

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

**In the Matter of the Rehabilitation of ACA Assurance
06-E-380**

**ASSENTED TO PETITION FOR EXPEDITED APPROVAL
OF
ASSUMPTION REINSURANCE AGREEMENT,
ADDITIONAL ASSESSMENT
AND
LIFTING OF MORATORIUM**

The Rehabilitator submits this Assented to Petition for Expedited Approval of certain actions to be taken in accordance with the approved Plan of Reorganization (the "Plan") of ACA Assurance ("ACA") with respect to the Rehabilitation of ACA (the "Rehabilitation"). Specifically, the Rehabilitator seeks expedited approval of the following: (1) all actions identified in an assumption reinsurance agreement (the "Pre-Need Assumption Agreement" (Exhibit A to this Petition) between ACA and Supreme Council of the Royal Arcanum ("Royal Arcanum") with respect to certain pre-need life insurance policies (the "Pre-Need Assumption Transaction"); (2) an additional assessment on ACA's pre-need certificates that will bring the total assessment on such certificates to 40%; and (3) the temporary lifting of the moratorium on ACA pre-need policy surrenders pursuant to the Pre-Need Assumption Agreement.

By taking these actions the Rehabilitator seeks to:

- (i) transfer the last remaining block of ACA policies; and
- (ii) provide adequate funding for that transfer and the funding of ACA's pension plan obligations sufficient to provide for lump sum distributions to vested participants

and provide for potential election of annuities by such participants, and the administration of the estate through the Rehabilitation and any subsequent liquidation proceeding.

The Rehabilitator believes that implementing these actions is in the best interests of ACA and its policyholders, and will result in the most efficient administration of the estate going forward. These actions have all been reviewed with the ACA Board of Directors, and legal counsel to ACA assents to this Petition.

I. BACKGROUND

1. Roger A. Seigny, Commissioner of Insurance for the State of New Hampshire (the "Commissioner") was appointed Rehabilitator of ACA Assurance ("ACA" or the "Company") pursuant to an Order of this Court dated September 8, 2008 (the "Rehabilitation Order"). This Court has jurisdiction over this matter pursuant to RSA 402-C:4, 5 and 15.

2. ACA is a fraternal benefit society subject to the provisions of RSA Chapter 418 and chartered under the laws of the State of New Hampshire with its principal offices at 55 South Commercial Street, Manchester, NH 03101. ACA is licensed by, and subject to regulation by, the New Hampshire Insurance Department (the "Department"). ACA conducts business both in the United States and Canada.

3. The goals of the Rehabilitation were initially set forth in the Rehabilitator's first report filed on October 17, 2008. The Rehabilitator reiterated these goals in its motion for approval of the Plan, which was filed on April 15, 2009 and approved by this Court on May 13, 2009 (the "Plan Order"). Subsequent to the Plan's approval, the Rehabilitator has provided three additional reports, on July 28, 2009, December 23, 2009 and November 24, 2010, updating this Court on the implementation of the Plan.

4. The actions for which approval is sought in this Petition are consistent with the Plan and with the broad authority provided to the Rehabilitator by RSA 402-C:17. These actions accomplish the goals of the Plan by permitting the Rehabilitator to satisfy fully ACA's two largest remaining liabilities – the obligations on its pre-need life insurance policies and its defined benefit pension plan – while providing for the efficient administration of the estate and the protection of policyholders.

5. The additional assessment is required to permit the transfer of approximately 6,400 pre-need policies to Royal Arcanum and to provide an additional amount sufficient to satisfy ACA's pension plan obligations to former employees. Pursuant to RSA 418:18 IV (Exhibit B) and the Constitution (Exhibit C) and By-Laws (Exhibit D) of ACA, the board of directors of ACA has the authority to assess policies in the event of any impairment to ACA's reserves. As a not-for-profit fraternal benefit society formed pursuant to RSA 418:1, ACA is not a member of any guaranty fund or association in the State of New Hampshire nor, to the Rehabilitator's knowledge, the guaranty fund or association of any other state or Canadian province. See generally, RSA 404-B:3, RSA 404-D:3 II (c) and RSA 408-B:4 VIII (c). As a result, ACA's policyholders/insureds are not entitled to the benefits of proceeds from such funds or associations. ACA instead relies upon its ability to assess policyholders in the event its reserves are impaired.

6. During February 2007 the board of directors of ACA, in consultation with the Insurance Department, made a determination that ACA's reserves were impaired and authorized an assessment of twelve percent (12%) on ACA's pre-need policies (the "Initial Assessment"). This assessment permitted ACA to exit the initial rehabilitation in early July 2007. However, ACA continued to suffer operating losses. In connection with the commencement of the second

rehabilitation in September 2008, the board of directors of ACA, in consultation with the Department, made a determination that ACA's reserves were further impaired and authorized an assessment of up to twenty-five percent (25%) on the face amount of all ACA life and annuity policies in the U.S. and Canada. At the request of the Department, the board of directors delegated to the Commissioner the authority to establish the timing and final amount of the assessment and to notify policyholders accordingly. The Rehabilitation Order authorized the Rehabilitator to implement this assessment on behalf of the board of directors of the Company. The Rehabilitator by order effective as of September 8, 2008, then imposed a 25% assessment on all ACA policies, with the exception of: (i) U.S. annuities that were tax-qualified annuities; (ii) certain Canadian annuities that were more in the nature of investment contracts; and (iii) certain Canadian life, accident and disability policies that were so heavily reinsured that the benefit of the assessment would almost exclusively have been conferred upon reinsurers (the "Second Assessment").

