General Services Life's Boards of Directors to approve amendments to such corporations' respective Bylaws such that such Bylaws shall include provisions substantially in the form of those set forth in Exhibit C hereto, and repeal all other provisions in such Bylaws inconsistent therewith;

(iii) Use its best efforts to cause its Board of Directors to recommend that the Merger be adopted and approved on the terms and conditions set forth in this Agreement; and

(iv) Cause GSL's Board of Directors to effect a recapitalization of GSL pursuant to which (A) Cadet shall be issued that number of Class A Shares which shall give it control of 60% of the aggregate number of issued shares of the capital stock of the Survivor Corporation immediately following the Merger, and (B) a sufficient number of Class B Shares shall be reserved for issuance to the TRG Shareholders in connection with the Merger and the establishment of the Escrow Account such that immediately following the Merger the former TRG Shareholders shall control (or have rights to) 40% of the aggregate number of

issued shares of the capital stock of the Survivor Corporation. For purposes of this subsection only, "issued" shares shall be deemed to include those shares of the Survivor Corporation's capital stock which have been reserved for issuance pursuant to outstanding stock options.

(c) Each of TRG, GSL and Cadet shall use its best efforts to complete the Merger contemplated hereby in a reasonably timely manner.

ARTICLE VII

REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF TRG

TRG represents, warrants and agrees as follows:

SECTION 7.1 Corporate Existence. TRG (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of California; (b) except as set forth in Schedule 7.1 hereto, has no Subsidiaries; and (c) is duly qualified, licensed and in good standing as a foreign corporation in each jurisdiction in which the failure so to qualify would have a material adverse effect on the conduct of its business or the ownership of its properties.

SECTION 7.2 Corporate Power and Authority. Except as set forth in Schedule 7.2 hereto, TRG has the corporate power to (a) own its property and to carry on its business as now being conducted; and (b) execute and deliver this Agreement and other documents necessary to effect and complete the Merger and, subject to the approval of its shareholders, consummate the transactions contemplated hereby.

SECTION 7.3 Capitalization. As of the date of the execution of this Agreement, the authorized capital stock of TRG consists of 5,000,000 shares of TRG Stock of which 548,030 shares are issued and outstanding or reserved for issuance pursuant to outstanding stock options. No shares of such capital stock are held in the treasury of TRG. Except as set forth in Schedule 1.6 hereto, as of the date of this Agreement, there are no outstanding options, warrants or other rights to subscribe for or purchase from TRG any capital stock of TRG or securities convertible into or exchangeable for capital stock of TRG. The issued and outstanding shares of TRG are, and will be, validly authorized and issued and fully paid and nonassessable. Except as set forth in Schedule 7.3 hereto, since September 30, 1988, TRG has not (a) directly or indirectly redeemed, purchased or otherwise acquired any shares of TRG capital stock or declared, set aside or paid any dividend or other distribution in respect of any TRG capital stock, or (b) issued or granted any right or option to purchase or otherwise acquire TRG capital stock.

SECTION 7.4 Financial Statements. TRG shall furnish to GSL within ten days of the execution of this Agreement true and complete copies of (a) its unaudited balance sheet as of May 31, 1988, and the related unaudited statements of income and retained earnings and unaudited statement of changes in financial position for the fiscal year ending May 31, 1988; and (b) its unaudited balance sheet as of December 31, 1988, and the related unaudited statements of income and retained earnings and unaudited statement of cash flows for the seven-month

period ending December 31, 1988 (collectively, the "TRG Financial Statements"). The TRG Financial Statements have been prepared on the assumption that the Merger will be effected and in conformity with generally accepted accounting principles, except as otherwise noted herein and therein.

SECTION 7.5 Material Liabilities. Except as set forth in Schedule 7.5 hereto, to the best of TRG's knowledge, TRG has no liabilities or obligations, either accrued, absolute, contingent, or otherwise, which are material to TRG and which have not been:

- (a) appropriately set forth in the TRG Financial Statements; or
- (b) incurred, consistent with past practices, in or as a result of the ordinary course of business since September 30, 1988.

SECTION 7.6 Pending Claims. Except as set forth in Schedule 7.6 hereto, to the best of TRG's knowledge, there are no pending or threatened claims against or liabilities or obligations of TRG which in the aggregate might result in a material reduction in the net worth of TRG from that shown in the TRG Financial Statements or a material charge against the earnings of TRG.

SECTION 7.7 No Material Adverse Change. Except as set forth in Schedule 7.7 hereto, since September 30, 1988, TRG has not engaged in any material transaction not in the ordinary course of its business, and there has not been, occurred or arisen:

- (a) Any material adverse change in the business or financial condition of TRG from that shown in the TRG Financial Statements;
- (b) Any damage or destruction in the nature of a casualty loss, whether covered by insurance or not, materially and adversely affecting the properties or business of TRG;
- (c) Any waiver by TRG of any rights of substantial value which singly or in the aggregate are material to TRG;
- (d) Any borrowing of money or any commitment to borrow money by TRG other than in the ordinary course of its business; or
- (e) Any other event, condition or state of acts of any character which materially and adversely affects, or, to the best of the knowledge of TRG, threatens to materially and adversely affect, the business or results of operations or financial condition of TRG.

SECTION 7.8 Employee Compensation. Except as set forth in Schedule 7.8 hereto, since September 30, 1988 there has not been any increase, in the compensation payable or to become payable by TRG to any of its officers, or to any salaried employees whose annual remuneration exceeds \$50,000, or in any bonus, insurance, pension, or other benefit plan, payment or arrangement made to, for or with any such officers or employees.

SECTION 7.9 Taxes. Except as set forth in Schedule 7.9 hereto, TRG has filed in correct form all federal, state, and other tax returns of every nature which are required to be filed by it and has paid all taxes as shown on said returns and all assessments, fees and charges received by it which are material in amount to the extent that such taxes, assessments, fees and charges have become due, except where liability is being contested in good faith. To the extent that tax liabilities have accrued, but have not become payable, they have been adequately reflected as liabilities in the TRG Financial Statements (which have been prepared on the assumption that the Merger will be effected). TRG has also paid all taxes material in amount which do not require the filing of returns and which are required to be paid by it, except where liability is being contested in good faith.

SECTION 7.10 Property. As of the date hereof, TRG does not own any real property assessed at a value lower than current market value, such that a current reassessment of such property would result in an increase in the assessed value thereof. Except as set forth in Schedule 7.10 hereto, TRG has good and marketable title to all of the tangible personal property and assets owned by it, including the tangible personal property reflected in the TRG Financial Statements and any and all trademarks, copyrights and tradenames, free and clear of all mortgages, liens, pledges, restrictions, charges, or encumbrances of any nature whatsoever, except:

- (a) leasehold interests;
- (b) liens for taxes not yet delinquent or being contested in good faith by appropriate proceedings; and
- (c) such imperfections of title and encumbrances, if any, as do not materially detract from the value of, or materially interfere with the present use of, such property.

SECTION 7.11 Material Agreements. Except as set forth in Schedule 7.11 hereto, TRG is not a party to (a) any collective bargaining agreement, (b) any bonus, deferred compensation, pension, profit-sharing, or retirement plan or other arrangement, (c) any employment or other agreement, contract, or commitment requiring TRG to pay any employee more than \$25,000 per year or any severance pay in excess of four weeks' salary, (d) any agreement of guarantee or indemnification which involves, singly or together with other such agreements, a potential material liability, (e) to the best of TRG's knowledge, any agreement, contract, or commitment which might reasonably be expected to have a potential material adverse impact on the business, financial condition or earnings of TRG, (f) any material agreement, contract or commitment containing any covenant limiting the freedom of TRG to engage in any line of business in any area of the world or to compete with any person, (g) any agreement, contract, or commitment relating to capital expenditure and involving future payments which, together with future payments under all other agreements, contracts, or commitments relating to the same capital project, exceed \$25,000, (h) any agreement, contract, or commitment (other than leases of real property) relating to the acquisition of assets or capital stock of any business enterprise, (i) any agreement, contract, or

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commitment which requires or would require the payment of \$25,000 or more by TRG.

SECTION 7.12 No Threatened Claims. Except as set forth in Schedule 7.12 hereto, to the best of TRG's knowledge, TRG has not in any material respect breached, nor is there any material pending or threatened claim or any legal basis for a claim that TRG has breached, any of the terms or conditions of any agreement, contract or commitment, the breach or breaches of which singly or in the aggregate could result in the imposition of damages in any amount material to TRG.

SECTION 7.13 No Violation.

(a) To the best of TRG's knowledge, neither the execution and delivery of this Agreement by TRG, nor compliance by TRG with the terms and provisions of this Agreement, will materially breach or violate any statute or regulation of any governmental authority, domestic or foreign (provided that the approvals noted in Schedule 7.13 are obtained prior to the Merger Date) or will at the Merger Date conflict with or result in a material breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental authority, domestic or foreign, to which TRG is subject or of any agreement or instrument to which TRG is a party or by which it is bound, or constitute material default thereunder, or give to others any material interest or rights, including rights of termination or cancellation, in or with respect to any of the properties, assets, agreements, contracts or business of TRG. Except as set forth in Schedule 7.13, to the best of TRG's knowledge, no consent of any third party is necessary for the execution, delivery and performance of this Agreement by TRG.

(b) To the best of TRG's knowledge, TRG has not violated, and is not in violation of, any law, statute, rule, governmental regulations, or order, including, but not limited to federal and state securities laws, which violation might have a material adverse effect on the business, financial condition or earnings of TRG.

SECTION 7.14 Proceedings. Except as set forth in Schedule 7.14 hereto, to the best of TRG's knowledge, there is no suit, action, or legal, administrative, arbitration or other proceeding or governmental investigation, or any change in the zoning or building ordinances affecting any significant leasehold interests of TRG, pending or threatened, which might have a material adverse effect on the business, financial condition or earnings of TRG.

SECTION 7.15 No Agent or Finder. No agent, broker, person or firm acting on behalf of TRG or under its authority is or will be entitled to any commission or broker's or finder's fee or financial advisory fee from any of the parties hereto in connection with any of the transactions contemplated herein.

ARTICLE VIII

REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF CADET AND GSL

Each of Cadet and GSL represents, warrants and agrees as follows:

SECTION 8.1 Corporate Existence. Each of Cadet, GSL and General Services Life (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Iowa; (b) except as set forth in Schedule 8.1 hereto, has no Subsidiaries; and (c) is duly qualified, licensed and in good standing as a foreign corporation in each jurisdiction in which the failure to so qualify would have a material adverse effect on the conduct of its business or the ownership of its properties.

SECTION 8.2 Corporate Power and Authority. Each of Cadet and GSL has the corporate power to (a) own its property and to carry on its business as now being conducted; and (b) execute and deliver this Agreement and other documents necessary to effect and complete the Merger and, subject to the approval of its stockholders, consummate the transactions contemplated hereby.

SECTION 8.3 Capitalization. As of the date of the execution of this Agreement, the authorized capital stock of GSL consists of 2,000 shares of common stock, par value \$1,000 per share, each of which is issued and outstanding and held solely by Cadet. No shares of such capital stock are held in the treasury of GSL. As of the date of this Agreement, there are no outstanding options, warrants or other rights to subscribe for or purchase from GSL any capital stock of GSL or securities convertible into or exchangeable for capital stock of GSL. The issued and outstanding shares of GSL capital stock are validly authorized and issued and fully paid and nonassessable. Since September 30, 1988, GSL has not (a) directly or indirectly redeemed, purchased or otherwise acquired any shares of GSL capital stock or declared, set aside or paid any dividend or other distribution in respect of any GSL capital stock, or (b) issued or granted any right or option to purchase or otherwise acquire GSL capital stock.

SECTION 8.4 Financial Statements. Each of Cadet and GSL has previously furnished to TRG true and complete copies of its unaudited balance sheet as of December 31, 1988, and the related unaudited statements of income and retained earnings and unaudited statements of cash flows for the fiscal year ended December 31, 1988. All such financial statements have been prepared in conformity with generally accepted accounting principles, except as otherwise noted herein and therein, applied on a basis consistent with prior periods.

SECTION 8.5 Material Liabilities. To the best of GSL's knowledge, neither GSL nor General Services Life has liabilities or obligations, either accrued, absolute, contingent, or otherwise, which are material to GSL or General Services Life, respectively, and which, to the best of Cadet's and GSL's knowledge, have not been previously disclosed to the GSL or General Services Life Board of Directors.

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SECTION 8.6 Pending Claims. Except as set forth in Schedule 8.6 hereto, to the best of GSL's knowledge, there are no pending or threatened claims against or liabilities or obligations of GSL or General Services Life which in the aggregate might result in a material reduction in the net worth of GSL or General Services Life, respectively, or a material charge against the earnings of GSL or General Services Life, respectively, and which, to the best of Cadet's and GSL's knowledge, have not been previously disclosed to the GSL or General Services Life Board of Directors.

SECTION 8.7 No Material Adverse Change. Except as set forth in Schedule 8.7 hereto, neither GSL nor General Services Life has engaged in any material transaction not in the ordinary course of its business and, there has not been, occurred or arisen any event, condition or state of facts of any character which materially and adversely affects, or, to the best of the knowledge of Cadet and GSL, threatens to materially and adversely affect, the business or results of operations or financial condition of GSL or General Services Life.

SECTION 8.8 Employee Compensation. Except as set forth in Schedule 8.8 hereto, since September 30, 1988, there has not been any increase in the compensation payable or to become payable by GSL or General Services Life to any of its officers, or to any salaried employee whose annual remuneration exceeds \$50,000, or in any bonus, insurance, pension, or other benefit plan, payment or arrangement made to, for or with any such officers or employees.

SECTION 8.9 Taxes. Each of GSL and General Services Life has filed in correct form all federal, state, and other tax returns of every nature which are required to be filed by it and has paid all taxes as shown on said returns and all assessments, fees and charges received by it which are material in amount to the extent that such taxes, assessments, fees and charges have become due, except where liability is being contested in good faith. To the extent that tax liabilities have accrued, but have not become payable they have been adequately reflected as liabilities on the books of GSL or General Services Life, as the case may be. Each of GSL and General Services Life has also paid all taxes material in amount which do not require the filing of returns and which are required to be paid by it, except where liability is being contested in good faith.

SECTION 8.10 Property. Each of GSL and General Services Life has good and marketable title in fee simple to all of the real property owned by it, and good and marketable title to all of the tangible personal property and assets owned by it, including the tangible personal property reflected in the financial statements supplied to TRG as set forth in Section 8.4 hereof and any and all trademarks, copyrights and tradenames, free and clear of all mortgages, liens, pledges, restrictions charges, or encumbrances of any nature whatsoever, except:

- (a) leasehold interests;
- (b) liens for taxes not yet delinquent or being contested in good faith by appropriate proceedings; and

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(c) such imperfections of title and encumbrances, if any, as do not materially detract from the value of, or materially interfere with the present use of, such property.

SECTION 8.11 Material Agreements. Except as set forth in Schedule 8.11 hereto, neither GSL nor General Services Life is a party to (a) any collective bargaining agreement, (b) any bonus, deferred compensation, pension, profit-sharing, or retirement plan or other arrangement, (c) any employment or other agreement, contract, or commitment requiring GSL or General Services Life, as the case may be, to pay any employee more than \$25,000 per year or any severance pay in excess of four weeks' salary, (d) any agreement of guarantee or indemnification which involves, singly or together with other such agreements, a potential material liability, (e) to the best of Cadet's and GSL's knowledge, any agreement, contract, or commitment which might reasonably be expected to have a potential material adverse impact on the business, financial condition or earnings of GSL or General Services Life, as the case may be, (f) any material agreement, contract or commitment containing any covenant limiting the freedom of GSL or General Services Life as entities (as distinct from limitations on the freedom of any of their officers or agents) to engage in any line of business in an area of the world or to compete with any person, (g) any agreement, contract, or commitment relating to capital expenditure and involving future payments which, together with future payments under all other agreements, contracts, or commitments relating to the same capital project, exceed \$25,000, (h) any agreement, contract, or commitment (other than leases of real property) relating to the acquisition of assets or capital stock of any business enterprise, (i) any agreement, contract or commitment which requires or would require the payment of \$25,000 or more by GSL or General Services Life, as the case may be.

SECTION 8.12 No Threatened Claims. To the best of Cadet's and GSL's knowledge, neither GSL nor General Services Life has in any material respect breached, nor is there any material pending or threatened claim or any legal basis for a claim that GSL or General Services Life, as the case may be, has breached, any of the terms or conditions of any agreement, contract, or commitment, the breach or breaches of which singly or in the aggregate could result in the imposition of damages in any amount material to such party.

SECTION 8.13 No Violation.

(a) To the best of Cadet's and GSL's knowledge, neither the execution and delivery of this Agreement by Cadet or GSL, nor compliance by Cadet or GSL with the terms and provisions of this Agreement, will materially breach any statute or regulation of any governmental authority, domestic or foreign (provided that the consents noted in Schedule 8.13 are obtained prior to the Merger Date) or will at the Merger Date conflict with or result in a material breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental authority, domestic or foreign, to which Cadet, GSL or General Services Life is subject or of any agreement or instrument to which Cadet, GSL or General Services Life is a party or by which they are bound, or constitute material default thereunder, or give to others any material interest or rights, including rights of termination or cancellation, in or with respect to any of the properties, assets, agreements, contracts or business of Cadet, GSL or General

Services Life. Except as set forth in Schedule 8.13, to the best of Cadet's and GSL's knowledge, no consent of any third party is necessary for the execution, delivery and performance of this Agreement by Cadet or GSL.

(b) To the best of Cadet's and GSL's knowledge, neither Cadet, GSL nor General Services Life has violated, or is in violation of, any law, statute, rule, governmental regulations, or order, including, but not limited to federal and state securities laws, which violation might have a material adverse effect on the business, financial condition or earnings of Cadet, GSL or General Services Life.

SECTION 8.14 Proceedings. There is no suit, action, or legal, administrative, arbitration or other proceeding or governmental investigation, or any change in the zoning or building ordinances affecting the real property or any significant leasehold interests of Cadet, GSL or General Services Life, pending or, to the best of the knowledge of Cadet and GSL, threatened, which might have a material adverse effect on the business, financial condition or earnings of Cadet, GSL or General Services Life.