7. The Rehabilitation Order also authorized the Commissioner pursuant to RSA 402-C:17 II and V to impose a moratorium upon loan and cash surrender rights under all of ACA's policies, for such period and to such extent as the Commissioner deemed necessary. The Commissioner imposed a moratorium on loans and surrenders of ACA policies for an indefinite period of time by order dated September 9, 2008. Consistent with the terms of the Pre-Need Assumption Agreement, the Rehabilitator proposes to lift the moratorium on pre-need policy loans and surrenders for a period of at least ninety (90) days prior to the closing of the Pre-Need Assumption Transaction. A draft of the Rehabilitator's proposed Order Lifting Moratorium is attached to this Petition as Exhibit E.

II. THE PRE-NEED ASSUMPTION TRANSACTION

8. In the Plan Order, this Court approved an agreement between ACA and Royal Arcanum pursuant to which Royal Arcanum agreed to assume all liabilities under ACA's U.S. certificates, except for ACA's pre-need life insurance policies, in exchange for the Net Statutory Reserves associated with such assumed policies and certain other adjustments (the "First Assumption Agreement").¹

9. The First Assumption Agreement also provided that within twelve (12) months of the Closing Date, ACA and Royal Arcanum could enter into a further agreement to transfer to Royal Arcanum all pre-need life insurance policies of ACA that were previously excluded from the First Assumption Agreement upon the same terms and conditions as are set forth in the First Assumption Agreement; provided that the subsequent transfer of the pre-need life insurance policies to Royal Arcanum would be subject to ACA having sufficient liquid assets to transfer the policies and provided further that the transfer would occur no later than eighteen (18) months after the initial Closing Date.

10. Subsequent to the Closing of the First Assumption Agreement, the 12-month and 18-month periods were extended several times by agreement of the parties to allow ACA to seek repatriation of additional assets from Canada that were needed in order to effectuate the Pre-Need Assumption Transaction. The parties have now reached agreement on the transfer of the pre-need policies in the form of the Pre-Need Assumption Agreement. The key elements of the Pre-Need Assumption Agreement, which is attached hereto as Exhibit A, are as follows:

- **Assumption** – Royal Arcanum agrees to assumption reinsure the liabilities under all of ACA's U.S. pre-need life insurance policies, in return for receiving payment of

¹ Capitalized terms used with respect to the First Assumption Agreement or the Pre-Need Assumption Agreement, but not defined in this Petition, shall have the meanings ascribed in those agreements.

the Net Statutory Reserves, which amount is to be determined in accordance with the same methodology used in the First Assumption Agreement, and within 30 days of Closing. This constitutes 100% reinsurance of ACA's obligations on these policies, but it does not constitute a novation of such policies. This arrangement is similar to the assumption transactions that were earlier consummated with both Royal Arcanum and Union Vie. As such, there remains a risk that ACA may have a residual obligation, but the Rehabilitator does not believe that this constitutes a substantial risk. A novation of such policies would generally require policyholder approval, and due to the very large number of policies and relatively small face amounts per policy, such an approach would be both very costly to implement and impractical to achieve.

- **Consideration** – Net Statutory Reserves are equal to the statutory loss reserves of ACA on a U.S. statutory accounting basis with respect to the ACA policies to be assumed, net of assessments; plus unearned premium reserves as of the Closing Date. The Net Statutory Reserves amount will be: (A) increased by: (i) incurred but not reported claims estimated as of the Calculation Date pursuant to Section 3.1, not to exceed \$22,500 and (ii) by the amount of premiums received by ACA between the Calculation Date and the Closing Date with respect to the Assumed Certificates, if any; and (B) reduced: (i) by the dollar amount of the Net Statutory Reserves associated with all claims payments made by ACA to Assumed Certificate holders/owners/beneficiaries between the Calculation Date and the Closing Date; (ii) dollar for dollar for all policy loans made by ACA to Assumed Certificate owners between the Calculation Date and the Closing Date, if any; and (iii) by the full

amount of the reserve applicable to any Assumed Certificates that are surrendered to ACA between the Calculation Date and the Closing Date, if any.

- **Excluded Liabilities** – Royal Arcanum will not assume certain liabilities under the Pre-Need Assumption Agreement, such as noncompliance by ACA or the Rehabilitator, taxes on ACA, litigation, contracts, employment and pension plan-related liabilities of ACA, and any other liability not expressly assumed. The Pre-Need Assumption Agreement contains a condition to closing that this Court affirmatively approve a bar of such Excluded Liabilities of Royal Arcanum.
- **Assessments** – The policies assumed under the Pre-Need Assumption Agreement will be transferred subject to both the Second Assessment of twenty-five percent (25%) and an additional assessment of fifteen percent (15%) (the “Third Assessment”) such that the aggregate of the Second and Third Assessments (collectively, the “Assessments”) of forty percent (40%) imposed by ACA on the pre-need policies will become permanent on the effective date of the Agreement, except for certain surrendered policies as described below. The Rehabilitator is of the view that the Assessments should be treated as policy related claims and not preferred ownership claims pursuant to RSA 402-C:44. In the First Assumption Agreement, the Rehabilitator stated his intention, in the event of a future liquidation of ACA, to seek this Court’s approval to treat the remaining assets of ACA after costs and expenses as policy related claims under RSA 402-C:44, II for purposes of reducing the amount of the Second Assessment. If the Court agreed, at that time and in such event, to treat the remaining assets of ACA as such, the Commissioner agreed in the First Assumption Agreement to transfer such assets to Royal Arcanum, provided that

(i) such assets were segregated by Royal Arcanum for the sole benefit of owners of the Assumed Certificates and (ii) such assets were exclusively used to restore the reduction of the Assumed Certificates resulting from the Second Assessment. In the Pre-Need Assumption Agreement, the Commissioner has clarified the manner in which these assets would be distributed by agreeing, subject to this Court's approval, that these assets would (i) first be used to pay Royal Arcanum's reasonable, documented, direct transaction costs incurred with respect to its acquisition of the pre-need policies under the Pre-Need Assumption Agreement; (ii) with any remaining amount then being applied to pre-need life insurance policies that have not been surrendered to ACA or to Royal Arcanum to restore the reduction of such pre-need life insurance policies due to the Third Assessment on an aliquot basis; (iii) with any remaining amount after application of (i) and (ii) being used to pay Royal Arcanum's reasonable, documented costs described in Section 3.4 of the First Assumption Agreement; and (iv) finally, with any remaining amount after application of (i), (ii) and (iii) being used to restore the reduction of all Assumed Certificates due to the Second Assessment on an aliquot basis.

- **Liabilities/Litigation** – Effective on the Closing Date, Royal Arcanum will assume all liabilities on the Assumed Certificates, except for Excluded Liabilities. ACA will remain a party to all outstanding litigation with respect to Assumed Certificates. Except for litigation relating to Excluded Liabilities, Royal Arcanum will assume responsibility for the handling and outcome of all outstanding and new litigation relating to the Assumed Certificates, will succeed to all defenses of ACA and be liable for judgments and costs. Royal Arcanum agrees to keep the

Rehabilitator and ACA advised of the status of any such litigation. ACA and the Rehabilitator will retain any defenses in connection with the Excluded Liabilities.

- **Refund Associated with Policies Surrendered Within 3 Months of Closing** – Royal Arcanum will refund to ACA the difference between (i) the amount paid by Royal Arcanum upon a policyholder's surrender of any pre-need policy during the 3 months following the Closing Date, and (ii) the reserve transferred to Royal Arcanum by ACA associated with any such policy.
- **Assumption Certificates** – After the Closing, Royal Arcanum will issue an Assumption Certificate to each pre-need policyholder, notifying the policyholder of Royal Arcanum's assumption of the policy and directing any future correspondence to Royal Arcanum.
- **Lifting of Moratorium** – The Pre-Need Assumption Agreement requires that the Commissioner lift the moratorium on policy surrenders (that has been in place since September 2008) for a period of not less than ninety (90) days preceding the Closing Date. (See Exhibit E). Surrenders of policies during this period will reduce the amount of Net Statutory Reserves transferred by ACA as provided above. Royal Arcanum sought to ensure that those policyholders who wished to cash out their policies would have a meaningful opportunity to do so before becoming members of Royal Arcanum.
- **ACA Membership** – All ACA Chapter members on the pre-need certificates that are identified in the Royal Arcanum Assumption Agreement shall become members of the corresponding Royal Arcanum Council as of the Closing Date. The Home Office Chapter of ACA will remain open for a period of time in the event that any

other policies of ACA that were somehow overlooked in the First and Second Assumption Agreements may continue to be serviced and handled. Royal Arcanum has agreed to assume any such U.S. policies; provided that the Rehabilitator transfers an amount to Royal Arcanum equal to the reserves of any such overlooked policies.

- **Closing** – The Closing must occur no later than December 31, 2011, but the Rehabilitator is seeking to close the Pre-Need Assumption transaction as soon as all closing conditions have been satisfied. Closing is subject to the following conditions: (i) approval of the Pre-Need Assumption Transactions by the Commissioner; (ii) approval of the Pre-Need Assumption Agreement and Pre-Need Assumption Transactions by the Executive Committee of Royal Arcanum; (iii) non-objection to the Pre-Need Assumption Agreement and Pre-Need Assumption Transactions by the ACA Board of Directors; (iv) approval by the ACA Board of Directors of the Third Assessment of 15% on the pre-need policies; (v) approval of this Court of the Pre-Need Assumption Agreement, the Pre-Need Assumption Transactions and the Third Assessment, which approval bars claims against Royal Arcanum for the Excluded Liabilities identified in the Royal Arcanum Agreement; (vi) receipt of other consents and approvals from regulatory authorities in form and substance reasonably acceptable to the Rehabilitator and Royal Arcanum, including, as applicable, the Massachusetts Insurance Commissioner; (vi) all obligations and covenants of the parties to be performed before Closing will have been performed; and (vii) possession by ACA of sufficient assets to transfer the Net Statutory Reserves, as adjusted. To date the following conditions have been satisfied: (i) the Commissioner has preliminarily approved the Pre-Need Assumption Transactions; (ii) the Executive

Committee of Royal Arcanum has approved the Pre-Need Assumption Agreement and Pre-Need Assumption Transactions; (iii) the ACA Board of Directors has non-objected to the Pre-Need Assumption Agreement and Pre-Need Assumption Transactions; (iv) the ACA Board of Directors has approved the Third Assessment of 15% on the pre-need policies; and (v) the Rehabilitator has gathered sufficient assets of ACA to consummate the Pre-Need Assumption Transactions provided that the Third Assessment is imposed.

- **Termination** – The Royal Arcanum Agreement may be terminated by ACA prior to Closing if the Rehabilitator determines that ACA will not be able to obtain any of the approvals required for Closing, or by either party because of a failure to satisfy a closing condition or a material breach that would prevent the satisfaction of a Closing condition.