SECTION 8.15 No Agent or Finder. No agent, broker, person or firm acting on-behalf of GSL or Cadet or under either of their authority is or will be entitled to any commission or broker's or finder's fee or financial advisory fee from any of the parties hereto in connection with any of the transactions contemplated herein.

SECTION 8.16 Merger Taxation. It is acknowledged that none of GSL, Cadet or General Services Life is making any representation or warranties of any kind concerning the tax consequences of the execution, delivery and performance of this Agreement.

ARTICLE IX

CONDITIONS PRECEDENT TO CONSUMMATION OF MERGER

The obligation of the parties to effect the Merger shall be subject to the following conditions:

SECTION 9.1 Representations True. The respective representations and warranties of TRG, GSL and Cadet herein shall be true on and as of the Merger Date as though made at such time.

SECTION 9.2 Corporate Action. Each of TRG, Cadet and GSL shall have taken all corporate action necessary to consummate the Merger.

SECTION 9.3 Statutory Compliance. All statutory requirements for the consummation of the Merger shall have been complied with, including compliance with any and all applicable securities laws, whether federal or state. TRG shall have secured a certificate or certificates from the California Franchise Tax Board stating all taxes imposed by the California Bank and Corporation Tax Law have been paid.

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SECTION 9.4 Governmental Consents. All governmental approvals and consents necessary to the consummation of the Merger, including the approval and consent of all appropriate regulatory agencies and a favorable determination in an administrative hearing which shall be held with respect to the terms and conditions of the issuance of the Class B Shares in connection with the Merger pursuant to Section 25142 of the California Corporations Code, shall have been obtained.

SECTION 9.5 Organization Documents. Each of TRG, Cadet and GSL shall have provided to the other party certified copies of its respective Articles of Incorporation and Bylaws and a certificate of good standing in the state of its incorporation of recent date.

SECTION 9.6 Legal Opinions.

(a) Legal counsel to TRG shall have furnished to Cadet and GSL an opinion dated the Merger Date in substantially the form of Exhibit G hereto which shall opine to the effect that:

(i) TRG has the requisite power and authority to enter into this Agreement and to engage in the transactions contemplated hereby;

(ii) This Agreement and each of the other documents necessary to effect and complete the Merger have been duly executed and delivered by TRG;

(iii) Provided the articles of merger contemplated hereby have been properly filed with the Office of the Secretary of State of Iowa, upon filing such articles of merger in the Office of the Secretary of State of California, the Merger shall be effective;

(iv) Neither TRG nor the TRG Shareholders shall incur any federal income tax liability in connection with the Merger;

(v) This Agreement and the performance of the parties in respect thereof shall not be subject to the bulk sale provisions of the California Commercial Code or subject to the imposition of any California State Sales Tax;

(vi) All necessary governmental consents and approvals required by the State of California in connection with the execution, delivery and performance of this Agreement have been obtained; and

(vii) Based upon a review of the records of TRG and a certificate executed by Regan (which certificate shall be in substantially the form of Exhibit I hereto), TRG has not violated in any way any securities laws, rules, orders or regulations in connection with its purchase, sale, transfer, conveyance or distribution of the capital stock or other securities of TRG.

(b) Legal counsel to Cadet and GSL shall have furnished to TRG an opinion dated the Merger Date in substantially the form of Exhibit H hereto which shall opine to the effect that:

(i) Each of Cadet and GSL has the requisite power and authority to enter into this Agreement and to engage in the transactions contemplated hereby;

(ii) This Agreement and each of the other documents necessary to effect and complete the Merger have been duly executed and delivered by each of Cadet and GSL; and

(iii) Provided the articles of merger contemplated hereby are properly filed with the Office of the Secretary of State of California, upon filing such articles of merger in the Office of the Secretary of State of Iowa, the Merger shall be effective.

SECTION 9.7 Regan Undertaking. Regan shall have provided to Cadet and GSL a certificate, dated the Merger Date, in substantially the form of Exhibit J hereto stating to the effect that:

(a) He has prior to the Merger Date transferred or caused the transfer to TRG of all rights and title in and to any insurance and annuity products and services developed by him in consideration of a payment of \$218,000;

(b) To the best of his knowledge, he has not withheld from Cadet or GSL any information or knowledge of any material facts about TRG and its operation, particularly information with respect to Subsidiaries of TRG and agreements between Regan and TRG or other entities which are relevant and material to the Merger and the ongoing operations of the Survivor Corporation or General Services Life;

(c) To the best of his knowledge after conferring with counsel from time to time, he is not aware of any violations of any securities laws, rules, orders or regulations (whether state or federal) in connection with any purchase, sale, transfer, conveyance or distribution of the capital stock or any other securities of TRG, which he believes would have a material adverse effect on the business of TRG; and

(d) He will, from and after the Merger Date, fully indemnify General Services Life, the Survivor Corporation, Cadet, the Class A Shareholders, the Class A Directors and AUSA from and against any and all loss, cost, claim, damage, expense (including attorneys' fees) and liabilities from or related to any willful or intentional inaccuracy in any statement made in his certificate called for by this Section 9.7 or any claims, liabilities or obligations arising out of any purchase or sale of the capital stock or other securities of TRG personally by Regan on or before the Merger Date. If and when any claim or demand is made which would give rise to this right of indemnification, the Survivor Corporation, the Class A Shareholders or Class A Directors shall be entitled, with reasonable notice to Regan, to set off and apply against any amounts owing to the Survivor Corporation, Class A Shareholders, the Class A Directors, Cadet or AUSA because of such indemnification, any items or property owed to Regan by the Survivor Corporation hereunder, including, but not limited to, Class B Shares eligible for release to Regan pursuant to the provisions of Article IV herein or sums owed to Regan pursuant to any obligation on the part of the Survivor Corporation to repur-

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chase Class B Shares held by Regan, his successors, personal representatives or assigns.

SECTION 9.8 Amendments to Articles of Incorporation and Bylaws. The amendments to GSL's Articles of Incorporation and Bylaws called for by Section 6.3(b) hereof shall be effective.

SECTION 9.9 Regan Employment Agreement. Regan shall have executed an Employment Agreement with GSL and General Services Life pursuant to which Regan shall agree to serve as President and Chief Executive Officer of GSL and General Services Life until the end of 1992, which agreement shall supersede any and all prior employment agreements between Regan, GSL and General Services Life and shall be retroactively effective to January 1, 1988, provided that the Merger contemplated hereby is effected.

SECTION 9.10 No Material Tax Liability.

(a) Cadet and GSL shall be reasonably satisfied that the Merger and the other transactions contemplated hereby may be effected without the imposition of a material tax liability on Cadet, GSL or the Survivor Corporation.

(b) TRG shall be reasonably satisfied that the Merger and the other transactions contemplated hereby may be effected without the imposition of a material tax liability on TRG, the TRG Shareholders (other than those TRG Shareholders who may elect to perfect their dissenters' rights in accordance with California Law) or the Survivor Corporation.

SECTION 9.11 Non-Competition Agreements. Each of Regan, Douglas Thornsjo ("Thornsjo"), Wayne N. Rawls ("Rawls") and Lynda L. Regan shall have executed and delivered to Cadet and GSL Non-Competition Agreements which shall be in substantially the form of that set forth in Exhibit D hereto.

SECTION 9.12 Net Present Value and Return on Equity Reports. Each party hereto shall be provided with a copy of a "Net Present Value Report" prepared with respect to the insurance products currently offered by General Services Life, which shall set forth a calculation of the net present value of the business in force relating to such products as of December 31, 1988 based on the net present value model described at Exhibit F hereto. This report shall be prepared by the AEGON USA, Inc. Corporate Actuary and shall be reviewed thereafter by an independent actuary.

ARTICLE X

POST-MERGER COVENANTS

SECTION 10.1 Arrangements with Regan Re. From and after the Merger Date, the Survivor Corporation shall not direct General Services Life to change or alter its financial or reinsurance arrangements, as in effect on the Merger Date, with Regan Reinsurance Company, an Arizona corporation ("Regan Re") (including, but not limited to the existing arrangement among General Services Life, Regan Re and Gerling Global Life Insurance Company), without notice

of such change being given to the stockholders of Regan Re one (1) year in advance of the change; provided, however, that such notice shall not be required in the event that (i) such financial arrangements shall have to be changed in order to comply with regulatory requirements or (ii) such notice is waived by a majority of the shareholders of Regan Re at such time.

SECTION 10.2 Cadet Financing.

(a) In the event that the Survivor Corporation has insufficient cash on hand at any time to repurchase shares of its capital stock as may be required pursuant to the terms of this Agreement, Cadet shall arrange for the Survivor Corporation any financing necessary to satisfy such requirements.

(b) The parties hereto acknowledge that in the event any regulatory authority with the proper jurisdiction over General Services Life shall require that additional equity capital be invested in such corporation, Cadet and/or its affiliates shall be permitted to make loans or other advances to the Survivor Corporation, which in turn will use such amounts to fund the required equity capital contributions to General Services Life.

(c) TRG acknowledges that neither Cadet nor any affiliate thereof, has made any commitments of any kind to loan to or invest additional funds in the Survivor Corporation or any of its Subsidiaries from and after the date hereof.

SECTION 10.3 Registration of Shares.

(a) In the event that the Survivor Corporation receives notice at any time after the Merger from either holders of a majority of the Class B Shares or Cadet that such party (the "Initiating Party") desires for the Survivor Corporation to register at least 1,400,000 of such party's shares (or with respect to a registration after the initial public offering, 320,000 shares) of the Survivor Corporation's common stock under the Securities Act of 1933, as amended (the "Securities Act"), the Survivor Corporation shall promptly prepare and file a registration statement under the Securities Act relating to the shares to be disposed of by the Initiating Party. The Survivor Corporation shall use its best efforts to cause such registration statement to become effective as soon as possible and to keep such registration statement current and effective for such period as may be necessary to permit the public sale of the shares of the Survivor Corporation's common stock registered on behalf of the Initiating Party.

(b) In the event that the Survivor Corporation receives a notice to register shares on behalf of only one party, such Initiating Party shall pay all expenses incurred by the Survivor Corporation in connection with the preparation, printing, filing and using its best efforts to secure the effectiveness of any registration statement (including the fees and expenses of the Survivor Corporation's accountants and attorneys). In addition, the Initiating Party shall pay all other fees and expenses incurred in connection with the sale of such shares, including the fees and expenses of the Initiating Party's counsel and all underwriters' commission.

(c) In the event that the Survivor Corporation receives a notice to register shares from both a majority of the Class B Shareholders and Cadet, the Survivor Corporation shall pay all expenses incurred by it in connection with the preparation, printing, filing and using its best efforts to secure the effectiveness of any registration statement (including the fees and expenses of its accountants and attorneys). However, each respective Initiating Party shall be required to pay all other fees and expenses incurred in connection with the sale of their respective shares, including the fees and expenses of the Initiating Party's respective counsel and all underwriters' commission connected with the sale of their respective shares.

(d) Each of Cadet and the TRG Shareholders hereby agree that they shall take reasonable steps to cooperate with the other party in connection with any registration of shares pursuant to this Section 10.3.

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(e) The Survivor Corporation shall indemnify and hold harmless each Initiating Party, each underwriter, if any, of any of the shares of the common stock of the Survivor Corporation being sold by an Initiating Party pursuant to any registration statement filed pursuant to this Section 10.3, and each person, if any, who controls such underwriter within the meaning of the Securities Act (all of the foregoing being hereinafter collectively called "Indemnified Persons") against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Persons may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any such registration statement, or any preliminary prospectus or prospectus thereunder, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and will reimburse such Indemnified Person for any other expenses reasonably incurred in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that the Survivor Corporation will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, preliminary prospectus, prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Survivor Corporation by or on behalf of any Indemnified Person specifically for use in the preparation thereof; provided further that the Survivor Corporation shall have the right to select counsel to represent all Indemnified Persons, subject to the consent of the Initiating Party, which shall not be unreasonably withheld, and the Survivor Corporation shall not be required to pay the expenses of other counsel if any Indemnified Person unreasonably rejects counsel selected by the Survivor Corporation; provided further that the Survivor Corporation shall have the right to approve any settlement proposed to be entered into by Indemnified Persons. This indemnity agreement will be in addition to any liability which the Survivor Corporation may otherwise have.

SECTION 10.4 Regan Repurchase Rights. From and after the date on which the Survivor Corporation has in aggregate repurchased pursuant to the

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terms of its Articles of Incorporation as in effect on the Merger Date shares of Class B Stock representing five percent (5%) of the number of shares of its capital stock issued (either outright or subject to the Escrow Account restrictions) as of the Merger Date from shareholders who terminate their employment or agency relationship with either General Services Life or the Survivor Corporation, Regan is hereby granted a nonassignable right of first refusal with respect to the purchase of 50% of each group of Class B Shares (rounded down to the nearest whole share) tendered by such shareholders in the period after such level of repurchases has been attained at such Class B Shares' fair market value (as determined in accordance with the provisions of the Survivor Corporation's Articles of Incorporation). In the event that Regan chooses not to exercise his right of first refusal in connection with this Section 10.4, the Survivor Corporation may make the purchase of Class B Shares in his place.

SECTION 10.5 Waiver of Repurchase Rights. Prior to the first meeting of the Board of Directors of the Survivor Corporation, Cadet shall direct the Class A Directors to waive and defer the requirement that the Survivor Corporation repurchase the Class B Shares of those Class B Shareholders who terminate their employment or Producer status with the Survivor Corporation (as set forth in the Survivor Corporation's Articles of Incorporation as shall be in effect on the Merger Date) for a period of ten (10) years commencing on the Merger Date for the following Class B Shareholders: (a) any TRG Shareholder who has never served as an employee of or Producer for TRG; (b) Regan; (c) Lynda L. Regan; (d) Thornsjo; and (e) Rawls; provided however, that Regan, Lynda L. Regan, Thornsjo and Rawls may be required to resell their respective Class B Shares to the Survivor Corporation upon their respective deaths; provided further that in the event any of the four named individuals dies within such ten-year period, their Class B Shares may be conveyed to their surviving spouse who shall be permitted to hold such shares for the remainder of such period.

SECTION 10.6 Limited Amendment of Articles of Incorporation and Bylaws.

(a) From and after the Merger Date and until January 1, 1992, no party hereto shall vote to, nor shall any of such parties direct the Survivor Corporation's Board of Directors to, amend or repeal the provisions of Article 2 of the Survivor Corporation's Articles of Incorporation (which Article 2 is set forth in Exhibit B hereto) unless such action is unanimously approved by the vote or written consent of each member of the Survivor Corporation's Board of Directors. All other Articles of the Survivor Corporation's Articles of Incorporation may be amended and additions made to such Articles of Incorporation pursuant to Iowa Law (so long as such amendments and additions are not inconsistent with or in contravention of Article 2).

(b) No party hereto shall vote to, nor shall any of such parties direct the Survivor Corporation's Board of Directors to, amend or repeal the Bylaws of the Survivor Corporation so as to contravene the terms, conditions, intent or spirit of this Agreement.

SECTION 10.7 Regan Right of First Refusal.

(a) In the event that Cadet desires at any time to sell or otherwise dispose of its Class A Shares, Regan shall have the right to purchase such Class A Shares for cash for the price per share at which Cadet desires to offer such shares, but only for a period of thirty (30) days after notice of a proposed sale is given to Regan by Cadet.

(b) In the event that the Survivor Corporation shall at any-time be legally precluded from making any repurchase of its capital stock which it is obligated to make pursuant to the resale rights of the shareholders of the Survivor Corporation set forth at Section 2(e) of Exhibit B hereof, Regan shall have the right (but not the obligation) to purchase those shares tendered for repurchase by such shareholders at the price provided for in such Exhibit.

SECTION 10.8 Cadet Advances to Earn Interest. In the event that Cadet or any of its affiliates shall make any properly authorized loans or other advances, including, but not limited to, surplus notes, to the Survivor Corporation, such loans or other advances shall be made on market terms and bear a market rate of interest, all as approved by the Survivor Corporation's Board of Directors. In no event, however, shall additional contributions to the equity capital of the Survivor Corporation by Cadet bear interest.

SECTION 10.9 Fair Market Value Determination Procedures. As of each annual Valuation Date, or at such other time as the Survivor Corporation's Board of Directors may deem appropriate, the Survivor Corporation shall direct and authorize the AEGON USA, Inc. corporate actuary, subject to review by such independent actuary as the Survivor Corporation's Board of Directors may appoint from time to time, to calculate the fair market value of each outstanding share of the Survivor Corporation's Common Stock (including both Class A Shares and Class B Shares) as of such time using the net present value calculation methodology set forth as Exhibit F hereto. Subject to review of such calculations by the Survivor Corporation for accuracy and completeness, such calculations shall be deemed the shares' "fair market value" for purposes of any repurchases of such shares by the Survivor Corporation or Regan, as the case may be, pursuant to the terms hereof or the terms of the Survivor Corporation's Articles of Incorporation.

SECTION 10.10 Repurchase of Leighton Shares. The parties hereto acknowledge that in connection with the employment severance arrangements for Peter Leighton ("Leighton") the Survivor Corporation may, under certain circumstances, be obligated to repurchase the Class B Shares that Leighton may become entitled to as a TRG Shareholder in the Merger. In the event that the Survivor Corporation shall become obligated to repurchase such shares, it is agreed that, upon such repurchase such shares shall not be taken into account for purposes of the 10% limitation on the aggregate number of shares which the Survivor Corporation shall be obligated to repurchase in any twelve-month period, as set forth in clause (ii) of Section 2(e) of Exhibit B.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1 Nonsurvival of Representations and Warranties. None of the representations and warranties made in Articles VII and VIII or the undertaking by Regan pursuant to Section 9.7 hereof shall survive beyond six months after the date on which the annual audit of the finances, operations and business of the Survivor Corporation shall be completed by AUSA for the Survivor Corporation's fiscal year 1988.

SECTION 11.2 Expenses. If the Merger contemplated hereby is completed, all expenses incurred in consummating the plan of merger shall, except as otherwise agreed in writing between the Constituent Corporations, be borne by the Survivor Corporation. If the Merger is not completed, each of the Constituent Corporations shall be liable for, and shall pay, the expenses incurred by it.