The Rehabilitator believes that the Pre-Need Assumption Agreement is in the best interests of the Company and its policyholders. The Rehabilitator also believes that, with the recent return of tax refunds from Canada and the imposition of the Third Assessment, sufficient funds will have been gathered to effectuate the Pre-Need Assumption Transactions. The cash position of ACA is set forth in more detail immediately below and in the attached Cash Flow Statement dated March 31, 2011 (Exhibit F).

III. THE THIRD ASSESSMENT

11. As initially described in the Rehabilitator's Fourth Report to this Court, several factors have resulted in the need for the Third Assessment, which will bring the aggregate assessment on the ACA pre-need policies to 40%.

12. The Third Assessment is necessary in order for the Rehabilitator to have sufficient funds in the U.S. to meet the remaining obligations of ACA while transferring the pre-need policies to Royal Arcanum. More specifically, the Third Assessment is required due to a combination of: (i) the existence of certain illiquid assets, (ii) refunds of Canadian federal and provincial taxes that were somewhat less than anticipated, (iii) increased expenses of the Rehabilitation that have been occasioned by the protracted tax dispute in Canada (which has now been largely resolved), and (iv) the Rehabilitator's decision to terminate the Company's pension plan by fully funding the pension plan.

13. Imposition of the Third Assessment would allow the Rehabilitator to transfer the pre-need policies and fully fund the pension plan deficit, subject to unexpected findings by the PBGC and/or the IRS with respect to the pension plan or its funding, while also allowing for the retention of significant reserves for other potential liabilities and administrative costs. Additional funds would be distributed to ACA policyholders and Royal Arcanum, as described in Section II above, with any remaining amounts being distributed to other claimants.

14. The Board of Directors of ACA, based upon the recommendation of the Rehabilitator and, in reliance upon materials furnished to the Board by the Rehabilitator, its own analysis, imposed the Third Assessment at its meeting held on April 1, 2011. The Rehabilitator is seeking to have this Court approve the imposition of the Third Assessment as of that date in order to prevent further claims payments from being made at the 25% assessment level. The

Rehabilitator has decided to hold reported claims received on or after April 1, 2011 for a maximum of 30 days (which is the duration under the pre-need policies that ACA has to pay reported claims). If the Court's order approves the Third Assessment during this period, these held claims will be paid net of the full 40% combined First and Third Assessments.

15. The Rehabilitator determined to terminate the Pension Plan on a fully funded basis effective as of December 31, 2010 rather than seek approval of a distress termination of the pension plan from the Pension Benefit Guaranty Corporation ("PBGC"). This decision was made on several grounds. First, the PBGC would not have permitted a distress termination to occur unless ACA was already in a liquidation proceeding. The Rehabilitation proceeding was not sufficient for this purpose. In addition, even if liquidation had been commenced, there was substantial uncertainty of obtaining the PBGC's consent and such consent, even if obtained, would have likely come only after a substantial delay and the incurring of substantial legal expenses. Second, initiation of a liquidation proceeding would have essentially prevented the consummation of the Pre-Need Assumption Agreement because the pre-need policies would have terminated, as a matter of New Hampshire law, within 30 days of the commencement of the liquidation proceeding. The Rehabilitator did not believe that this would be in the interests of the Company's remaining policyholders.

16. Terminating the pension plan on a fully funded basis requires an additional contribution to the pension plan by the Company. The Company contributed \$550,000 of this amount on January 25, 2011 and an additional \$353,000 contribution on March 24, 2011. Based upon the advice of outside consultants and various assumptions set forth in the Statement of Cash Flow, the Rehabilitator believes that the remaining deficiency is likely to be no more than \$548,000. This liability amount may decrease, but the Rehabilitator does not believe that it

reasonably could increase to a figure of more than \$548,000. To guard against this amount increasing, the Rehabilitator directed that the investments of the pension plan could be moved to much safer investments to avoid interim investment risk prior to the distribution of such plan assets to participants. The Rehabilitator is awaiting final calculation of the total liability before making any further, final contributions. As noted above, this additional contribution does in part necessitate the Third Assessment.

17. The Rehabilitator obtained approval from the ACA Board of Directors to terminate the pension plan on a fully funded basis effective December 31, 2010, on October 20, 2010. Conditional notices of termination to the ninety-five (95) participants in the Pension Plan were mailed on October 29, 2010 in order to ensure proper notice of termination effective as of December 31, 2010.

18. A separate motion seeking approval from this Court to terminate the pension plan on a fully funded basis was filed with the Rehabilitator's fourth report on November 24, 2010. The Court approved this motion on December 3, 2010, and the pension plan was terminated effective December 31, 2010.

19. Having terminated the pension plan and finalized and executed the Pre-Need Assumption Agreement, the Rehabilitator sought and obtained the approval of the ACA Board of Directors of the Third Assessment, which action was taken on April 1, 2011. (A copy of this approval is attached hereto as Exhibit G.)

20. The Rehabilitator has also prepared a letter to be sent to pre-need policyholders, notifying them of the Third Assessment and the lifting of the moratorium, as described more fully below. (A draft of this letter is attached hereto as Exhibit H.)

21. The Rehabilitator is now seeking this Court's approval to implement the Third Assessment.

IV. THE MORATORIUM

22. As described above, the Pre-Need Assumption Agreement provides that the Rehabilitator will lift the moratorium on policy surrenders, with respect to the pre-need policies, at least 90 days prior to the Closing of the Pre-Need Assumption Agreement.

23. The lifting of the moratorium during this time would permit policyholders to surrender their policies after the Third Assessment takes effect, but prior to the transfer of the policies to Royal Arcanum.

24. Lifting the moratorium would thus permit pre-need policyholders to choose between: (i) taking an immediate and certain cash benefit, reduced by the Second Assessment and Third Assessment; or (ii) foregoing an immediate cash benefit with the prospect that some or all of the Second Assessment and Third Assessment will be restored from the remaining proceeds of the ACA estate.

25. The Rehabilitator believes that it is appropriate, and in the best interests of policyholders, to permit the pre-need policyholders to make this choice at this stage in the proceedings. Royal Arcanum also sought the inclusion of this provision in the Pre-Need Assumption Agreement to permit ACA policyholders to cash out their policies prior to becoming members of Royal Arcanum.

V. RESOLUTION OF CANADIAN TAX MATTERS AND GENERAL FINANCIAL STATUS OF ACA

26. The March 31, 2011 Cash Flow Statement (Exhibit F, which is being filed with the Court under seal) sets out the cash position of ACA, as well as the outcome of various future events. Current Cash in Bank includes cash received from the federal taxing authority in Canada (the "CRA") and the provincial taxing authority in Quebec ("Revenu Quebec"). The Rehabilitator has received assurance from both the CRA and Revenu Quebec that ACA has no further liability for income taxes in Canada through 2010. The 2011 Canadian tax return will be filed with the CRA and Revenu Quebec when the Canadian Branch is closed. No taxes are expected to be due.

27. The Rehabilitator is seeking further refunds of various amounts from the CRA and Revenu Quebec. These amounts total approximately \$350,000 and are not included in the Cash Flow Statement because their receipt is speculative and requires further efforts by the Rehabilitator. If any of these funds are received, this will be a favorable variance to ACA.

28. ACA's Canadian Agent, John Milnes, has caused publication to be made in the appropriate publications in Canada to effectuate a closure of ACA's Canadian Branch. The 30-day notice period has run and ACA has received no notices of claim or objection. In addition, ACA received and sent to OSFI the 2010 actuarial report, which was the last actuarial report required. The 2010 Canadian audit report is expected to be submitted to OSFI within the next two weeks. Accordingly, the Rehabilitator believes that the \$206,200 that is presently shown as an illiquid asset in the Cash Flow Statement held by OSFI will be returned by OSFI within the next 60 days. ACA's Canadian Agent expects to make a formal request to OSFI for the release of these funds on or about April 15, 2011.

29. As part of the closure of the Canadian Branch, ACA will also surrender all of its licenses in the provinces of Canada. This notice procedure is underway, and no difficulties are anticipated.

30. The Rehabilitator has confirmed with ACA's Canadian Agent that the closing of ACA's Canadian Branch and the surrender of licenses will have no effect on ACA's ability to seek further refunds of Canadian federal and/or provincial taxes.

31. As noted above, in the U.S., with the consummation of the Pre-Need Assumption Transactions, all of ACA policyholders will have been transferred to more solvent insurance carriers.

32. After the closing of the Pre-Need Assumption Transactions, the remaining activities of Rehabilitation will be: (i) seeking to liquify the remaining illiquid assets; (ii) obtaining official IRS and PBGC authorizations to terminate the ACA pension plan, paying into the pension plan the amounts required, and distributing such funds to ACA vested retirees by payment of a lump sum or purchase of an annuity; and (iii) seeking to gather additional tax refunds and additional amounts from the CRA and Revenu Quebec. The Rehabilitator does not anticipate seeking approval of this Court with respect to any of these activities.

VI. CONCLUSION

WHEREFORE, based on the foregoing, the Commissioner of Insurance of the State of New Hampshire as Rehabilitator for ACA Assurance respectfully requests that this Honorable Court:

- (i) approve the agreement between ACA Assurance and Supreme Council of the Royal Arcanum for the transfer of certain ACA Assurance U.S. policies identified in and subject to the terms of the Pre-Need Assumption Agreement, attached hereto as Exhibit A;

- (ii) bar claims against Royal Arcanum with respect to the Excluded Liabilities described in the Pre-Need Assumption Agreement;
- (iii) approve the Third Assessment and implementation of the Third Assessment by the Rehabilitator as set out in this Petition;
- (iv) approve the lifting of the moratorium on policy surrenders, with respect to the pre-need policies, in accordance with the Pre-Need Assumption Agreement and the proposed order of the commissioner attached hereto as Exhibit E; and
- (v) grant such other and further relief as justice may require.

Respectfully submitted,

ROGER A SEVIGNY, COMMISSIONER
THE STATE OF NEW HAMPSHIRE
DEPARTMENT OF INSURANCE

By his attorneys,

MICHAEL A. DELANEY
ATTORNEY GENERAL

Dated: April 13, 2011

By:



Glenn A. Perlow, #13085
Senior Assistant Attorney General
Civil Bureau
33 Capitol Street
Concord, New Hampshire 03301-6397

CERTIFICATE OF SERVICE

I, Glenn A. Perlow, hereby certify that on this 13th day of April 2011 a true and correct copy of the foregoing document was sent via first class mail, postage paid to all parties on the service list.



Glenn A. Perlow

ASSENT OF ACA ASSURANCE

ACA Assurance assents to this Petition and supports the Commissioner's request for the Orders set out herein.