SECTION 11.3 Other Agreements Superseded. Any and all agreements or contracts whether by and between the parties hereto or by and among TRG, Regan and AUSA or its affiliates, addressing or controlling the relationships between GSL and TRG are hereby terminated and superseded by this Agreement.

SECTION 11.4 Successors and Assigns. This Agreement shall be binding upon TRG, Cadet, GSL and their respective successors and assigns.

SECTION 11.5 Notices. All notices, demand, and communications provided for herein or made hereunder shall be delivered, or mailed first class with postage prepaid, or telecopied, addressed in each case as follows, until some other address shall have been designated in a written notice given in like manner, and shall be deemed to have been given or made when so delivered or mailed or telecopied:

(a) if to TRG:

The Regan Group Insurance Marketing
201 Alameda del Prado
Novato, California 94949

Attention: Chairman of the Board
Telecopy number: (415) 382-8004

(b) if to GSL:

GSL Holding Corp.
4333 Edgewood Road N.E.
Cedar Rapids, Iowa 52499

Attention: Chairman of the Board
Telecopy number: (319) 369-2218

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(c) if to Cadet:

Cadet Holding Corp.
4333 Edgewood Road N.E.
Cedar Rapids, Iowa 52499

Attention: Chairman of the Board
Telecopy number: (319) 369-2218

(d) if to Survivor Corporation:

GSL Holding Corp.
4333 Edgewood Road N.E.
Cedar Rapids, Iowa 52499

Attention: Chairman of the Board
Telecopy number: (319) 369-2218

(e) if to the Class B Shareholders:

Class B Directors
GSL Holding Corp.
201 Alameda del Prado
Novato, California 94949

Telecopy number: (415) 382-8004

SECTION 11.6 Certain Definitions.

(a) The terms "Subsidiary" and "Subsidiaries" shall mean any and each corporation, the securities of which corporation entitling the owner to elect a majority of such corporation's board of directors are owned, controlled or voted by a Constituent Corporation directly or through one or more subsidiaries.

(b) "Material" shall mean any asset, liability or other obligation involving \$25,000 or more.

(c) Any accounting terms defined herein shall have, to the extent that the definitions thereof are incomplete, the meaning given to them in accordance with generally accepted accounting principals and any accounting terms which are not defined herein shall also have the meaning given to them in accordance with generally accepted accounting principles.

SECTION 11.7 Amendment. This Agreement may be amended with (and only with) the written consent of the parties hereto.

SECTION 11.8 Severability. If any provision of this Agreement is held for any reason to be unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall, nevertheless, remain in full force and effect.

SECTION 11.9 Headings. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

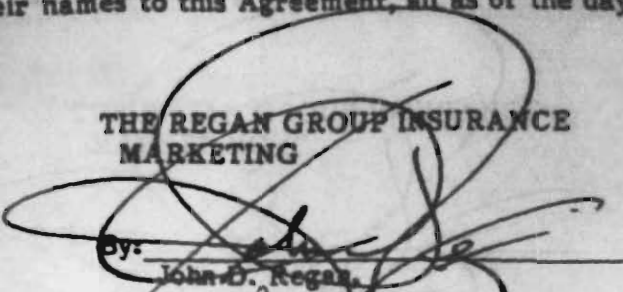
SECTION 11.10 Governing Law. This Agreement is made in the State of Iowa and shall be governed by and construed in accordance with the laws of said State.

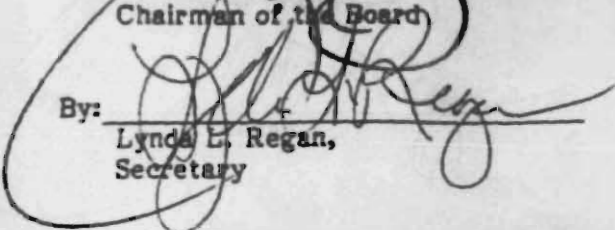
SECTION 11.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

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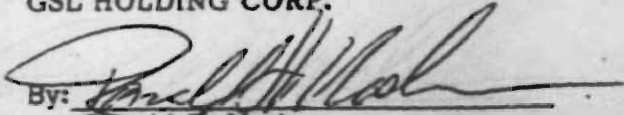
IN WITNESS WHEREOF, the respective officers of each of the parties hereto have duly subscribed their names to this Agreement, all as of the day and year first above written.

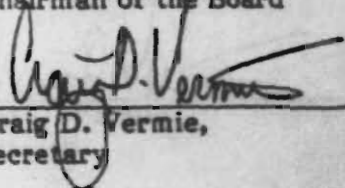
THE REGAN GROUP INSURANCE
MARKETING

By: 
John D. Regan,
Chairman of the Board

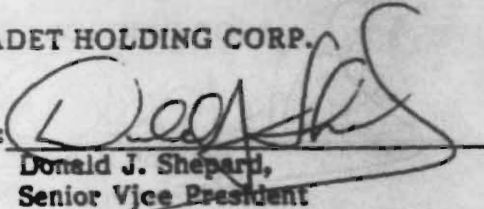
By: 
Lynda E. Regan,
Secretary

GSL HOLDING CORP.

By: 
Ronald F. Mosher,
Chairman of the Board

By: 
Craig D. Vermie,
Secretary

CADET HOLDING CORP.

By: 
Donald J. Shepard,
Senior Vice President

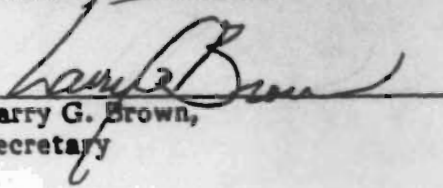
By: 
Larry G. Brown,
Secretary

EXHIBIT LIST

<u>Exhibit</u>	<u>Description</u>	<u>Section Reference</u>
EXHIBIT A	Articles of Merger	Section 1.2
EXHIBIT B	Excerpts from GSL's Articles of Incorporation	Section 1.4(a) Section 6.3(b)(i) Section 10.6(a) Section 10.7(b) Section 10.10
EXHIBIT C	Excerpts from GSL's and General Services Life's Bylaws	Section 6.3(b)(ii)
EXHIBIT D	Non-Competition Agreement	Section 9.11
EXHIBIT E	Illustration of Escrow Earn-Out Calculation	Section 4.1(g)
EXHIBIT F	Summary Description of Net Present Value Model	Section 9.12 Section 10.9
EXHIBIT G	Form of Opinion of TRG Legal Counsel	Section 9.6(a)
EXHIBIT H	Form of Opinion of Cadet and GSL Legal Counsel	Section 9.6(b)
EXHIBIT I	Form of Certificate of Regan to Legal Counsel	Section 9.6(a)(vii)
EXHIBIT J	Form of Regan Certificate	Section 9.7

SCHEDULES OF EXCEPTIONS

SCHEDULE 1.6	Stock Options
SCHEDULE 7.1	TRG Subsidiaries & Corporate Existence
SCHEDULE 7.2	TRG Corporate Power and Authority
SCHEDULE 7.3	TRG Capitalization
SCHEDULE 7.5	TRG Material Liabilities
SCHEDULE 7.6	TRG Pending Claims
SCHEDULE 7.7	TRG No Material Adverse Change
SCHEDULE 7.8	TRG Employee Compensation
SCHEDULE 7.9	TRG Taxes
SCHEDULE 7.10	TRG Property
SCHEDULE 7.11	TRG Material Agreements
SCHEDULE 7.12	TRG No Threatened Claims
SCHEDULE 7.13	TRG Third Party Consents
SCHEDULE 7.14	TRG Proceedings
SCHEDULE 8.1	GSL Subsidiaries & Corporate Existence
SCHEDULE 8.6	GSL and General Services Life Pending Claims
SCHEDULE 8.7	GSL and General Services Life No Material Adverse Change
SCHEDULE 8.8	GSL and General Services Life Employee Compensation
SCHEDULE 8.11	GSL and General Services Life Material Agreements
SCHEDULE 8.13	Cadet and GSL Third Party Consents

Schedule 1.6

Stock Options

<u>Name</u>	<u>Number of TRG Shares Subject to Options</u>
Wayne N. Rawls	8,333
David Cave	<u>2,000</u>
TOTAL	<u>10,333</u>

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Schedule 7.1

TRG Subsidiaries & Corporate Existence

1. Brokers Back Office, Ltd., a joint venture between Component Insurance Company and TRG in which each corporation holds a 50% interest.
2. The following entities are not subsidiaries of TRG; however, a certain portion of TRG's business has been conducted under their names:
 - (a) Bradford and Regan Brokerage Division;
 - (b) Creative Conventions and Travel Agency (used for TRG's convention bookings); and
 - (c) Melal Printing Publishing and Public Relations (originally used to distribute Regan's RLR book and currently used to place TRG's advertising net of commissions).

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Schedule 7.2

TRG Corporate Power and Authority

1. Bradford Special Marketing Organization Agreement among TRG, Bradford National Life Insurance Company and Regan executed in 1986, which restricts TRG's ability to market certain insurance products.
2. Possible claims of TRG Super-General Agents to a particular territory, market or plan, including those set forth in:
 - (a) the letter from Wayne Rawls to Max Katz dated April 25, 1986, regarding the State of New Jersey; and
 - (b) the memorandum of understanding from Wayne Rawls to David Olsen dated November 3, 1983, regarding Northern California.

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Schedule 7.3

TRG Capitalization

1. David Cave, Chief Operating Officer of TRG, has been granted a stock option to purchase 2,000 shares of TRG Stock since September 30, 1988.
2. John and Lynda Regan, as TRG majority shareholders, have purchased/sold the following number of shares of TRG Stock in their personal capacity since September 30, 1988:
 - (a) Sold 100 shares of TRG Stock to Charles D. Taylor on October 28, 1988; and
 - (b) Sold 1000 shares of TRG Stock to Pinkstaff Planning Group, Inc. on November 8, 1988.
3. Peter Leighton has executed a Release Agreement in connection with his employment severance arrangements in which it has been agreed that, under certain circumstances, TRG will be obligated to repurchase the 5,000 shares of TRG Stock he presently owns.
4. Pursuant to the Agreement of Purchase and Sale dated as of March 3, 1989 among TRG, GSL and Gerald Gallop (as sole shareholder of Financial Independence Partners, Inc., a Delaware corporation), TRG has issued Gallop 5,030 shares of TRG Stock.
5. TRG has issued the following shares of TRG Stock pursuant to the exercise of Employee Stock Options:
 - (a) Peter Leighton -- 1,667 shares; and
 - (b) Douglas Thornsjo -- 5,500 shares.

Schedule 7.5

TRG Material Liabilities

1. TRG has signed a lease agreement with U.S. Leasing for computer terminals pursuant to which monthly payments are approximately \$200 for 36 months. The lease was signed in August, 1987.
2. Remainder of J. Robert Doster, Jr., Regional Director development program payment.
3. Insurance Coalition of America administrative expenses reimbursement — \$31,179.78.
4. Insurance Coalition of America capital contribution for outstanding administrative expenses of \$7,876.56.
5. An agreement has been signed purporting to release TRG from any future lease liabilities with respect to its former premises at 475 Gate Five Road, #A-215, Sausalito, California 94946. The payment made in connection with such release was \$300,000.

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Schedule 7.6

TRG Pending Claims

1. Internal Revenue Service - Currently a levy is being contested concerning a payroll tax liability at December 31, 1985. The IRS claims that \$23,019.18 is due on payroll taxes not paid from TRG. The claim is being contested by TRG, with the controller's department working with the Utah and Fresno branches of the IRS. TRG believes that an official release with respect to this liability will be forthcoming in the near future.
2. Lifelines Insurance v. John D. Regan, The Regan Group Insurance Marketing and Life Investors, Inc., Case No. 356715, Superior Court of California, County of Sacramento.
3. Remainder of J. Robert Doster, Jr., Regional Director development program payment.
4. Insurance Coalition of America administrative expenses reimbursement - \$31,179.78.
5. Insurance Coalition of America capital contribution for outstanding administrative expenses of \$7,876.56.
6. John Brooks Miller v. Gary J. Claus, Tom Ludeman, Bob Eichner, Pat Maxwell, Individually; Pacific Fidelity Life Insurance, a California corporation; The Regan Group Insurance Marketing, a California corporation and Does 1 to 100, Case No. C 714240, Superior Court of California, County of Los Angeles.

Schedule 7.7

TRG No Material Adverse Change

1. As of September 30, 1988, TRG remained liable for certain rental payments in connection with the lease agreement relating to its former premises at 475 Gate Five Road, #A-215, Sausalito, California. In the period since such date, an agreement has been reached pursuant to which TRG has been released from future liability under the lease in return for TRG's payment to the landlord in the amount of \$300,000.
2. The Bradford & Regan Brokerage Division has been divested from TRG effective December 31, 1988. In connection with such divestiture, TRG forgave a debt in the amount of \$25,000 owing to it.
3. TRG has purchased a 50% interest in Brokers Back Office, Ltd., a joint venture between TRG and Component Insurance Company. Such interest cost TRG \$120,000.
4. Remainder of J. Robert Doster, Jr., Regional Director development program payment.
5. Insurance Coalition of America administrative expenses reimbursement - \$31,179.78.
6. Insurance Coalition of America capital contribution for outstanding administrative expenses of \$7,876.56.
7. Possible claims of TRG Super-General Agents to a particular territory, market or plan, including those set forth in the correspondence with Max Katz and David Olsen described in Schedule 7.2

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Schedule 7.8

TRG Employee Compensation

1. David Cave, hired as Vice President and Chief Operating Officer for \$70,000 annual compensation.
2. All TRG key man life insurance coverages have been transferred to the respective TRG executive officer by action of the TRG board of directors effective on their monthiversary dates in October, 1988. The certificates evidencing such coverage are listed below:

John Regan	#G000001 net surrender value \$111,285.17*/
Wayne Rawls	#G000006 net surrender value \$2,639.43
Bill Millar	#G000003 net surrender value \$665.30
Peter Leighton	#G000005 net surrender value \$271.23
Doug Mercer	#G000004 net surrender value \$757.02
Ken Carpenter	#G000002 net surrender value \$2,967.44

3. Continuation of John Regan's \$100 per diem travel allowance (temporarily suspended for 30 days on November 16, 1988, subject to quick resolution of pay increase, merger agreement employment contract and variances in policies and procedures).
4. Continuation of John Regan's disability and auto insurance premium payments until December 15, 1988.
5. Certain other increases in the compensation of certain other TRG employees has been disclosed in a side letter from TRG to GSI delivered at the time this Agreement is executed.
6. Peter Leighton has executed a Release Agreement in connection with his employment severance arrangements in which it has been agreed that TRG would pay him a lump sum of \$30,000 and would be obligated under certain circumstances to repurchase the 5,000 shares of TRG Stock he presently owns.

* John Regan will have the face amount of the coverage transferred to a new certificate (#G000001) with no initial cash value, and the cash values of the existing coverage (represented by the existing certificate #G000001) will continue to be owned by TRG.

Schedule 7.9

TRG Taxes

1. Some minor issues are still being resolved with both Internal Revenue Service and Employment Development Department. It is anticipated that the financial resolution of these matters will be immaterial in amount.
2. Internal Revenue Service - Currently a levy is being contested concerning a payroll tax liability at December 31, 1985. The IRS claims that \$23,019.18 is due on payroll taxes not paid from TRG. The claim is being contested by TRG, with the controller's department working with the Utah and Fresno branches of the IRS. TRG believes that an official release with respect to this liability will be forthcoming in the near future.

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Schedule 7.10

TRG Property

None

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Schedule 7.11

TRG Material Agreements

Section 7.11(b)

1. TRG General Agent Bonus Plan.
2. TRG Super-General Agent Bonus Plan.

Section 7.11(c)

1. Employment contract of Doug Thornsjo.
2. Severance Agreement with Peter Leighton.

Section 7.11(f)

1. Bradford Special Marketing Organization Agreement among TRG, Bradford National Life Insurance Company and Regan, executed in 1985, restricting TRG's ability to market certain insurance products.
2. Possible claims of TRG Super-General Agents to a particular territory, market, or plan, including those set forth in the correspondence with Max Katz and David Olsen described in Schedule 7.2.

Section 7.11(h)

1. Agreement of Purchase and Sale dated as of March 3, 1989 among TRG, GSL and Gerald Gallop (as sole shareholder of Financial Independence Partners, Inc., a Delaware corporation), executed in connection with the acquisition of the outstanding capital stock of Financial Independence Partners, Inc.

Section 7.11(i)

1. Remainder of J. Robert Doster, Jr., Regional Director development program payment.
2. Insurance Coalition of America administrative expenses reimbursement - \$31,179.78.
3. Insurance Coalition of America capital contribution for outstanding administrative expenses of \$7,876.56.

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4. Equipment leases as follows:

Description	Original Cost	Monthly Lease	Remaining Balance	Pay Off Year
CPUs				
VS5	\$50,697.10	\$1,183.60	\$34,642.95	92
VS100	146,702.06	2,872.18	48,139.37	90
VS7310	350,118.40	10,143.39	350,118.40	92
Totals	\$547,517.56	\$14,199.17	\$432,900.72	
DISK DRIVES				
Older drives	\$136,255.21	\$1,391.85	\$35,524.02	92
New Wang Drives	48,675.00	1,538.62	48,675.00	92
Totals	\$184,930.21	\$2,930.47	\$84,199.02	
Other Equipment				
Printers	\$67,846.19	\$1,273.62	\$24,459.37	90
Workstations	232,408.50	5,460.34	106,471.20	91
Tape Drives	51,032.51	1,196.55	20,412.96	91
Communications	14,130.00	338.41	5,952.23	91
Totals	\$365,417.20	\$8,268.92	\$157,295.76	
Grand Totals	\$1,097,865.05	\$25,398.56	\$674,395.50	

Schedule 7.12

TRG No Threatened Claims

1. Lifelines Insurance v. John D. Regan, The Regan Group Insurance Marketing and Life Investors, Inc., Case No. 356715, Superior Court of California, County of Sacramento.
2. Insurance Coalition of America administrative expenses reimbursement - \$31,179.78.
3. Insurance Coalition of America capital contribution for outstanding administrative expenses of \$7,876.56.
4. Possible claims of TRG Super-General Agents to a particular territory, market, or plan, including those set forth in the correspondence with Max Katz and David Olsen described in Schedule 7.2.
5. Possible claims under the Bradford Special Marketing Organization Agreement set forth as Item 1 in Schedule 7.2.
6. John Brooks Miller v. Gary J. Claus, Tom Ludeman, Bob Eichner, Pat Maxwell, individually; Pacific Fidelity Life Insurance, a California corporation; The Regan Group Insurance Marketing, a California corporation and Does I to 100, Case No. C 714240, Superior Court of California, County of Los Angeles.