ACA ASSURANCE

By Its Attorneys,

SHEEHAN PHINNEY BASS + GREEN
PROFESSIONAL ASSOCIATION

Dated: April , 2011

A handwritten signature in black ink, appearing to read "Bruce A. Harwood", written over a horizontal line.

Bruce A. Harwood (NH Bar 4821)
1000 Elm Street, P.O. Box 3701
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THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 06-E-0380

In the Matter of the Rehabilitation of ACA Assurance

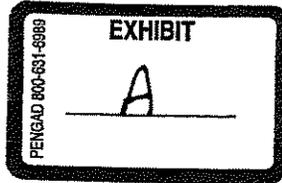
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**Assumption Agreement
Between
ACA Assurance and Supreme Council of the Royal Arcanum
U.S. Certificates**

This Assumption Agreement ("Agreement") is entered into by and between ACA Assurance in Rehabilitation ("ACA"), and Supreme Council of the Royal Arcanum ("Royal Arcanum") (collectively the "Parties").

Recitals

- A. ACA is a New Hampshire domiciled fraternal benefit society with principal offices in Manchester, New Hampshire and is licensed to do business in the United States and Canada in the states and provinces listed in Exhibit A, although ACA is in the process of surrendering its licenses in Canada and its provinces and closing its Canadian Branch.
- B. A Verified Petition for Rehabilitation of ACA was approved by the State of New Hampshire Superior Court, Merrimack County (the "Court") as of September 8, 2008.
- C. An Order Appointing Rehabilitator was entered by the Court as of September 8, 2008 appointing Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, as Rehabilitator of ACA (the "Rehabilitator").
- D. Royal Arcanum is a Massachusetts domiciled fraternal benefit society with principal offices in Boston, Massachusetts and is licensed to do business in Canada and in the U.S. states listed in Exhibit A.
- E. Pursuant to Chapter 402-C of the New Hampshire Statutes, the Rehabilitator may, when deemed appropriate, subject to approval of the Court, use assets of the estate of an insurer that is under an order of rehabilitation to achieve a transfer of contractual obligations to a solvent assuming insurer.
- F. ACA and Royal Arcanum entered into a previous Assumption Agreement dated on or about March 11, 2009 (the "First Assumption Agreement"), pursuant to which Royal Arcanum assumed certain liabilities with respect to ACA's U.S. policies, but excluding ACA's pre-need life insurance policies.
- G. In accordance with the terms and conditions herein, ACA, by and through its Rehabilitator, desires that Royal Arcanum now assume all liabilities arising under any ACA U.S.

pre-need life insurance policies and/or certificates, and Royal Arcanum desires to assume such liabilities subject to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual benefits to be received by the Parties and to be achieved on behalf of ACA members and the mutual covenants and agreements contained herein, the Parties agree as follows:

Article I
Definitions

1.1 "**Acceptable Assets**" means those Assets that Royal Arcanum is willing to accept as part of the Transferred Assets that are identified in Exhibit 1.1.

1.2 "**Assumed Certificates**" means all the ACA insurance policies and/or certificates in the United States that are in force on the Closing Date to be transferred to Royal Arcanum pursuant to Section 2.1.

1.3 "**Assumption Certificate**" means the certificate to be issued pursuant to Section 2.6.

1.4 "**Closing Date**" means the date(s) described in Section 6.1.

1.5 "**Certificate Liabilities**" means past, present and future liabilities and obligations arising under the Assumed Certificates whether known or unknown, including but not limited to claims, benefits, unearned premiums, IBNR, outstanding loss reserves, loss adjustment expenses, and future costs of administration and compliance relating to the Assumed Certificates, which liabilities and obligations are subject to, and net of, all assessments in place as of the Calculation Date except as otherwise set forth in this Agreement.

1.6 "**Court**" means the State of New Hampshire Superior Court for Merrimack County.

1.7 "**Defenses**" means (1) any known or unknown, actual or contingent rights, defenses, offsets, counterclaims, and cross-claims, and (2) any and all rights, limitations, terms, conditions, and provisions provided for in this Agreement related to the Assumed Certificates.

1.8 "**Excluded Liabilities**" means any liabilities or obligations of ACA, any predecessor of ACA, the Rehabilitator, or any of their respective affiliates, Representatives, successors or assigns that is not a Certificate Liability or expressly assumed by Royal Arcanum in exchange for benefits received under this Agreement. Excluded Liabilities shall include without limitation any liability or obligation:

(a) arising out of or relating to ACA's or the Rehabilitator's compliance with, or failure to comply with, any law or regulation;

(b) for taxes of ACA;

- (c) relating to or arising out of any litigation or proceeding involving ACA or the Rehabilitator, or to which ACA or the Rehabilitator is or was a party. As of the date of this agreement ACA is not a party to any overtly threatened or pending litigation;
- (d) arising out of or relating to any conduct, acts, errors or omissions of any current or former Representatives of ACA or the Rehabilitator;
- (e) arising under or relating to any in force or expired contract or agreement or lease of ACA, the Rehabilitator or any of their Representatives, except as otherwise provided in this Agreement;
- (f) expressly assumed or retained by ACA or the Rehabilitator under the terms of this Agreement;
- (g) for any claim, lawsuit, action or proceeding alleging with respect to ACA, the Rehabilitator or their Representatives that the Transactions are improper, unauthorized or otherwise have not been effected in accordance with applicable laws and regulations; provided that such does not otherwise constitute a Certificate Liability;
- (h) for any claim, lawsuit, action or proceeding alleging that any notices, communications or other disclosures by ACA, the Rehabilitator or their Representatives, including but not limited to communications regarding the Transactions, were omitted, misleading, incomplete or otherwise defective or legally deficient;
- (i) for any unpaid salary, wages, bonuses, commissions or other compensation due to Representatives of ACA, including but not limited to any compensation or commissions related to the sale of the Assumed Certificates, provided that Royal Arcanum shall assume responsibility: (i) for any ACA Representatives hired or contracted by Royal Arcanum upon such hire or contract; and (ii) for any renewal commissions accrued on or after Closing on the Assumed Certificates;
- (j) for liabilities for any pension, profit sharing, deferred compensation or health or welfare plans or other employee benefit plans or programs of ACA;
- (k) related to the employment, contract, or termination of employment or contract of any Representative of ACA, including but not limited to any claims of discrimination or harassment under any statute, regulation, or ordinance, or any claims based upon alleged wrongful or retaliatory discharge, intentional infliction of emotional distress, defamation, invasion of privacy, breach of contract or other tort, contract, or quasi-contract claims;
- (l) for liabilities resulting from worker injury for any ACA Representative (whether or not reported), and any other liabilities, claims or expenses related to ACA's workers compensation programs, whether incurred prior to or after the Closing Date; except as

to those ACA Representatives hired or retained by Royal Arcanum on or after the Closing Date.

- (m) for any costs or obligations of ACA or the Rehabilitator related to administration of the Assumed Certificates prior to the Closing Date.
- (n) for any claim, lawsuit, action or proceeding concerning any assessment on the Assumed Certificates, including but not limited to the twenty-five percent (25%) assessment effective as of September 8, 2008 which was authorized by the Court and imposed by the Rehabilitator by order dated September 18, 2008 (the "First Assessment Order") and any further assessment of up to an additional fifteen percent (15%) that is authorized by the Court and by the board of directors of ACA and imposed by the Rehabilitator by order on or before the Closing Date (the "Second Assessment Order", and together with the First Assessment Order, the "Assessment Orders"); provided, however, that such claim, lawsuit, action or proceeding does not arise from or is not based in whole or in part upon any act or omission of Royal Arcanum that is inconsistent with or not directly contemplated by the Assessment Orders;
- (o) for undisclosed or unknown liabilities other than Certificate Liabilities; and
- (p) for any other liabilities not expressly assumed by Royal Arcanum under this Agreement.

1.9 "**Liquidation Assets**" means the assets to be returned to owners of Assumed Certificates following liquidation of ACA and as defined in Section 3.4 of the First Assumption Agreement and the transaction costs of Royal Arcanum under this Agreement as set out in Section 3.5 of this Agreement.

1.10 "**Net Statutory Reserves**" means with respect to the Assumed Certificates: (i) the statutory reserves of ACA on a U.S. statutory accounting basis, net of all assessments, plus (ii) the unearned premium reserves as of the Closing Date. ACA will represent as of the Calculation Date, to its best knowledge, information and belief that the calculation made by ACA using the Lewis & Ellis calculator of the "Net Statutory Reserves" set out in Exhibit 3.1 is true and accurate, as adjusted to reflect any additional policy assessments referred to in this Agreement and imposed upon Assumed Certificates prior to the Closing Date

1.11 "**Representatives**" means a Party's or other person's employees, agents, general agents, brokers, claims administrators, officers, directors, legal counsel, investment bankers, consultants, accountants, actuaries, producers and other representatives.

1.12 "**Surrender Value Reserve**" means the difference between the reserves carried on an Assumed Certificate and the surrender value with respect to the Assumed Certificate when it is surrendered, in each case as of the date of such surrender.

1.13 "**Transactions**" means the transactions contemplated by this Agreement.

1.14 "**Transferred Assets**" means the consideration to be transferred to Royal Arcanum from ACA at Closing as cash or other assets acceptable to Royal Arcanum set forth in Article III.

Article II Assumption of ACA Certificates

2.1 **Certificate Transfer.** Subject to the terms and conditions of this Agreement, the Rehabilitator, on behalf of ACA, hereby transfers, and Royal Arcanum hereby assumes, the Assumed Certificates with respect to one hundred percent (100%) of the Certificate Liabilities as of the Closing Date but not with respect to any Excluded Liabilities. Royal Arcanum expressly acknowledges and agrees that the Assumed Certificates include all pre-need life insurance policies and/or certificates of ACA in the United States, including pre-need life insurance policies that may have been inadvertently excluded from schedules provided to Royal Arcanum; provided that the Net Statutory Reserves associated with such inadvertently excluded policies were included in Transferred Assets at the Closing or are transferred to Royal Arcanum by ACA after the Closing Date at the calculated value as of the Calculation Date. The Rehabilitator, on behalf of ACA, and Royal Arcanum hereby agree that with respect to the Certificate Liabilities, but not Excluded Liabilities, Royal Arcanum shall be:

- (a) to the extent permitted by law, substituted for ACA under the Assumed Certificates;
- (b) be bound by all of the express written terms and conditions of the Assumed Certificates, but subject to Section 2.2; and
- (c) enjoy all of ACA's rights under, and shall perform all of ACA's duties and obligations under the Assumed Certificates to the same extent as though Royal Arcanum had originally issued the Assumed Certificates in the place of ACA, but subject to Section 2.2.