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Schedule 7.13

TRG Third Party Consents

1. Approval of the Merger by a majority of the TRG Shareholders and Cadet.
2. Approval of the "change in control" of General Services Life by the California Department of Insurance and the Iowa Department of Insurance.
3. Approval by the California Department of Corporations of GSL's application for a permit to qualify the issuance of the Class B Shares to the TRG Shareholders under California law.
4. Favorable determination with respect to the fairness of the terms and conditions of the Merger in an administrative hearing before the California Commissioner of Corporations to obtain exemption from registration of the Class B Shares under the federal securities laws.

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Schedule 7.14

TRG Proceedings

None, other than those matters disclosed in Schedules 7.6, 7.9 and 7.12.

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Schedule 8.1

GSL Subsidiaries & Corporate Existence

1. General Services Life Insurance Company
2. GSL Investments Group, Inc.
3. Financial Independence Partners, Inc.

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Schedule 8.6

GSL and General Services Life Pending Claims

1. Barbara L. Snider, a P.C. and Barbara L. Snider, individually v. General Services Life Insurance Company, Pacific Fidelity Life Insurance Company, S.G. Zimmerman & Associates, Inc., June Sayer, S.G. Zimmerman, and Does 1 to 20, Case No. 468787, Municipal Court of California, County of San Diego.

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Schedule 8.7

GSL and General Services Life No Material Adverse Change

None

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Schedule 8.8

GSL and General Services Life Employee Compensation

1. Bonus of \$4,000 paid to Kenneth Carpenter.
2. Retroactive salary of \$2,163.50 paid to William Millar.
3. Salary increases as follows:
 - (a) William Millar from \$47,500 to \$52,000 on January 14, 1989;
 - (b) Alan Rightmeyer from \$52,000 to \$57,200 on January 28, 1989; and
 - (c) Richard Kypta from \$55,000 to \$60,000 on February 25, 1989.
4. Agreement with David Cave to pay him \$7,500 for relocation expenses and \$1,408 per month for six months (\$8,448 total) for mortgage payments on previous residence.

Schedule 8.11

GSL and General Services Life Material Agreements

Pursuant to the "Agreement and Plan of Merger among the Regan Group Insurance Marketing, GSL Holding Corp., and Cadet Holding Corp." dated as of January 1, 1989 the following are Material Agreements as defined in Section 8.11 of the aforesaid agreement:

- (A) None
- (B) (1) Doug Thornsjo Employment Agreement
(2) William Millar Employment Agreement
- (C) None
- (D) None
- (E) None, but see below
- (F) None, but see below
- (G) None, but see below
- (H) None, other than in the ordinary course of business.

It is the corporate policy of AEGON USA, Inc., the indirect parent of Cadet Holding Corp., to discourage its affiliated companies from materially duplicating existing marketing efforts and/or products that are successfully being distributed to a particular segment of consumers and/or through a particular distribution segment in a particular geographic marketplace.

Schedule 8.13

Cadet and GSL Third Party Consents

1. Approval of the Merger by a majority of the TRG Shareholders and Cadet.
2. Approval of the "change in control" of General Services Life by the California Department of Insurance and the Iowa Department of Insurance.
3. Approval by the California Department of Corporations of GSL's application for a permit to qualify the issuance of the Class B Shares to the TRG Shareholders under California law.
4. Favorable determination with respect to the fairness of the terms and conditions of the Merger in an administrative hearing before the California Commissioner of Corporations to obtain exemption from registration of the Class B Shares under the federal securities laws.

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EXHIBIT A
ARTICLES OF MERGER

of
THE REGAN GROUP INSURANCE MARKETING,
a California Corporation
and

GSL HOLDING CORP.,
an Iowa Corporation

Pursuant to the provisions of Section 496A.74 of the Iowa Business Corporation Act, The Regan Group Insurance Marketing, a California corporation ("TRG"), hereby merges with and into GSL Holding Corp., an Iowa corporation ("GSL"), on the following terms and conditions:

1. GSL and TRG are hereby merged in accordance with the terms of, and in the manner set forth in, the Agreement and Plan of Merger dated as of January 1, 1989 (the "Plan of Merger") among TRG, GSL and Cadet Holding Corp., an Iowa corporation, a copy of which is attached hereto as Exhibit A and the terms of which are incorporated herein by reference.

2. As of _____, 1989, GSL had _____ shares of Class A common stock, par value \$.01 per share, issued and outstanding, each of which was owned by Cadet Holding Corp., an Iowa corporation. There are no shares of any other class of capital stock of GSL issued and outstanding. All shares were voted in favor of the Plan of Merger by means of a written consent executed on _____, 1989.

3. As of _____, 1989, TRG had _____ shares of common stock, no par value per share, issued and outstanding. At a special meeting of the TRG stockholders held on _____, 1989, _____ shares of such common stock were voted in favor of the Plan of Merger and _____ shares were voted against the Plan of Merger. There are no shares of any other class of capital stock of TRG issued and outstanding.

4. A copy of the Plan of Merger was mailed to each holder of the capital Stock of GSL and TRG on _____, 1989.

IN WITNESS WHEREOF, the undersigned have caused the execution of the foregoing Articles of Merger on this _____ day of _____, 1989.

GSL HOLDING CORP.

By: _____

John D. Regan
President and Chief
Executive Officer

By: _____

Craig D. Vermie
Secretary

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ACKNOWLEDGMENT

STATE OF IOWA)
) SS.
COUNTY OF LINN)

On this _____ day of _____, 1989, before me, the undersigned notary public, personally appeared John D. Regan and Craig D. Vermie, to me personally known, who being by me duly sworn did say that they are the President and Chief Executive Officer, and Secretary, respectively, of GSL Holding Corp., an Iowa corporation, that the seal affixed to the attached Articles of Merger is the seal of said corporation and that said instrument was signed on behalf of said corporation by authority of its board of directors and the said President and Chief Executive Officer and Secretary acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it voluntarily executed.

Notary Public in and for the
State of Iowa

[This form of Acknowledgment will be modified as appropriate if Mr. Regan chooses to execute the attached Articles of Merger in the offices of General Services Life in Novato, California.]

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EXHIBIT B

EXCERPTS FROM GSL'S ARTICLES OF INCORPORATION

Prior to the Merger Date, GSL's Articles of Incorporation shall include the following provisions as Article 2 thereof:

ARTICLE 2

SECTION 1. This Corporation is authorized to issue only shares of Common Stock, which may be issued in two classes, Class A and Class B. The total number of shares of Common Stock which this Corporation is authorized to issue is 10,000,000. This Corporation is authorized to issue 5,000,000 shares of Class A Common Stock and 5,000,000 shares of Class B Common Stock.

SECTION 2. The rights, preferences, privileges and restrictions granted to and imposed upon Class A Common Stock and Class B Common Stock are as follows:

(a) Voting Matters. Except for votes taken in connection with the election of Directors to the Corporation's Board of Directors, each holder of issued and outstanding shares of Class A Common Stock or Class B Common Stock shall be entitled to one (1) vote for each such share held in any matter properly before the shareholders of the Corporation. In such matters, no distinction shall be made between Class A Common Stock and Class B Common Stock.

(b) Dividends and Other Distributions. Holders of shares of Class A Common Stock or Class B Common Stock shall share in all dividends or other distributions received in respect of such shares from the Corporation, including any distributions received upon the liquidation or dissolution of the Corporation, on a pro rata basis; provided, however, that the unanimous vote or written consent of the members of the Board of Directors shall be required to declare a dividend on one class of Common Stock and not the other.

(c) Election of Directors.

(i) Holders of shares of Class B Common Stock shall have the right and be entitled to elect in aggregate forty percent (40%) of the members of the Board of Directors of the Corporation, which initially shall represent a right to elect four (4) of the ten (10) individuals on the Board. This right shall be without regard to the number of shares of Class B Common Stock which shall be subject to any escrow restrictions or limitations or the number of shares of Class B Common Stock actually voted by the holders thereof in any election of the Board of Directors; provided, however, that this right shall terminate in the event of an underwritten public offering of the Common Stock of the Corporation; provided further that this right shall be reduced or limited if, at any time after January 1, 1992, the total number of issued and outstanding shares of Class B Common Stock (held either outright or subject to escrow restrictions), together with the total number of shares of Class B Common Stock held as treasury stock by the Corporation for later resale to employees and agents of the Corporation

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(provided that for purposes of this calculation such number of treasury shares shall not be permitted to exceed six percent (6%) of the total number of shares of Class A and Class B Common Stock issued and outstanding at such time), shall equal less than forty percent (40%) of the aggregate number of issued and outstanding shares of Common Stock (including both Class A and Class B Common Stock), in which case the right provided by this subsection shall be reduced to permit the holders of Class B Common Stock to elect only that fraction of the total number of members of the Board of Directors (rounded to the nearest whole individual) calculated by dividing the aggregate number of shares of Common Stock owned (either outright or subject to escrow restrictions) by the holders of Class B Common Stock on the date of any election of Directors, plus the number shares of Class B Common Stock held by the Corporation as treasury stock (subject to the limitation set forth above with respect to such treasury stock) by the total number of issued and outstanding shares of Common Stock on such date.

(ii) Holders of shares of Class A Common Stock shall have the right and be entitled to elect in aggregate sixty percent (60%) of the members of the Board of Directors of the Corporation, which initially shall represent a right to elect six (6) of the ten (10) individuals on the Board; provided, however, that this right shall terminate in the event of an underwritten public offering of the Common Stock of the Corporation. This right to elect Directors shall be increased by a percentage corresponding to the percentage decrease in the right of the holders of Class B Common Stock to elect Director that shall occur in the event that the number of shares of Common Stock owned by such holders of Class B Common Stock shall fall below forty percent (40%) of the total number of issued and outstanding shares of Common Stock after January 1, 1992. For example, if holders of Class B Common Stock shall only be entitled to elect three (3) of the ten (10) members of the Board of Directors beginning in 1992, holders of Class A Common Stock shall be entitled to elect the remaining seven (7) Directors.

(d) Repurchase of Class B Common Stock Upon Holder's Termination of Employment.

(i) Until the time the Common Stock is publicly traded, if ever, each holder of shares of Class B Common Stock shall be required to resell each of his or her shares of Class B Common Stock back to the Corporation at the stock's Fair Market Value, as hereinafter defined, within twelve (12) months of the termination of such stockholder's employment or agency relationship with the Corporation (or any of its subsidiaries); provided, however, that the Corporation's Board of Directors shall have the power to waive, suspend or defer this resale requirement for any holder of Class B Common Stock for any period of time it deems appropriate. All shares of Class B Common Stock repurchased by the Corporation pursuant to this subsection shall be retained as treasury stock by the Corporation and shall be available for later resale to employees or agents of the Corporation at the stock's Fair Market Value for issued and fully paid shares on terms and with conditions authorized and determined by the Board of Directors.

(ii) For the purposes of this subsection (d) and subsection (e) of Section 2, "Fair Market Value" for issued and fully paid shares shall be defined to mean that price per share adopted in good faith by action of the Board of Directors as of the nearest annual market valuation date (which shall occur

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annually as of the last day of December of each year) based upon net present value calculations with respect to the business of the Corporation and its subsidiaries (which business may be through the Corporation, its subsidiaries or any affiliates thereof) performed by the AEGON USA, Inc. corporate actuary, subject to review by independent actuaries, using terms and assumptions approved or furnished, as the case may be, by the Board of Directors. Fair Market Value for shares held in escrow and eligible for release shall be discounted by 50%. Fair Market Value for shares held in escrow but not eligible for release shall be discounted by 75%. Said discounts reflect (A) the risk of the Corporation's meeting any criteria for releasing the shares from escrow or for making the shares eligible for release from escrow, and (B) the time value of money involved in the period before any prospective release of shares.

(e) Common Stock Resale Rights.

(i) Commencing on the Merger Date and then on January 1, 1990 and on January 1 of each year until the Common Stock is publicly traded, if ever, each holder of Class B Common Stock and Class A Common Stock shall have the right to demand that the Corporation repurchase up to ten percent (10%) of the Common Stock held by such shareholder (including those shares held outright, but excluding those shares subject to the escrow restrictions set forth in Article IV of the Agreement and Plan of Merger among The Regan Group Insurance Marketing, this Corporation and Cadet Holding Corp., dated as of January 1, 1989) on the date of the demand (rounded to the nearest whole share). On or before the later of (A) 30 days after the date of such demand, or (B) 120 days after the market valuation date as determined in accordance with Section 2(d)(ii) of this Article, the Corporation shall repurchase from such shareholder with cash the number of shares set forth in such demand notice at their Fair Market Value (as determined in accordance with Section 2(d)(ii) of this Article 2). Holders of Class B Common Stock who desire to resell more than ten percent (10%) of their shares back to the Corporation during any one year shall be allocated additional rights to resell on a pro rata basis from those holders of Class B Common Stock that fail to make a request for repurchase in any year or that make a request for repurchase of less than ten percent (10%) of such shareholder's Class B Common Stock. Any of such rights to resell that are not exercised in any year shall expire and not carry-over to the next year.

(ii) In no event shall the Corporation be required to purchase more than ten percent (10%) of the outstanding shares of Class A Common Stock or Class B Common Stock in any twelve-month period.

(iii) All shares of Common Stock repurchased by the Corporation pursuant to this subsection shall be retained as treasury stock by the Corporation and shall be available for later resale to employees or agents of the Corporation and its affiliates at the stock's Fair Market Value, on terms and with conditions authorized and determined by the Board of Directors.

(iv) All rights granted to the holders of Common Stock pursuant to this subsection shall be and remain subject to any and all applicable laws that may limit or restrict the ability of a corporation to make distribution to its stockholders, including distributions in connection with the repurchase of shares.

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(f) Right of Class B Directors to Authorize Sale of Class B Common Stock in Certain Instances. In the event that the Class B Shareholders holding at least two-thirds (2/3) of the Class B Common Stock outstanding fail to reject an offer made by the Class A Directors on behalf of the Class A Shareholders to purchase all of the outstanding Class B Shares pursuant to the terms of the dispute resolution procedures set forth in Article V of the Agreement and Plan of Merger among The Regan Group Insurance Marketing, this Corporation and Cadet Holding Corp. dated as of January 1, 1989 (either by voting to accept the offer or by abstaining from voting in connection with the response to such an offer) within 30 days after receiving notice thereof, the Class B Directors shall be empowered to transfer each of the shares of Class B Stock held at such time by the Class B Shareholders to the Class A Shareholders in exchange for the consideration offered pursuant to the terms of such offer.

(g) Right of Class A Directors to Authorize Sale of Class A Common Stock in Certain Instances. In the event that the Class A Shareholders holding a majority of the Class A Common Stock outstanding fail to reject an offer made by the Class B Directors on behalf of the Class B Shareholders to purchase all of the outstanding Class A Shares pursuant to the terms of the dispute resolution procedures set forth in Article V of the Agreement and Plan of Merger among The Regan Group Insurance Marketing, this Corporation and Cadet Holding Corp. dated as of January 1, 1989 (either by voting to accept the offer or by abstaining from voting a majority in connection with the response to such an offer) within 30 days after receiving notice thereof, the Class A Directors shall be empowered to transfer each of the shares of Class A Stock held at such time by the Class A Shareholders to the Class B Shareholders in exchange for the consideration offered pursuant to the terms of such offer.

(h) Non-transferability of Class B Shares Held in Escrow. Any Class B Shares held in escrow pursuant to the terms of that certain Agreement and Plan of Merger among The Regan Group Insurance Marketing, this Corporation and Cadet Holding Corp. dated as of January 1, 1989 shall not be transferable until released from escrow.

EXHIBIT C

EXCERPTS FROM GSL'S AND GENERAL SERVICES LIFE'S BYLAWS

(a) Prior to the Merger Date, GSL's Bylaws shall include provisions to the effect that:

SECTION 1. The number of Directors constituting the Corporation's Board of Directors shall be initially fixed at ten (10).

SECTION 2. No more than two (2) individuals serving at any one time as Directors of the Corporation may be related by blood or by marriage.

SECTION 3. The physical location of the principal office of the Corporation shall not be changed at any time without the approval of at least two-thirds (2/3) of the members of the Board of Directors of the Corporation.

SECTION 4. Subject to the effect of any provisions in any written employment agreement between any person and the Corporation, any officer of the Corporation may be removed from office by the vote of a majority of the Directors of the Corporation.

SECTION 5. The Corporation's Bylaws may not be amended or repealed prior to January 1, 1992 so as to contravene the terms, conditions, intent or spirit of the Agreement and Plan of Merger dated as of January 1, 1989 by and among this Corporation, The Regan Group Insurance Marketing and Cadet Holding Corp.

(b) Prior to the Merger Date, GSL's Bylaws and the Bylaws of General Services Life shall each include provisions to the effect that:

Regular meetings of the Board of Directors will be held quarterly. Special meetings of the Board of Directors may be called by the Chairman of the Board, President, Secretary or a majority of the Board of Directors upon notice of the place, day and hour of the meeting and the business to be transacted at the meeting given to each director at least 72 hours before the time of the meeting by delivering the same at his residence or usual place of business or, in the alternative, by mailing such notice at least 96 hours before the time of the meeting, postage paid and addressed to him at his last known post office address according to the records of the Corporation; provided, however, that such minimum notice periods shall be extended by an additional 72 hours in the event that it is determined that a majority of the Class B Directors are outside the United States at the time such notice is initially sent. No notice of any meeting of the Board of Directors need be given to any director who attends or to any director who in writing executed and filed with the records of the meeting either before or after the holding thereof waives such notice.

EXHIBIT D

NON-COMPETITION AGREEMENT

THIS COVENANT NOT TO COMPETE (this "Agreement") is made this day of _____, 19__ by [employee's name] ("Employee") to GSL Holding Corp. and Cadet Holding Corp. (hereinafter individually and collectively referred to as the "Company").

In consideration of the mutual covenants herein contained, the parties agree as follows:

1. In the event that the Class A Shareholders referred to in the Agreement and Plan of Merger among the Regan Group Insurance Marketing, GSL Holding Corp. and Cadet Holding Corp. dated as of January 1, 1989 (the "Merger Agreement"), purchase all of the Class B shares from the Class B Shareholders pursuant to a properly made offer or a counter offer, as set forth in Section 5.1 of the Merger Agreement, Employee shall not:

A. Use any trademark, trade name or service mark registered in the name of General Services Life Insurance Company or other trademark, trade name, service mark or other form of label in which General Services Life Insurance Company may have common law rights;

B. Directly solicit during the term of this Agreement any producer or policyholder of General Services Life Insurance Company;

C. Use any list of producers or policyholders maintained by General Services Life Insurance Company;

D. Use any General Services Life Insurance Company form book containing forms setting forth the terms of insurance products issued by General Services Life Insurance Company.

2. Employee hereby agrees that this Agreement will have a term of three years subsequent to the date of termination of Employee with Company or such other term as may be specified in any employment agreement between Employee and Company.

3. Employee hereby agrees that in the event of any breach by Employee of his or her obligations hereunder, the damages at law to Company may be inadequate. Therefore, Employee hereby agrees that Company shall be entitled to seek damages arising out of such breach, and/or to seek equitable relief, by way of injunction or otherwise, to prevent a breach or threatened breach or to enforce the performance of any such obligation.

4. The provisions of this Agreement shall inure to the benefit of Company and its respective successors and assigns.

5. Any notice in regard to this Agreement shall be in writing and shall be deemed to have been given when delivered personally or sent by certified mail, postage prepaid, addressed as follows:

Cadet Holding Corp.
ATTN: Chairman of the Board
4333 Edgewood Road NE
Cedar Rapids, IA 52499

GSL Holding Corp.
ATTN: Chairman of the Board
4333 Edgewood Road NE
Cedar Rapids, IA 52499

[Employee's name]
201 Alameda del Prado
Novato, CA 94949

6. This Agreement shall be construed and enforced in accordance with the laws of the State of Iowa.

7. In the event any of the covenants of Employee hereunder shall be deemed illegal, invalid, or unenforceable, in whole or in part, the remainder of Employee's covenants shall not be affected thereby, it being the intention of the parties that Employee's covenants hereunder shall be severable.

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement the day when first above written.

[Employee's name]

CADET HOLDING CORP.

By: _____

GSL HOLDING CORP.

By: _____

Exhibit E

Illustration Of Escrow Earn-Out Calculation

Merger Agreement Section Reference	Line	Hypothetical DataValuation Dates.....			
			1	2	3	4
		Premium Production:				
	1	Scheduled	19.887	22.000	24.000	26.000
	2	Unscheduled	274.214	300.000	325.000	350.000
	3	Lapse Rate-scheduled 10%				
	4	Lapse Rate-unscheduled 5%				
		In-Force premium				
	5	Scheduled	1	19.887	17.898	16.108
	6		2	22.000	19.800	17.820
	7		3		24.000	21.600
	8		4			26.000
	9	Total	19.887	39.898	59.908	79.918
	10	Unscheduled	1	274.214	260.503	247.478
	11		2		300.000	285.000
	12		3		325.000	308.750
	13		4			350.000
	14	Total	274.214	560.503	857.478	1,164.604
<hr/>						
4.1(b)		<u>Maximum Ownership:</u>				
4.1(f)(i)	15	Scheduled-1 year aging except at first valuation date	19.887	17.898	35.908	53.918
4.1(f)(ii)	16	Unscheduled-1 year aging except at first valuation date	274.214	260.503	532.478	814.604
	17	Unscheduled at 15%	41.132	39.076	79.872	122.191
4.1(g)	18	Unsched. Premium Cap	19.887	53.695	107.725	161.753
4.1(a)	19	Max. Premium With Cap	39.774	56.974	115.780	176.108
4.1(b)	20	Max. Ownership	28.75%	35.15%	40.00%	40.00%
<hr/>						
		<u>Earn-Out Value:</u>				
4.1(c)(i)	21	Premium at 10.47%	4.164	5.965	12.122	18.439
1.4(a)	22	TRG Assets	1.000			
	23	Total Earn-Out	5.164	6.965	13.122	19.439
<hr/>						
4.1(c)(ii)	24	Acqon Investment	17.998	17.998	17.998	17.998
	25	TRG Investment	5.164	6.965	11.999	11.999
	26	Total	23.163	24.963	29.997	29.997
	27	Acqon % Interest	77.70%	72.10%	60.00%	60.00%
4.1(c)	28	TRG % Interest	22.30%	27.90%	40.00%	40.00%

(SEE ATTACHED NOTES)

Notes to Exhibit E

1. The first two lines of the Schedule show hypothetical premium production. For example, in the first year after the first Valuation Date, production is \$22 million of Scheduled Premium and \$300 million of Unscheduled Premium.
2. Lines 3 and 4 show hypothetical lapse rates.
3. Lines 5 through 14 show hypothetical In-Force premium, broken down by Scheduled and Unscheduled Premium. We assume that as of the first Valuation Date, there was \$19.887 million of Scheduled Premium in-force, and \$274.214 million of Unscheduled Premium. On the second Valuation Date, the 12-month aging requirement comes in (Section 4.1(f)(iii)), so the In-Force Premium consists of that on the first Valuation Date, with one year of lapse. In-Force Premium includes the annualized amount of premium previously received in the case of a "vanishing" scheduled premium contract as long as such contract is still in force (Section 4.1(f)(i)).

On the third Valuation Date, In-Force Premium consists of that counted on the second Valuation Date, plus that produced between the first Valuation Date and the second Valuation Date, both lapsed one year (Section 4.1(f)(iv)). For example, Scheduled Premium is 90% of \$39.898 million (\$17.998 million plus \$22 million), or \$35.908 million.

4. Lines 15 through 19 show In-Force Premium which is qualified to acquire and earn-out shares of GSL. This amount is In-Force Scheduled Premium (Section 4.1(f)(i)), plus the less of a) one times the Scheduled Premium in-force on the first Valuation Date, and three times the Scheduled Premium in-force on the following Valuation Dates (Section 4.1(g)(ii)); or b) 15% of the In-Force Unscheduled Premium (Section 4.1(f)(ii)). For example, as of the first Valuation Date, 15% of the \$274.214 million of In-Force Unscheduled Premium is \$41.132 million. However, this cannot be fully counted, since the 50% "cap" limits the Unscheduled Premium to one times Scheduled Premium, or \$19.887 million, for a total In-Force Premium of \$39.774 million.
5. Line 20 shows the maximum Class B ownership based on premium in-force calculations (Sections 4.1(b)(i), (ii) and (iii)).
6. Line 21 shows the Earn-out Value of the In-Force Premium (Section 4.1(c)(i)).
7. Lines 21 through 23 show the total contribution by Class B Shareholders, which is the Earn-Out Value plus the \$1 million value assigned to TRG assets in the Merger Agreement (Section 1.4(a)).
8. Line 24 shows that we assume that the cash investment of Cadet (the Class A Shareholders) remains constant at \$17.998 million. This assumes that capital contributions are made exclusively in the form of loans or other advances, which do not count towards "Assigned Value" (Section 4.1(c)(ii)).
9. Line 26 shows the sum of the contributions of the Class A and B Shareholders.
10. Lines 27 and 28 show the percentage of outright ownership of GSL on a weighted average of contribution basis. Quoting from the Memorandum of Understanding dated June 23, 1988 (signed by Mosher, Regan and Thornsjo): "Actual ownership interest will be based on the relative contributions by all shareholders. For example, if at some point in time, the majority shareholder has contributed \$20 million and the minority shareholders have contributed \$5 million, the respective interests would be $20/25 = 80\%$ and $5/25 = 20\%$."

This example was kept artificially simple, in that it does not address cases which are placed in-force in one year, but whose effective date is in another year, timing of lapses, etc.

EXHIBIT F

SUMMARY DESCRIPTION OF NET PRESENT VALUE MODEL

The net present value model defines the value of the company as the sum of:

- Adjusted Book Value, and
- Present Value of In-Force Business.

ADJUSTED BOOK VALUE

Adjusted Book Value will equal statutory capital and surplus adjusted as follows:

1. Plus the mandatory securities valuation reserve (MSVR), the liability for reinsurance in unauthorized companies, and the liability for funds held under reinsurance treaties with unauthorized reinsurers.
2. Plus the estimated realizable value of non-admitted assets. The value assigned to such assets on a GAAP basis will be accepted as the estimated realizable value.
3. Plus the excess (less the deficiency) of the market value over statutory carrying value of all real estate owned by the insurance subsidiary except for real estate owned in the general account as a basis for a policyholder investment strategy where any gain or loss on such real estate is passed through to the policyholder via a market value adjustment. Market value will be deemed to be the market value on the date of the most recent appraisal provided such appraisal is not more than five years old.
4. Plus the excess (less the deficiency) of the market value over statutory carrying value of assets, other than real estate, deemed to support statutory capital and surplus and the MSVR.
5. Less provision for federal income tax for any net unrealized gains on common stock, real estate and other assets deemed to support statutory capital and surplus and the MSVR. If there is a net unrealized loss on such assets, provision for negative tax will be allowed.
6. Plus the amount of \$3.5 million representing the static value of the GSL corporate structure and state insurance licenses.

The Adjusted Book Value so calculated should be increased by the estimated realized value of any tax loss carryforwards not otherwise reflected.

PRESENT VALUE OF IN-FORCE BUSINESS

Present value of in-force business will equal the discounted value at 15 percent of 20 years of future statutory book profits.

For the major segments, a model of plan/age/duration cells will be created such that these cells in total are representative of the total in-force business in that segment. The appropriateness of the model will be tested by comparing the premiums, insurance amounts, and statutory reserves produced by the model with the actual amounts for that particular segment. Except for unusual circumstances, the model/actual ratio should fall within the range .95 - 1.05.

Statutory book profits will be projected using actuarial assumptions based on the recent mortality, lapse, and expense experience of GSL appropriate for this purpose. The commissions are based on the schedule in use for the policies in the model. Cash values and other policy characteristics are determined by the policy contract. Statutory reserves will be on the basis used for statutory valuation, including any deficiency, nondeduction and immediate payment of claims reserves.

Investment income will be based on yields of existing assets and anticipated new money rates. Investment spread assumptions for interest sensitive business will be based on the current target spread for each product. For contracts which specify a contractual spread, such spread will be used as the target spread.

In general, taxable income will be projected as well as statutory income by replacing the increase in statutory reserves with the increase in tax basis reserves. After-tax statutory profits will be calculated as pre-tax statutory profits less a tax rate (currently 34%) times taxable income.

EXHIBIT G

FORM OF OPINION OF TRG LEGAL COUNSEL

[BPH Letterhead]

[Merger Date]

GSL Holding Corp.
4333 Edgewood Road, N.E.
Cedar Rapids, IA 52499

Cadet Holding Corp.
4333 Edgewood Road, N.E.
Cedar Rapids, IA 52499

Re: The Regan Group Insurance Marketing

Ladies and Gentlemen:

We have acted as legal counsel to The Regan Group Insurance Marketing, a California corporation (the "Company"), in connection with the Agreement and Plan of Merger dated as of January 1, 1989 (the "Merger Agreement") among the Company, GSL Holding Corp., an Iowa corporation ("GSLH"), and Cadet Holding Corp., an Iowa corporation ("Cadet"). This opinion is being rendered to you pursuant to Section 9.6(a) of the Merger Agreement. Capitalized terms used herein and not otherwise defined shall have the same meaning given to such terms in the Merger Agreement.

In connection with this opinion, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents, corporate records and certificates:

- (1) an executed copy of the Merger Agreement;
- (2) the certificates of Mr. John D. Regan, Chairman of the Board of the Company, delivered pursuant to Sections 9.7 and 9.8(a)(vii) of the Merger Agreement;
- (3) the opinion of Larry G. Brown, counsel to GSLH and Cadet, dated [the Merger Date], delivered pursuant to Section 9.6(b) of the Merger Agreement;
- (4) the Company's Articles of Incorporation and Bylaws; and
- (5) The Company's shareholder records, including its shareholder register.

As used in this opinion, the expression "we are not aware" means as to matters of fact that, after an examination of documents made available to us by the Company and after inquiries of officers of the Company, we find no reason to

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believe that the opinion expressed below which refers to the expressions "we are not aware" is factually incorrect; but beyond that we have made no independent factual investigation for the purposes of rendering this opinion.

In rendering this opinion, we have assumed that each of GSLH and Cadet has all requisite power, authority and legal right to execute and deliver the Merger Agreement and to perform its obligations thereunder, and that the Merger Agreement has been duly authorized, executed and delivered by each of GSLH and Cadet.

Based upon and subject to the foregoing, and subject to the qualifications contained herein, we are of the opinion that:

(a) The Company has all requisite corporate power and authority to enter into the Merger Agreement and to engage in the transactions contemplated thereby;

(b) All necessary corporate action has been taken by the Company to authorize the execution and delivery of the Merger Agreement and the performance by the Company of its obligations thereunder;

(c) Provided that the articles of merger contemplated under the Merger Agreement have been filed with the Office of the Secretary of State of the State of Iowa in accordance with the relevant provisions of Iowa law, upon filing a certified copy of such articles of merger in the Office of the Secretary of State of the State of California, the Merger shall be effective;

(d) The consummation of the Merger under the Merger Agreement is not subject to the provisions of Division 6 of the California Uniform Commercial Code (Bulk Transfers) or subject to the imposition of any California state sales tax;

(e) All necessary governmental consents and approvals required by the State of California in connection with the execution, delivery and performance of the Merger Agreement have been obtained as of the date hereof, including (i) the approval of the Commissioner of Insurance of the State of California with respect to the terms and conditions of the Merger, (ii) the issuance of a permit by the California Department of Corporations in connection with the qualification of the issuance of the Class B shares by GSLH in the Merger, and (iii) a finding of fairness in an administrative hearing before the Commissioner of Corporations of the State of California with respect to the terms and conditions of the issuance of the Class B Shares by GSLH in the Merger; and

(f) We do not believe that we have sufficient information, based on our review of the Company's shareholder records and our rather limited involvement in advising the Company since its initial organization on matters related to the issuance of its securities, to express an opinion whether any violations of applicable securities laws may have occurred in connection with the purchase, sale, transfer or distribution of any of the Company's securities. We can say, however, based upon a review of the shareholder records of the Company and the certificate executed by Mr. John D. Regan in connection with this opinion, that

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we are not aware of any claims having been asserted against the Company alleging violations by the Company of any securities laws, rules, orders or regulations in connection with the Company's purchase, sale, transfer, conveyance or distribution of TRG Stock or other securities of the Company, with the exception of potential claims asserted in early 1988 by Mr. Rodney Evans against the Company, which matter has been disposed of and settled by the purchase of all of Mr. Evans' shares of TRG Stock by Mr. and Mrs. John D. Regan pursuant to a Settlement and Transfer Agreement dated April 23, 1988.

We are admitted to practice law only in the State of California and we express no opinion herein concerning any law other than the law of the State of California and the federal law of the United States.

This opinion is furnished to you solely for your benefit in connection with the Merger, and may not be relied upon by any other person without our prior written consent.

Very truly yours,

BROBECK, PHLEGER & HARRISON

By
Michael M. Moore

EXHIBIT H
FORM OF OPINION OF CADET AND GSL LEGAL COUNSEL
(GSL Letterhead)

[Merger Date]

THE REGAN GROUP
INSURANCE MARKETING
201 Alameda del Prado
Novato, CA 94949

RE: GSL Holding Corp. and Cadet Holding Corp.

Ladies and Gentlemen:

I am counsel for Cadet Holding Corp., an Iowa corporation ("Cadet"), and GSL Holding Company, an Iowa corporation ("GSLH"), in connection with the Agreement and Plan of Merger dated as of January 1, 1989 (the "Merger Agreement") among The Regan Group Insurance Marketing, a California corporation ("TRG"), GSLH, and Cadet. This opinion is being rendered to you pursuant to Section 9.6(b) of the Merger Agreement. Capitalized terms used herein and not otherwise defined shall have the same meaning given to such terms in the Merger Agreement.

In connection with this opinion, I have examined originals, or copies certified or otherwise identified to my satisfaction, of the following documents, corporate records and certificates:

- (1) an executed copy of the Merger Agreement; and
- (2) the Articles of Incorporation and Bylaws of Cadet and GSLH.

In rendering this opinion, I have assumed that TRG has all requisite power, authority and legal right to execute and deliver the Merger Agreement and to perform its obligations thereunder, and that the Merger Agreement has been duly authorized, executed and delivered by TRG.

Based upon and subject to the foregoing, and subject to the qualifications contained herein, we are of the opinion that:

- (a) Each of Cadet and GSLH has all requisite corporate power and authority to enter into the Merger Agreement and to engage in the transactions contemplated thereby;
- (b) All necessary corporate action has been taken by each of Cadet and GSLH to authorize the execution and delivery of the Merger

Agreement and the performance by each of Cadet and GSLH of its obligations thereunder;

- (c) Provided that the articles of merger contemplated under the Merger Agreement have been filed with the Office of the Secretary of State of the State of Iowa in accordance with the relevant provisions of Iowa law, upon filing a certified copy of such articles of merger in the Office of the Secretary of State of the State of California, the Merger shall be effective. :

This opinion is furnished to you solely for your benefit in connection with the Merger, and may not be relied upon by any other person without our prior written consent.

Very truly yours,

Larry G. Brown

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EXHIBIT I

FORM OF CERTIFICATE OF REGAN TO LEGAL COUNSEL

To Brobeck, Phleger & Harrison

I am Chairman of the Board of Directors of The Regan Group Insurance Marketing (the "Company"). This certificate is being furnished to you in connection with the legal opinion to be rendered by you pursuant to Section 9.6(a) of the Agreement and Plan of Merger dated as of January 1, 1989 among the Company, GSL Holding Corp. ("GSL") and Cadet Holding Corp.

I hereby certify that:

1. At all times since the Company's incorporation on July 30, 1980, I have been employed by the Company either as its President or as the Chairman of its Board of Directors.

2. I am or was personally acquainted with each of the individuals who purchased shares of the Company (in their personal capacity or on behalf of a corporation or other entity with which they were affiliated), either directly from the Company or from me and my wife, Lynda L. Regan. All of such individuals had direct access through me or others in the Company to information about the Company's business prospects and plans as well as its financial condition. Over 80% of the Company's present shareholders were employees or agents of the Company at the time they acquired their shares, or were affiliated with employees or agents of the Company at such time. No shares in the Company were sold by means of any publication or general solicitation of persons not known to me personally or not having a business relationship with the Company.

3. The existence and contents of the agreement between the Company, Life Investors Inc. and me, in my personal capacity, were disclosed to all of the Company's shareholders shortly after the original memorandum of understanding was signed in 1985 and have been disclosed to each of the persons who have resold their stock in the Company to me and my wife since that time. To the best of my knowledge, each of the persons who have resold their stock in the Company to me and my wife since June 23, 1988 have been advised of the existence and contents of the addendum to the original memorandum of understanding dated June 23, 1988. The Company has also regularly furnished unaudited financial information about the Company's results of operations to its shareholders.

4. To the best of my knowledge, no information about the Company taken as a whole which was provided by me to a shareholder of the Company at the time he or she purchased or sold stock in the Company was inaccurate or misleading in any material respect.

5. Since the incorporation of the Company I have not become aware of any claims asserted against the Company or me, in my personal capacity, or of any claims threatened to be asserted against the Company or me, in my personal

capacity, alleging (i) violations by the Company or me of any securities laws, rules, orders or regulations in connection with any purchase, sale, transfer, conveyance or distribution by the Company or me, in my personal capacity, of the Company's common stock or other securities of the Company, with the exception of potential claims asserted in early 1988 by Mr. Rodney Evans against the Company, which matter has been disposed of and settled by the purchase of all of Mr. Evans' shares of the Company's common stock by me, jointly with my wife, pursuant to a Settlement and Transfer Agreement dated April 23, 1988, or (ii) any written or oral misrepresentation made by any officer or agent of the Company in connection with any such transactions.

IN WITNESS WHEREOF, I have executed this certificate as of the date set forth below.

Dated: _____

John D. Regan

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EXHIBIT J

FORM OF REGAN CERTIFICATE

I am Chairman of the Board of Directors of the Regan Group Insurance Marketing ("TRG"). This certificate is being provided pursuant to Section 9.7 of the Agreement and Plan of Merger dated as of January 1, 1989 (the "Merger Agreement") among TRG, GSL Holding Corp. ("GSL") and Cadet Holding Corp. ("Cadet"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Merger Agreement.

I hereby certify and agree:

1. I have transferred or caused the transfer to TRG of all of my rights and title in and to any insurance and annuity products and services developed by me in consideration of a payment of \$218,000;
2. To the best of my knowledge, I have not withheld from Cadet or GSL any information or knowledge of any material facts about TRG and its operation, particularly information relating to Subsidiaries of TRG and agreements between myself and TRG or other entities which are relevant and material to the Merger and the ongoing operations of the Survivor Corporation or General Services Life;
3. To the best of my knowledge after conferring with counsel from time to time, I am not aware of any violations of any securities laws, rules, orders or regulations (whether state or federal) in connection with any purchase, sale, transfer, conveyance or distribution of the capital stock or any other securities of TRG, which I believe would have a material adverse effect on the business of TRG; and
4. I will, from and after the Merger Date, fully indemnify General Services Life, the Survivor Corporation, Cadet, the Class A Shareholders, the Class A Directors and AUSA from and against any and all loss, cost, claim, damage, expense (including attorneys' fees) and liabilities from or related to any willful or intentional inaccuracy in any statement made in this certificate or any claims, liabilities or obligations arising out of any purchase or sale of the capital stock or other securities of TRG by me in my personal capacity on or before the Merger Date. If and when any claim or demand is made which would give rise to this right of indemnification, the Survivor Corporation, the Class A Shareholders or Class A Directors shall be entitled, upon reasonable notice to me at the offices of General Services Life in Novato, California, or at such other address designated by me from time to time, to set off and apply against any amounts owing to the Survivor Corporation, Class A Shareholders, the Class A Directors, Cadet or AUSA because of such indemnification, any items or property owed to me by the Survivor Corporation under the Merger Agreement, including, but not limited to, Class B Shares eligible for release to me pursuant to the provisions of Article IV of the Merger Agreement or sums owed to me pursuant to any obligations on the

part of the Survivor Corporation to repurchase Class B Shares held by me, my successors, my personal representatives or my assigns.

IN WITNESS WHEREOF, I have executed this certificate as of the date set forth below.

Dated: _____

John D. Regan

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BYLAWS

OF

GSL HOLDING CORP.

(As Amended Through November 1, 1989)

ARTICLE I

DIRECTORS

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The business and affairs of the Corporation shall be managed and conducted by a Board of Directors consisting of ten Directors. No more than two (2) individuals serving at any one time as Directors of the Corporation may be related by blood or by marriage. Seven members of the Board of Directors shall constitute a quorum for the transaction of business. The affirmative vote of at least five Directors present at any meeting at which a quorum is present shall be required for the adoption of any resolution or the taking of any other action by the Board of Directors. All powers of the Corporation not otherwise provided for are vested in and shall be exercised by the Board of Directors. In the determination of a quorum of the Directors at any Directors' meeting or in passing upon any matter affecting the Corporation or its property, the adverse interest of any Directors shall not disqualify such Directors or invalidate his vote. The Directors shall have the power to adopt, repeal, modify, or amend the Bylaws of the Corporation, and shall hold meetings at such time or times as may be provided by the Bylaws of the Corporation or by unanimous consent of the Directors in writing given either before or after such meeting, or when called by the President, Vice President, or Secretary of the Corporation or any two Directors of the Corporation by fifteen (15) days' notice in writing.

Meetings of the Directors may be held within or without the State of Iowa and any action authorized or taken by the Directors by the unanimous consent thereof in writing without meeting or assembly shall have the same force and effect and be binding upon the Corporation as if unanimously done by all the Directors in lawful meeting assembled.

Regular meetings of the Board of Directors will be held quarterly. Special meetings of the Board of Directors may be called by the Chairman of the Board, President, Secretary or a majority of the Board of Directors upon notice of the place, day and hour of the meeting and the business to be transacted at the meeting given to each director at least 72 hours before the time of the meeting by delivering the same at his residence or usual place of business or, in the alternative, by mailing such notice at least 96 hours before the time of the meeting, postage paid and addressed to him at his last known post office address according to the records of the Corporation; provided, however, that such minimum

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notice periods shall be extended by an additional 72 hours in the event that it is determined that a majority of the Class B Directors are outside the United States at the time such notice is initially sent. No notice of any meeting of the Board of Directors need be given to any director who attends or to any director who in writing executed and filed with the records of the meeting either before or after the holding thereof waives such notice.

The physical location of the principal office of the Corporation shall not be changed at any time without the approval of at least two-thirds (2/3) of the members of the Board of Directors of the Corporation.

ARTICLE II

Meetings

The Annual Meeting of the Stockholders of the Corporation for the election of Directors and the transaction of other business shall be held on any date during the period beginning on March 1 and ending on April 30, of each year as designated by resolution of the Board of Directors.

Unless otherwise provided, the annual meeting shall be held in Cedar Rapids, Iowa, at 1:00 p.m. and no notice thereof shall be required, but if the meeting shall be held at some other place or time on said date, the Secretary of the Corporation shall give notice thereof by mailing not less than ten (10) days prior to such annual meeting. Whenever notice in writing is provided for in these Articles, notice shall be considered given when addressed and mailed to the address as shown by the records of the Corporation of the persons, firm, or Corporation to whom notice is to be given. Special meetings of the stockholders may be called by the President or by the Board of Directors or by request of any holder (or group of holders) of 10% or more of the voting stock by written consent and on ten (10) days' written notice.

ARTICLE III

Fiscal Year End

The fiscal year end for GSL Holding Corp. will be December 31.

ARTICLE IV

Officers

The Officers of the Corporation shall be elected by the Board of Directors and shall be elected at a meeting of the Directors to be held immediately following the annual meeting of the stockholders. The Officers of the Corporation shall be a

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President, one or more Vice Presidents, a Secretary and a Treasurer, who need not be stockholders of the Corporation, and shall hold office until the next annual election or until their successors are elected and qualified. Additional officers, including one or more Vice Presidents, Assistant Secretaries, and Assistant Treasurers, Comptroller or Comptrollers and assistants thereto, or Chairman of the Board, may be appointed by the Board of Directors as and if the Board of Directors may from time to time determine, whether stockholders or not. The Board shall also have the power to appoint an executive committee from its membership, and authorized to exercise such powers of the Board as the Board may determine in providing therefore. Any two officers, except that of President and Vice President, may be held by the same person. Any vacancy in any office may be filled by the Board of Directors. The compensation of all Officers, Directors and employees of the Corporation shall be fixed by the Board of Directors, but the Board of Directors shall have the right to delegate this power.

Subject to the effect of any provisions in any written employment agreement between any person and the Corporation, any officer of the Corporation may be removed from office by the vote of a majority of the Directors of the Corporation.

ARTICLE V

Corporation Seal and Execution of Written Instruments

The Corporation shall not have a corporate seal. All instruments executed by the Corporation which are acknowledged and which affect an interest in real estate shall be executed by the Chairman of the Board of the Corporation and attested by the Secretary of the Corporation, and all other instruments executed by the Corporation, including any release of mortgage or liens, may be executed by the President or Vice Presidents or Secretary or Treasurer. Notwithstanding any of the foregoing provisions, any written instrument may be executed by any Officer or Officers, Agent or Agents, or other person or persons specifically designated by resolution of the Board of Directors of the Corporation.

ARTICLE VI

Amendment to Bylaws

The Board of Directors at any regular or special meeting may alter or amend these Bylaws by majority vote of the members.

The Shareholders, at any regular or special meeting, may alter or amend these Bylaws by the vote of a majority of the outstanding shares.

The Corporation's Bylaws may not be amended or repealed prior to January 1, 1992 so as to contravene the terms, conditions, intent or spirit of the Agreement and Plan of Merger dated as of January 1, 1989 by and among this Corporation, The Regan Group Insurance Marketing and Cadet Holding Corp.

Adopted by the Board of Directors September 29, 1986, and as amended on December 8, 1988, and as further amended on November 1, 1989.

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IOWA

SECRETARY OF STATE

CERTIFICATE OF INCORPORATION

SEPTEMBER 5, 1986

GSL HOLDING CORP.

HAS FILED ARTICLES OF INCORPORATION IN THIS OFFICE AND IS
HEREBY AUTHORIZED TO TRANSACT BUSINESS AS A CORPORATION FROM
SEPTEMBER 5, 1986, PERPETUALLY, UNDER THE PROVISIONS
OF CHAPTER 496A, 1985 CODE OF IOWA.



Mary Jane Odell

SECRETARY OF STATE

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COUNTY RECORDER
Linn County, Iowa

ARTICLES OF INCORPORATION

OF

GSL HOLDING CORP.

DOCUMENT NO.

RECORDING FEE 30.00

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We, the undersigned persons, acting as incorporators of a corporation organized under the Iowa Business Corporation Act, Chapter 496A, Code of Iowa 1985, hereby adopt the following Articles of Incorporation for such corporation.

ARTICLE I

The name of the corporation is "GSL Holding Corp."

ARTICLE II

The corporation shall have unlimited power to engage in and to do any lawful act concerning any and all lawful businesses for which corporations may be organized under the Iowa Business Corporation Act.

ARTICLE III

The term of existence of the corporation shall be perpetual.

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ARTICLE IV

The aggregate number of shares which the corporation shall have authority to issue is Two Thousand (2,000) shares of Common Stock at a par value of One Thousand Dollars (\$1,000.00) each. No pre-emptive or prior rights to purchase any authorized stock, or stock hereafter authorized or issued, shall be vested in or held by any stockholder, but the Board of Directors shall have the right to issue capital stock at any time authorized to such persons and in such amounts as the Board of Directors may from time to time determine.

ARTICLE V

The address of the initial registered office of the corporation is 4333 Edgewood Road N.E., Linn County, Cedar Rapids, Iowa 52499, and the name of its initial registered agent at such address is George R. Lambert.

ARTICLE VI

The number of Directors constituting the initial Board of Directors is ten (10) and the name and address of the persons who are to serve as Directors until the first annual meeting of the shareholders or until their successor, or successors, are elected and shall qualify are:

<u>Name</u>	<u>Address</u>
William L. Busler	4333 Edgewood Road N.E. Cedar Rapids, IA 52499
Ken Carpenter	475 Gate Five Road, #A-215 Sausalito, CA 94965
Arthur L. Christoffersen	4333 Edgewood Road N.E. Cedar Rapids, IA 52499
William H. Foster	127 John Street New York, NY 10038
Robert C. Greving	4333 Edgewood Road N.E. Cedar Rapids, IA 52499
Edwin L. Ingraham	4333 Edgewood Road N.E. Cedar Rapids, IA 52499
Max Katz	475 Gate Five Road, #A-215 Sausalito, CA 94965
Wayne Rawls	475 Gate Five Road, #A-215 Sausalito, CA 94965
John Regan	475 Gate Five Road, #A-215 Sausalito, CA 94965
Donald J. Shepard	4333 Edgewood Road N.E. Cedar Rapids, IA 52499

After the initial Board of Directors, the Board shall consist of between five and ten Directors as shall be fixed and determined by the Directors from time to time prior to each annual meeting thereof at which Directors are to be elected.

ARTICLE VII

The Board of Directors, at any regular or special meeting, is authorized to adopt, alter, amend or repeal Bylaws and to adopt new Bylaws not inconsistent with law or these Articles of

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Incorporation, by an affirmative vote of a majority of the membership of the Board as distinguished from a majority of a quorum.

ARTICLE VIII

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These Articles may be amended at any annual meeting of the shareholders or at any special meeting thereof called for that purpose, and such amendment shall be made by the affirmative vote of a majority of the shares of voting stock in attendance at said meeting, in person or by proxy, provided, however, that a quorum is present at said meeting. For the purpose of this Article, as well as other Articles of these Articles of Incorporation, a quorum is hereby established to be the stockholders in person or by proxy representing Fifty Percent (50%) of the issued and outstanding stock of the corporation. At any meeting of the stockholders to consider and act upon any proposed amendment to the Articles of Incorporation, the stockholders may adopt any modification or revision thereof proposed at said meeting.

ARTICLE IX

No proxy shall be valid for more than sixty (60) days from the date of its execution.

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STATE OF IOWA)
COUNTY OF LINN)

ss.

On this 18th day of August, 1986, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared Arthur L. Christoffersen and Donald J. Shepard, to me personally known to be the identical persons whose names are subscribed hereto and who executed the foregoing Articles of Incorporation and did acknowledge the execution thereof to be their free and voluntary act and deed.

Witness my hand and notarial seal the day and year last above written.



Robert R. Roney
Notary Public, in and for the
State of Iowa, County of Linn

My Commission Expires: 9-8-88

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OFFICE OF THE SECRETARY OF STATE
DES MOINES, IOWA

Recorded in Book: — Page: — Sept 5 1986
File No. 6031167 Sub No. —
Filed By: — Recorder: —
Filing Fee: 50.00 Recording Fee: —


Cedar Rapids, Ia.
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ARTICLE X

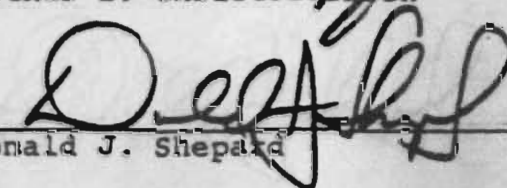
The name and address of the incorporators are:

<u>Name</u>	<u>Address</u>
Arthur L. Christoffersen	4333 Edgewood Road N.E. Cedar Rapids, IA 52499
Donald J. Shepard	4333 Edgewood Road N.E. Cedar Rapids, IA 52499

Dated this 18th day of August, 1986



Arthur L. Christoffersen



Donald J. Shepard

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SECRETARY OF STATE

C E R T I F I C A T E O F A M E N D M E N T

DECEMBER 27, 1989

GSL HOLDING CORP.

HAS FILED AN AMENDMENT TO ITS ARTICLES OF INCORPORATION UNDER
THE PROVISIONS OF CHAPTER 496A, 1987 CODE OF IOWA, EFFECTIVE
DECEMBER 27, 1989,

CHANGING ARTICLE IV, CHANGING AUTHORIZED STOCK
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Elaine Baxter

SECRETARY OF STATE

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ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
GSL HOLDING CORP.

To The Secretary of State
of the State of Iowa:

Pursuant to the provisions of Section 496A.58 of the Code of Iowa, 1989, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is GSL Holding Corp. It was incorporated September 5, 1986.

2. and 3. The following amendment to the Articles of Incorporation was adopted by the Board of Directors and the sole shareholder of the corporation on November 1, 1989, in the manner prescribed by the Iowa Business Corporation Act:

RESOLVED, that Article IV of the Company's Articles of Incorporation be and it is hereby revised in its entirety to read as set forth on Exhibit A attached to and made a part of this Written Consent.

4. The number of shares of the corporation outstanding at the time of such adoption was 1 share of common stock; and the number of shares entitled to vote thereon was 1 share of common stock.

5. The number of shares voted for such amendment was 1; and the number of shares voted against such amendment was -0-.

6. The aforesaid amendment provides for a reclassification of issued shares.

7. The aforesaid amendment effects a change in the amount of stated capital. The amendment increases stated capital from \$1,000 to \$50,000.

8. The aforesaid amendment shall be effective on the date these Articles of Amendment are filed with the Iowa Secretary of State.

IN WITNESS WHEREOF, the undersigned Corporation has caused these Articles of Amendment to the Articles of Incorporation to be executed in its name by its President and its Secretary this 12th day of December, 1989.

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NO CORPORATE
SEAL

GSL HOLDING CORP.

By:

John D. Regan
President

By:

Craig D. Vermie
Secretary

STATE OF CALIFORNIA

)

) SS.

COUNTY OF MARIN

)

I, J. Carlile Spencer, a Notary Public, do hereby certify that on the 12th day of December, 1989, John D. Regan personally appeared before me and being first duly sworn by me acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.



J. Carlile Spencer
Notary Public
My Commission Expires: 4/10/92

STATE OF IOWA

)

) SS.

COUNTY OF LINN

)

I, Colleen S. Hansen, a Notary Public, do hereby certify that on the 12th day of December, 1989, Craig D. Vermie personally appeared before me and being first duly sworn by me acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

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IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

[SEAL]

Allen S. Harrison
Notary Public
My Commission Expires: 6/12/92

ARTICLE IV

SECTION 1. This Corporation is authorized to issue only shares of Common Stock, which may be issued in two classes, Class A and Class B. The total number of shares of Common Stock which this Corporation is authorized to issue is 10,000,000. This Corporation is authorized to issue 5,000,000 shares of Class A Common Stock, par value \$.01 per share, and 5,000,000 shares of Class B Common Stock, par value \$.01 per share.

SECTION 2. The rights, preferences, privileges and restrictions granted to and imposed upon Class A Common Stock and Class B Common Stock are as follows:

(a) Voting Matters. Except for votes taken in connection with the election of Directors to the Corporation's Board of Directors, each holder of issued and outstanding shares of Class A Common Stock or Class B Common Stock shall be entitled to one (1) vote for each such share held in any matter properly before the shareholders of the Corporation. In such matters, no distinction shall be made between Class A Common Stock and Class B Common Stock.

(b) Dividends and Other Distributions. Holders of shares of Class A Common Stock or Class B Common Stock shall share in all dividends or other distributions received in respect of such shares from the Corporation, including any distributions received upon the liquidation or dissolution of the Corporation, on a pro rata basis; provided, however, that the unanimous vote or written consent of the members of the Board of Directors shall be required to declare a dividend on one class of Common Stock and not the other.

(c) Election of Directors.

(i) Holders of shares of Class B Common Stock shall have the right and be entitled to elect in aggregate forty percent (40%) of the members of the Board of Directors of the Corporation, which initially shall represent a right to elect four (4) of the ten (10) individuals on the Board. This right shall be without regard to the number of shares of Class B Common Stock which shall be subject to any escrow restrictions or limitations or the number of shares of Class B Common Stock actually voted by the holders thereof in any election of the Board of Directors; provided, however, that this right shall terminate in the event of an underwritten public offering of the Common Stock of the Corporation; provided further that this right shall be reduced or limited if, at any time after January 1, 1992, the total number of issued and outstanding shares of Class B Common Stock (held either outright or subject to escrow restrictions), together with the total number of shares of Class B Common Stock held as treasury stock by the Corporation for later resale to employees and agents of the Corporation (provided that for purposes of this calculation such number of treasury shares shall not be permitted to exceed six percent (6%) of the total

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number of shares of Class A and Class B Common Stock issued and outstanding at such time), shall equal less than forty percent (40%) of the aggregate number of issued and outstanding shares of Common Stock (including both Class A and Class B Common Stock), in which case the right provided by this subsection shall be reduced to permit the holders of Class B Common Stock to elect only that fraction of the total number of members of the Board of Directors (rounded to the nearest whole individual) calculated by dividing the aggregate number of shares of Common Stock owned (either outright or subject to escrow restrictions) by the holders of Class B Common Stock on the date of any election of Directors, plus the number of shares of Class B Common Stock held by the Corporation as treasury stock (subject to the limitation set forth above with respect to such treasury stock) by the total number of issued and outstanding shares of Common Stock on such date.

(ii) Holders of shares of Class A Common Stock shall have the right and be entitled to elect in aggregate sixty percent (60%) of the members of the Board of Directors of the Corporation, which initially shall represent a right to elect six (6) of the ten (10) individuals on the Board; provided, however, that this right shall terminate in the event of an underwritten public offering of the Common Stock of the Corporation. This right to elect Directors shall be increased by a percentage corresponding to the percentage decrease in the right of the holders of Class B Common Stock to elect Director that shall occur in the event that the number of shares of Common Stock owned by such holders of Class B Common Stock shall fall below forty percent (40%) of the total number of issued and outstanding shares of Common Stock after January 1, 1992. For example, if holders of Class B Common Stock shall only be entitled to elect three (3) of the ten (10) members of the Board of Directors beginning in 1992, holders of Class A Common Stock shall be entitled to elect the remaining seven (7) Directors.

(d) Repurchase of Class B Common Stock Upon Holder's Termination of Employment.

(i) Until the time the Common Stock is publicly traded, if ever, each holder of shares of Class B Common Stock shall be required to resell each of his or her shares of Class B Common Stock back to the Corporation at the stock's Fair Market Value, as hereinafter defined, within twelve (12) months of the termination of such stockholder's employment or agency relationship with the Corporation (or any of its subsidiaries); provided, however, that the Corporation's Board of Directors shall have the power to waive, suspend or defer this resale requirement for any holder of Class B Common Stock for any period of time it deems appropriate. All shares of Class B Common Stock repurchased by the Corporation pursuant to this subsection shall be retained as treasury stock by the Corporation and shall be available for later resale to employees or agents of the Corporation at the stock's Fair Market Value for issued and fully paid shares on terms and with conditions authorized and determined by the Board of Directors.

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(ii) For the purposes of this subsection (d) and subsection (e) of the Section 2, "Fair Market Value" for issued and fully paid shares shall be defined to mean that price per share adopted in good faith by action of the Board of Directors as of the nearest annual market valuation date (which shall occur annually as of the last day of December of each year) based upon net present value calculations with respect to the business of the Corporation and its subsidiaries (which business may be through the Corporation, its subsidiaries or an affiliates thereof) performed by the AEGON USA, Inc. corporate actuary, subject to review by independent actuaries, using terms and assumptions approved or furnished, as the case may be, by the Board of Directors. Fair Market Value for shares held in escrow and eligible for release shall be discounted by 50%. Fair Market Value for shares held in escrow but not eligible for release shall be discounted by 75%. Said discounts reflect (A) the risk of the Corporation's meeting any criteria for releasing the shares from escrow or for making the shares eligible for release from escrow, and (B) the time value of money involved in the period before any prospective release of shares.

(e) Common Stock Resale Rights.

(i) Commencing on the Merger Date and then on January 1, 1990 and on January 1 of each year until the Common Stock is publicly traded, if ever, each holder of Class B Common Stock and Class A Common Stock shall have the right to demand that the Corporation repurchase up to ten percent (10%) of the Common Stock held by such shareholder (including those shares held outright, but excluding those shares subject to the escrow restrictions set forth in Article IV of the Agreement and Plan of Merger among the Regan Group Insurance marketing, this Corporation and Cadet Holding Corp. dated as of January 1, 1989) on the date of the demand (rounded to the nearest whole share). After a shareholder has held such stock for a period of five (5) consecutive years from the merger date, such shareholder shall have the right to demand that the corporation repurchase each year the greater of: (i) ten percent (10%) of the common stock held by such shareholder, or (ii) an amount that such shareholder could have demanded that the corporation repurchase during the prior year, subject to the restrictions set forth in Section 2(e)(ii) of this Article. On or before the later of (A) 30 days after the date of such demand, or (B) 120 days after the market valuation date as determined in accordance with Section 2(d)(ii) of this Article, the Corporation shall repurchase from such shareholder with cash the number of shares set forth in such demand notice at their Fair Market Value (as determined in accordance with Section 2(d)(ii) of this Article 2). Holders of Class B Common Stock who desire to resell more than ten percent (10%) of their shares back to the Corporation during any one year shall be allocated additional rights to resell on a pro rata basis from those holders of Class B Common Stock that fail to make a request for repurchase in any year or that make a request for repurchase of less than ten percent (10%) of such shareholder's Class B Common Stock. Any of such rights to resell that are not

exercised in any year shall expire and not carry-over to the next year.

(ii) In no event shall the Corporation be required to purchase more than ten percent (10%) of the outstanding shares of Class A Common Stock or Class B Common Stock in any twelve-month period.

(iii) All shares of Common Stock repurchased by the Corporation pursuant to this subsection shall be retained as treasury stock by the Corporation and shall be available for later resale to employees or agents of the Corporation and its affiliates at the Stock's Fair Market Value, on terms and with conditions authorized and determined by the Board of Directors.

(iv) All rights granted to the holders of Common Stock pursuant to this subsection shall be and remain subject to any and all applicable laws that may limit or restrict the ability of a corporation to make distribution to its stockholders, including distributions in connection with the repurchase of shares.

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(f) Right of Class B Directors to Authorize Sale of Class B Common Stock in Certain Instances. In the event that the Class B Shareholders holding at least two-thirds (2/3) of the Class B Common Stock outstanding fail to reject an offer made by the Class A Directors on behalf of the Class A Shareholders to purchase all of the outstanding Class B Shares pursuant to the terms of the dispute resolution procedures set forth in Article V of the Agreement and Plan of Merger among The Regan Group Insurance Marketing, this Corporation and Cadet Holding Corp. dated as of January 1, 1989 (either by voting to accept the offer or by abstaining from voting in connection with the response to such an offer) within 30 days after receiving notice thereof, the Class B Directors shall be empowered to transfer each of the shares of Class of Stock held at such time by the Class B Shareholders to the Class A Shareholders in exchange for the consideration offered pursuant to the terms of such offer.

(g) Right of Class A Directors to Authorize Sale of Class A Common Stock in Certain Instances. In the event that the Class A Shareholders holding a majority of the Class A Common Stock outstanding fail to reject an offer made by the Class B Directors on behalf of the Class B Shareholders to purchase all of the outstanding Class A Shares pursuant to the terms of the dispute resolution procedures set forth in Article V of the Agreement and Plan of Merger among The Regan Group Insurance Marketing, this Corporation and Cadet Holding Corp. dated as of January 1, 1989 (either by voting to accept the offer or by abstaining from voting a majority in connection with the response to such an offer) within 30 days after receiving notice thereof, the Class A Directors shall be empowered to transfer each of the shares of Class A Stock held at such time by the Class A Shareholders to the Class B Shareholders in exchange for the consideration offered pursuant to the terms of such offer.

(h) Non-transferability of Class B Shares Held in Escrow.
Any Class B Shares held in escrow pursuant to the terms of that certain Agreement and Plan of Merger among The Regan Group Insurance Marketing, this Corporation and Cadet Holding Corp. dated as of January 1, 1989 shall not be transferable until released from escrow.

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Donald R. Williams TR U/A DTD 12/12/82
Donald R. Williams Trust
FBO Stephen E. & Brian J. Williams
9215 Ward Parkway
Kansas City, MO 64114

John E. Wingfield & Linda C. Smith JT TEN
P.O. Box 10425
Lynchburg, VA 24506-0425

Richard George Wiwi
3 Altarinda Road, Suite 208
Orinda, CA 94563

Regrade, Inc.
DBA WMS Insurance Planning Inc.
200 First Avenue, Suite 400
Seattle, WA 98119

Steven E. Workman
1010 Lincolnshire Drive
Champagne, IL 61821

Merritt W. Yunker
2050 S. Ridge Road
Green Bay, WI 54304

94030964940

Total

89 Repurchase/Gallop Repurchase

12/89 - Issued out of escrow based on earn out formula at 12/31/89.
12/90 - Issued out of escrow based on earn out formula at 12/31/90.
12/91 - Issued out of escrow based on earn out formula at 12/31/91.
89 RP - Repurchased by GSL Holding Corp. based on 12/31/89 value of \$5.79.
90 RP - Repurchased by GSL Holding Corp. based on 12/31/90 value of \$6.64.
91 RP - Repurchased by GSL Holding Corp. based on 12/31/91 value of \$6.62.
89 PSPP - Issued under Producers Stock Purchase Plan based on 12/31/89 value of \$5.79.
90 PSPP - Issued under Producers Stock Purchase Plan based on 12/31/90 value of \$6.64.
91 PSPP - Issued under Producers Stock Purchase Plan based on 12/31/91 value of \$6.62.
9/90 ESOP - Issued to GSL ESOP at 9/30/90.
12/90 ESOP - Issued to GSL ESOP at 12/31/90.
12/91 ESOP - Issued to GSL ESOP at 12/31/91.
6/92 ESOP - Redeemed from GSL ESOP at 6/30/92.
RHC - Purchased 3/3/92 and 3/27/92 from Regan Holding Corp., et. al.
(JR) - Transfer from John and Lynda Regan as result of their purchase from TRG shares at above market price from named shareholder.

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SEP 14 1993

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Insurance Coalition of America,)
Inc.)
Insurance Coalition of America)
Political Action Committee)
and Lynda L. Regan, as treasurer)

SENSITIVE

MUR 3183

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On September 13, 1993, this Office received a conciliation agreement which has been signed by both Lynda L. Regan, as treasurer of Insurance Coalition of America Political Action Committee ("INCA-PAC"), and by J. Robert Doster, Jr., as president of Insurance Coalition of America, Inc. ("INCA") (collectively, "Respondents"). Attachment 1. A check for an initial payment (\$15,000) of the civil penalty was also received at that time. Attachment 2.

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II. DISCUSSION

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Therefore, this Office
recommends that the Commission accept the attached, signed
conciliation agreement from Insurance Coalition of America

Political Action Committee and Lynda L. Regan, as treasurer,
and Insurance Coalition of America, Inc.


II. RECOMMENDATIONS

1. Accept the attached, signed conciliation agreement from Insurance Coalition of America Political Action Committee and Lynda L. Regan, as treasurer, and Insurance Coalition of America, Inc.
2. Close the file as to Insurance Coalition of America Political Action Committee and Lynda L. Regan, as treasurer, and Insurance Coalition of America, Inc.
3. Approve the appropriate letter.

Lawrence M. Noble
General Counsel

9-15-93
Date

BY:


Lois G. Lerner
Associate General Counsel

Attachments

1. Conciliation Agreement signed by Respondents
2. Photocopy of civil penalty check (initial payment)
3. Letter from Respondents, dated July 22, 1993

Staff Assigned: Tonda M. Mott

94030964945

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)

Insurance Coalition of America, Inc.;)
Insurance Coalition of America Political)
Action Committee and Lynda L. Regan,)
as treasurer.)

MUR 3183

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on September 21, 1993, the Commission decided by a vote of 6-0 to take the following actions in MUR 3183:

1. Accept the signed conciliation agreement with Insurance Coalition of America Political Action Committee and Lynda L. Regan, as treasurer, and Insurance Coalition of America, Inc., as recommended in the General Counsel's report dated September 15, 1993.
2. Close the file as to Insurance Coalition of America Political Action Committee and Lynda L. Regan, as treasurer, and Insurance Coalition of America, Inc.

(continued)

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3. Approve the appropriate letter, as recommended in the General Counsel's report dated September 15, 1993.

Commissioners Aikens, Elliott, McDonald, McGarry, Potter, and Thomas voted affirmatively for the decision.

Attest:

9-21-93
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in Secretariat: Wed., Sept. 15, 1993	5:01 p.m.
Circulated to Commission: Thur. Sept. 16, 1993	11:00 a.m.
Deadline for vote: Tues. Sept. 21, 1993	4:00 p.m.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SEPTEMBER 22, 1993

Michael M. Moore, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, CA 94105-1193

RE: MUR 3183

Dear Mr. Moore:

On September 21, 1993, the Federal Election Commission accepted the signed conciliation agreement and the initial payment of the civil penalty submitted on your client's behalf in settlement of violations of U.S.C. § 433(a), 432(h), 434(a)(4), and 441b, provisions of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter as it pertains to Insurance Coalition of America, Inc., and Insurance Coalition of America Political Action Committee and Lynda L. Regan, as treasurer.

This matter will become public within 30 days after it has been closed with respect to all other respondents involved. Please be advised that information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

You are advised that the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) still apply with respect to all respondents still involved in this matter. The Commission will notify you when the entire file has been closed.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that, according to the terms of the agreement, the remaining civil penalty amount is due no later than September 21, 1994. If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Tonda M. Mott
Attorney

Enclosure
Conciliation Agreement

94030964948

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Insurance Coalition of America,)
Inc.)
Insurance Coalition of America)
Political Action Committee)
and Lynda L. Regan, as treasurer)

MUR 3183

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. The Commission found reason to believe that Insurance Coalition of America ("INCA") violated 2 U.S.C. §§432(b)(2) and 441b(a), and that the Insurance Coalition of America Political Action Committee ("INCA-PAC"), and its treasurer, violated 2 U.S.C. §§434(a)(4)(A), 433(a), 432(h), 432(b)(2), and 441b(a) (collectively, the "Respondents").

NOW, THEREFORE, the Commission and the Respondents, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. §437g(a)(4)(A)(i).

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II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondents enter voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. INCA-PAC is a political committee within the meaning of 2 U.S.C. §431(4).

2. Lynda L. Regan is the current treasurer of INCA-PAC and has served in that capacity since August of 1992.

3. INCA, a corporation, is a connected organization and serves as the collecting agent for INCA-PAC.

4. J. Robert Doster, Jr. is the current president of INCA.

5. A political committee must file a Statement of Organization with the Commission, and notify the Commission of any change of information in such statements, within 10 days of establishment or change. 2 U.S.C. §§433(a) and 433(c). This filing requirement includes disclosing all connected organizations. 2 U.S.C. §433(b)(2).

6. A political committee must designate and maintain a depository account into which all receipts are deposited and from which all disbursements are made. 2 U.S.C. §432(h).

7. A political committee must file, during an election year, quarterly reports and a post-general election

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report. In a non-election year, a political committee must file mid-year and year-end reports. 2 U.S.C. §434(a)(4).

8. It is unlawful for any corporation to make contributions or expenditures in connection with federal elections. Further, it is unlawful for a political committee to knowingly accept or receive from a corporation any contribution to or expenditure for a federal candidate in connection with an election, primary, political convention, or caucus. 2 U.S.C. §441b(a).

9. A membership or non-stock corporation may solicit contributions to its separate segregated fund only from its members. 2 U.S.C. §441b(b)(4)(C). The Regulations define "members" as "all persons who are currently satisfying the requirements for membership in a membership organization . . . or corporation without capital stock." 11 C.F.R. §114.1(a). The Act and Commission regulations preclude simultaneous solicitation of membership in an organization and contributions to a separate segregated fund of the membership organization. Advisory Opinion 1992-41.

10. Although INCA began soliciting funds for INCA-PAC in 1984, INCA-PAC did not register with the Commission as a separate segregated fund of INCA until April 13, 1988.

11. INCA-PAC established its separate depository account in April 1988. From 1984 until February 22, 1991, funds of INCA and INCA-PAC were commingled in an INCA account.

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12. On January 25, 1990, INCA-PAC filed with the Commission its statutorily required reports for the time period covering September 1984 - June 30, 1989. Such reports were filed in an untimely manner.

13. INCA-PAC received corporate contributions, including, but not limited to, a \$29,575.78 payment from The Regan Group Insurance Marketing Company ("TRG") on March 2, 1989.

14. Respondents contend that the payment by TRG was intended as a reimbursement to INCA-PAC for INCA-PAC funds which INCA inappropriately spent for INCA's own administrative expenses. Respondents also contend that, prior to 1988, other administrative expenses of INCA were paid for directly by TRG.

15. From 1984 through 1991, INCA solicited simultaneously for membership in INCA and contributions to INCA-PAC. During that time, INCA solicited and accepted contributions to INCA-PAC solely through INCA's membership application.

16. The total amount of contributions improperly solicited equals \$100,061.

17. As part of the conciliation of this matter, Respondents submitted to the Commission a request for an advisory opinion which outlined a proposal for restructuring the organization and operations of INCA-PAC and INCA as its collecting agent in order to comply with the Act and the Commission's regulations. Pursuant to the advisory opinion issued by the Commission, Respondents have ceased simultaneous solicitation for

membership and contributions to INCA-PAC. See, Advisory Opinion 1992-41.

V. 1. INCA-PAC failed to register with the Commission as a separate segregated fund of INCA, in violation of 2 U.S.C. §433(a).

2. Respondents failed to establish and maintain a separate depository account for INCA-PAC, in violation of 2 U.S.C. §432(h).

3. Respondents failed to timely file reports, in violation of 2 U.S.C. §434(a)(4).

4. Respondents solicited and accepted contributions in violation of 2 U.S.C. §441b.

VI. 1. Respondents will pay a civil penalty to the Federal Election Commission in the amount of thirty thousand dollars (\$30,000), pursuant to 2 U.S.C. §437g(a)(5)(A), such penalty to be paid as follows:

a. One payment of \$15,000 is to be paid along with the signed conciliation agreement.

b. Thereafter, the remaining \$15,000 is to be paid within one year from the date of the initial payment.

c. Until such time as the entire civil penalty amount is paid, INCA-PAC agrees to not make any contributions to or expenditures on behalf of any political candidate or committee.

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. §437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

IX. Respondents shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

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X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner by AAS
Lois G. Lerner
Associate General Counsel

9/22/93
Date

FOR THE RESPONDENTS:

J. Robert Doster, Jr.
J. Robert Doster, Jr.
President
Insurance Coalition of
America, Inc.

8-31-93
(Date)

Lynda L. Regan
Lynda L. Regan
Treasurer
Insurance Coalition of America
Political Action Committee

9-7-93
(Date)

94030964955

PATTON, BOGGS & BLOW
2550 M STREET, N.W.
WASHINGTON, D.C. 20037
(202) 457-6000

TRT TELER: 197780
TELECOPIER: 457-6315

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COMMISSION
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WRITER'S DIRECT DIAL

(202) 457-6516

February 1, 1994

**VIA TELEFAX AND
FIRST CLASS MAIL**

Tonda Mott, Esquire
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

94 FEB -2 PM 3:19

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FEDERAL ELECTION COMMISSION

Re: **MUR 3183**

Dear Ms. Mott:

Enclosed is a copy of the designation of counsel for MUR 3183. The original of the designation will be forwarded to your office as soon as I receive it. I will be returning to D.C. tomorrow and look forward to speaking with you at that time.

Sincerely,

David Farber / AB

David Farber

cc: John Martin, Esq.

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STATEMENT OF DESIGNATION OF COUNSEL

FEB 2 11 05 AM '94

MUR 3183 - GSL Holding Corp.

NAME OF COUNSEL: John C. Martin, Esq.
David J. Farber, Esq.

ADDRESS: Patton, Boggs & Blow
2550 M Street, N.W.
Washington, D.C. 20037

TELEPHONE: 202/457-6516
202/457-6315 (fax)

94 FEB -2 PM 3:19

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OFFICE OF THE CLERK

The above named individuals are hereby designated as our counsel and are authorized to receive any notifications and other communications from the Commission and to act on our behalf before the Commission.

DATE: January 27 1994


Richard Kypta, Esq.

RESPONDENTS NAME: Richard Kypta
General Counsel
GSL Holding Corp.
2199 South McDowell Extension
Petaluma, CA 94954
(707) 769-2282
(800) 451-7585 (fax)

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

GSL Holding Corp., as
successor in interest to
The Regan Group Insurance
Marketing Company

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)
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MUR 3183

SENSITIVE

GENERAL COUNSEL'S REPORT

I. INTRODUCTION

This report presents recommendations to assure that this matter conforms to the court's opinion in FEC v. NRA Political Victory Fund, et al., No. 91-5360 (D.C. Cir. Oct. 22, 1993), and makes additional recommendations pertaining to a counter offer, in the form of a signed conciliation agreement received by this Office from GSL Holding Corp., ("Respondent").

II. BACKGROUND

This matter came to the Commission's attention in the normal course of its supervisory responsibilities. The violations by Respondent involved a March 2, 1989 transfer of funds, in the amount of \$29,575.78, from The Regan Group Insurance Marketing Company ("TRG") to the Insurance Coalition of America Political Action Committee ("INCA-PAC"), and \$6,311 in direct payments, made prior to 1988, by TRG for the solicitation costs of INCA-PAC.

1. On December 31, 1989, The Regan Group Insurance Marketing ("TRG") merged into the GSL Holding Corp. ("Respondent"), with Respondent as the surviving corporation. As a matter of corporate liability law, Respondent is liable for the violation as a successor in interest to TRG.

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On February 25, 1992, the Commission found reason to believe that Respondent, as successor in interest to TRG, violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.5(b)² of the Federal Election Campaign Act of 1971, as amended ("the Act"). On June 5, 1992, in response to Respondent's request, the Commission determined to enter into conciliation prior to a finding of probable cause, and approved a conciliation agreement with a civil penalty

2. Subsequent to the initial findings, this Office determined that TRG's direct payment of solicitation costs more accurately constitutes a violation of 2 U.S.C. § 441b(a) rather than 11 C.F.R. § 114.5(b), because the Respondent did not fit within the exception created by the regulations which would allow such expenditures. The violation involving TRG's direct payment of solicitation costs has been reflected as a violation of 2 U.S.C. § 441b(a) in all conciliation agreements previously approved by the Commission. Therefore, the NRA-generated recommendations made in this report do not include a revote of the Commission's earlier reason to believe finding of a violation of the regulations. The change of analysis is reflected in the attached proposed Factual and Legal Analysis, which is necessary in light of NRA.

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III. RECOMMENDED ACTIONS IN LIGHT OF FEC v. NRA

Consistent with the Commission's November 9, 1993 decisions concerning compliance with the NRA opinion, and based on the original referral from the Reports Analysis Division, this Office recommends that the Commission revoke its earlier determinations involving this Respondent to:

- 1) find reason to believe that GSL Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a);

2) approve the attached Factual and Legal Analysis;⁶

3) enter into conciliation with GSL Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, prior to a finding of probable cause to believe;

For the Commission's information, this Office has attached the relevant certifications in this matter dated February 28, 1992, June 5, 1992, and July 22, 1992. Attachment 2.

IV. DISCUSSION

6. See, footnote 2.

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Therefore, this Office recommends that the Commission accept the counteroffer presented by Respondent.

V. RECOMMENDATIONS

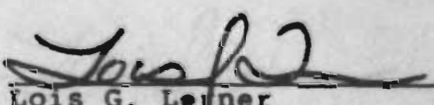
- 1) find reason to believe that GSL Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a);
- 2) approve the attached Factual and Legal Analysis.
- 3) enter into conciliation with GSL Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, prior to a finding of probable cause to believe;
- 4) accept the attached counteroffered conciliation agreement and approve the appropriate letter;
- 5) close the file.

Lawrence M. Noble
General Counsel

Date

3/3/94

BY:


Lois G. Leiner
Associate General Counsel

Attachments

1. Conciliation agreement offered by Respondent
2. Commission's previous certifications (3)
3. Factual and Legal Analysis

Staff Assigned: Tonda M. Phalen

94030964962

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

GSL Holding Corp., as successor
in interest to The Regan Group
Insurance Marketing Company.

)
)
) MUR 3183
)
)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on March 8, 1994, the Commission decided by a vote of 4-0 to take the following actions in MUR 3183:

1. Find reason to believe that GSL Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, violated 2 U.S.C. § 441b(a).
2. Approve the Factual and Legal Analysis, as recommended in the General Counsel's Report dated March 3, 1994.
3. Enter into conciliation with GSL Holding Corporation, as successor in interest to The Regan Group Insurance Marketing Company, prior to a finding of probable cause to believe.

(continued)

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4. Accept the counteroffered conciliation agreement and approve the appropriate letter, as recommended in the General Counsel's Report dated March 3, 1994.
5. Close the file.

Commissioners Aikens, Elliott, McGarry, and Potter voted affirmatively for the decision; Commissioners McDonald and Thomas did not cast votes.

Attest:

3-8-94
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Thurs., Mar. 3, 1994 1:12 p.m.
Circulated to the Commission: Thurs., Mar. 3, 1994 4:00 p.m.
Deadline for vote: Tues., Mar. 8, 1994 4:00 p.m.

bjr

94030964964



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

MARCH 9, 1994

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Michael M. Moore, Esq.
Brobeck, Phleger & Harrison
Spear Street Tower
One Market Plaza
San Francisco, CA 94105-1193

RE: MUR 3183

Dear Mr. Moore:

This is to advise you that this matter is now closed. The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

On September 21, 1993, the Commission and your clients, Insurance Coalition of America Inc., and Insurance Coalition of America Political Action Committee and Lynda L. Regan, as treasurer, entered into a conciliation agreement in settlement of violations of 2 U.S.C. § 433(a), 432(h), 434(a)(4), and 441b. According to the agreement, your clients are required to pay a civil penalty of \$30,000. The conciliation agreement provided for installment payments, with the first \$15,000 due upon signing the conciliation agreement, and an additional \$15,000 due within one year from the date of the initial payment.

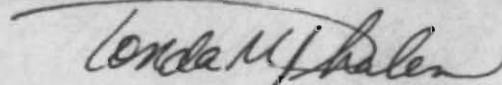
According to Commission records, the final \$15,000 payment has not been received. Please be advised that the closing of this matter does not relieve your clients of their obligation under the terms of the conciliation agreement. Pursuant to 2 U.S.C. § 437g(a)(5)(D), violation of any provision of the conciliation agreement may result in the institution of a civil suit for relief in the United States District Court. Therefore, the remaining \$15,000 payment must be received in this Office no later than September 21, 1994.

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Michael M. Moore, Esq.
MUR 3183
Page 2

If you have any questions, please contact me at
(202) 219-3400.

Sincerely,

A handwritten signature in cursive script, reading "Tonda M. Phalen". The signature is written in dark ink and is positioned above the printed name and title.

Tonda M. Phalen
Attorney

94030964966



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

MARCH 9, 1994

David Farber, Esq.
Patton, Boggs & Blow
2550 M Street, N.W.
Washington, D.C. 20037

RE: MUR 3183

Dear Mr. Farber:

On March 8, 1994, the Federal Election Commission accepted the signed conciliation agreement and civil penalty submitted on your client's behalf in settlement of a violation of 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). Accordingly, the file has been closed in this matter.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

Please be advised that information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Tonda M. Phalen
Attorney

Enclosure
Conciliation Agreement

94030964967

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)

GSL Holding Corp., as)
successor in interest to)
The Regan Group Insurance)
Marketing Company)

MUR 3183

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission ("Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. The Commission found reason to believe that GSL Holding Corp. ("GSL" or "Respondent"), as successor in interest to the Regan Group Insurance Marketing Co. ("TRG"), violated 2 U.S.C. §§ 441b(a) by virtue of its status as the surviving corporation of a merger between GSL and TRG.

NOW THEREFORE, the Commission and the Respondent, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

- I. The Commission has jurisdiction over the Respondent and the subject matter of this proceeding, and this Agreement has the effect of an Agreement entered pursuant to 2 U.S.C. § 437(a)(4)(A)(i).
- II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.
- III. Respondent enters voluntarily into this Agreement with the Commission.
- IV. The pertinent facts in this matter are as follows:

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1. GSL is the surviving corporation of a merger between GSL and TRG. The merger occurred on December 31, 1989. All of the violations conciliated in this Agreement were committed by TRG prior to its merger with Respondent.

2. The Insurance Coalition of America ("INCA") is the connected organization and collecting agent for the Insurance Coalition of America political action committee ("INCA-PAC").

3. INCA-PAC is a political committee within the meaning of 2 U.S.C. § 431(4).

4. John D. Regan was, during the relevant time period, the Treasurer of INCA-PAC and the President of INCA, and was the President of TRG.

5. Although INCA began soliciting funds for INCA-PAC in 1984, INCA-PAC did not register with the Commission as a separate, segregated fund of INCA until April 13, 1988, and did not establish a depository account separate from the accounts of INCA until April 1988. From 1984 until February 22, 1988, funds of INCA and INCA-PAC were commingled in INCA's account.

6. Prior to 1988, TRG paid directly the cost of soliciting membership to INCA. Since INCA solicited contributions to INCA-PAC through INCA's membership application, the costs paid by TRG to solicit members for INCA necessarily included an additional cost of soliciting contribution to INCA-PAC.

7. TRG made a \$29,575.78 contribution to INCA-PAC on March 2, 1989, in the form of a check, Number 52726, drawn on TRG's account and made payable to INCA-PAC.

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V. 1. TRG paid the costs of soliciting members to INCA, which solicitations included solicitations to contribute to INCA-PAC, in violation of 2 U.S.C. § 441b(a).

2. TRG contributed \$29,575.78 to INCA-PAC in violation of 2 U.S.C. § 441b(a).

VI. Respondent will pay, as the successor in interest to TRG, a civil penalty to the Federal Election Commission in the amount of Eleven Thousand Dollars (\$11,000.00), pursuant to 2 U.S.C. § 437g(a)(5)(A).

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this Agreement. If the Commission believes that this Agreement has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This Agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire Agreement.

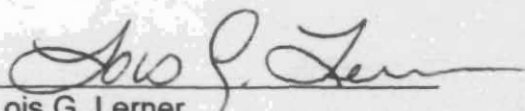
IX. Respondent shall have no more than 30 days from the date this Agreement becomes effective to comply with and implement the requirements contained in this Agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire Agreement between the parties on the matters raised herein, and no other statement, promise, or

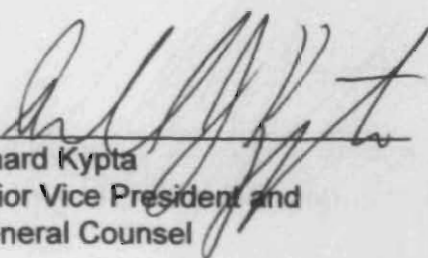
agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written Agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

By:  3-9-94
Lois G. Lerner Date
Associate General Counsel

FOR THE RESPONDENT:

By:  2/14/94
Richard Kypka Date
Senior Vice President and
General Counsel

94030964971



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 3183

DATE FILMED 4-1-97 CAMERA NO. 2
CAMERAMAN JMA

94030964972



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 11/29/94

✓ Microfilm
 Public Records
 Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED NUR 3183

94043592057

LAW OFFICES
OF
DONALD R. WILLIAMS

RECEIVED
FEDERAL ELECTION
COMMISSION
MAIL ROOM

Nov 25 9 21 AM '94

OF COUNSEL:
PAUL L. SIKAHAN

OFF. FAX: 816-941-4452
GSL FAX: 816-942-4803

November 21, 1994

Ms. Abigail Shaine
Federal Election Commission
999 E. Street, N.W.
Washington D.C. 20463

Nov 28 12 02 PM '94

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

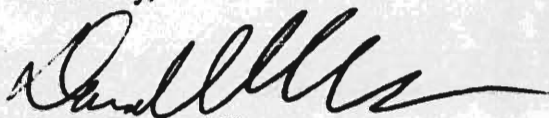
Dear Ms. Shaine:

In accordance with our telephone conversation, enclosed is the final payment of \$15,000 on the settlement with F.E.C. by the Insurance Coalition of America (INCA).

As we discussed, we will gradually reactivate the INCA-PAC under the terms of the Advisory Opinion of F.E.C. (AO 1992-41).

If there is anything further, please advise.

Sincerely,


Donald R. Williams

DRW/kla

24043592058

1394

INSURANCE COALITION OF AMERICA

P.O. BOX 781145
PETALUMA, CA 94975-1145

11-8/1210

11/21 1974

PAY
TO THE
ORDER OF

Federal Electric Commission

\$ 15,000⁰⁰

Fifteen Thousand and

DOLLARS

Union Bank

Northern California Regional Office
330 California Street
San Francisco, CA 94104

[Signature]

FOR

⑈001394⑈ ⑆121000497⑆7000115791⑈

24043592069



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

11-25-94

TWO WAY MEMORANDUM

TO: OGC, Docket

FROM: Rosa E. Swinton
Accounting Technician

SUBJECT: Account Determination for Funds Received

RECEIVED
FEDERAL ELECTION
COMMISSION
NOV 28 12 01 PM '94

We recently received a check from Insurance Coalition
of America, check number 1394, dated
11-24-94, and in the amount of \$15,000.00.
Attached is a copy of the check and any correspondence that
was forwarded. Please indicate below the account into which
it should be deposited, and the MUR number and name.

TO: Rosa E. Swinton
Accounting Technician

FROM: OGC, Docket *11/28/94*

In reference to the above check in the amount of
\$15,000.00, the MUR number is 3183 and in the name of
Insurance Coalition of America. The account into
which it should be deposited is indicated below:

- ☐ Budget Clearing Account (OGC), 95F3875.16
- ☒ Civil Penalties Account, 95-1099.160
- ☐ Other: _____

Rosa E. Swinton
Signature

11/28/94
Date

94043592060