Upon transfer to Royal Arcanum, each Assumed Certificate shall become a certificate or insurance policy of Royal Arcanum and each Assumed Certificate shall be subject to the Code of Constitution and Laws of the Royal Arcanum including all amendments thereto. Except as expressly required by an Assumed Certificate or this Agreement, no Assumed Certificate shall be entitled to any surplus refunds/dividends of Royal Arcanum unless the Executive Committee of Royal Arcanum approves the application of such refunds/dividends to the Assumed Certificate.

2.2 **Effect of Assessments.** All Assumed Certificates shall be transferred under this Agreement subject to, and net of, all assessments in place as of the Closing Date. Except as provided in Section 3.4, all reductions in the Assumed Certificates pursuant to such assessments shall become permanent, and Royal Arcanum shall provide benefits under the Assumed Certificates subject to such reductions.

2.3 **Liability.** From and after the Closing Date, Royal Arcanum shall be liable for all of the Certificate Liabilities, provided that Royal Arcanum shall not assume or be liable for any Excluded Liabilities. Subject to the exceptions and provisions of this section, Royal Arcanum

shall be liable for and shall defend at its own expense, actions on account of any act, error or omission of Royal Arcanum.

2.4 Royal Arcanum Liabilities/Defenses. ACA shall remain as a party to all outstanding litigation, if any, with respect to the Assumed Certificates. Except for litigation relating, involving or pertaining to Excluded Liabilities, Royal Arcanum shall assume responsibility for the handling and outcome of all outstanding litigation with respect to the Assumed Certificates as well as any new litigation relating to or arising under the Assumed Certificates to which ACA is added as a party. Subject to the terms and conditions of this Agreement, Royal Arcanum shall succeed to all Defenses that ACA had, still has, or may have in connection with the Certificate Liabilities, all of which Defenses are hereby assigned and transferred to Royal Arcanum. Except for Excluded Liabilities, Royal Arcanum shall be liable for judgments and costs of settlement and for all legal and other costs with respect to the defense of any litigation relating to or arising under the Assumed Certificates, and shall have the right to select counsel and to make all decisions with respect to the handling and settlement of any such litigation. Royal Arcanum agrees to keep the Rehabilitator and ACA advised with respect to the status of all outstanding litigation relating to the Assumed Certificates. Royal Arcanum shall not assume any rights or responsibilities of the Rehabilitator arising solely from the Verified Petition for Rehabilitation. ACA and the Rehabilitator shall retain any Defenses they had, still have or may have in connection with the Excluded Liabilities or related to the Verified Petition for Rehabilitation; provided, however, that this paragraph shall not relieve ACA or its directors, officers and employees from any responsibility or liability for their actions with respect to the Assumed Certificates and Excluded Liabilities prior to the Closing Date. ACA represents to its best knowledge and belief that as of the date of this Agreement there is no pending litigation pertaining to the Assumed Certificates which representation shall survive closing, and ACA shall provide an officer's certificate to such effect as of the Closing Date.

2.5 ACA Liabilities. ACA shall be liable for and defend any and all actions on account of: (a) any act, error or omission of ACA in connection with the handling of the Assumed Certificates prior to the Closing Date, and (b) any other obligation or liability that is an Excluded Liability or is otherwise assumed or retained by ACA under the terms of this Agreement.

2.6 Assumption Certificates and Communications. Subject to obtaining insurance department approvals, and any changes required by applicable insurance laws and regulations, Royal Arcanum shall, within thirty (30) days after the Closing Date, issue an assumption certificate to each Assumed Certificate owner in substantially the form of Exhibit 2.6. Royal Arcanum shall also advise each owner of an Assumed Certificate that Royal Arcanum has assumed the Certificate Liabilities of ACA and that all correspondence should thereafter be addressed to Royal Arcanum.

2.7 Tax Reporting. ACA shall be responsible for the issuance of Forms 1099 with respect to the Assumed Certificates for calendar year 2010. Royal Arcanum shall be responsible for the issuance of Forms 1099 with respect to the Assumed Certificates thereafter. ACA and Royal Arcanum will coordinate to ensure that Forms 1099 are not sent twice.

Article III
Transfer of Assets

3.1 Determination of Amount of Statutory Reserves. The Rehabilitator and Royal Arcanum agree that the Lewis & Ellis calculator shall be the basis for determining the amount of Net Statutory Reserves. The parties shall then use their respective good faith best efforts to agree upon the amount of Net Statutory Reserves for Assumed Certificates as of a date within thirty (30) days prior to the Closing Date (the "Calculation Date"). The agreed upon calculation, as of the Calculation Date, will be set out in Exhibit 3.1 and shall be adjusted to reflect any additional policy assessments imposed by ACA or the Rehabilitator that are identified in this Agreement and imposed upon the Assumed Certificates prior to the Closing Date.

3.2 Acceptable Assets. The Assets to be conveyed to Royal Arcanum at Closing shall be paid in the combination of cash or cash equivalents set out in Exhibit 1.1.

3.3 Amount of Transferred Assets at Closing. The amount of Transferred Assets to be conveyed to Royal Arcanum at Closing shall equal the Net Statutory Reserves calculated pursuant to Section 3.1, (A) increased by: (i) incurred but not reported claims which shall be estimated as of the Calculation Date pursuant to Section 3.1, provided that the amount of such reserve for incurred but not reported claims shall not exceed \$22,500 and (ii) by the amount of premiums received by ACA between the Calculation Date and the Closing Date with respect to the Assumed Certificates, if any; and (B) reduced: (i) by the dollar amount of the Net Statutory Reserves associated with all claims payments made by ACA to Assumed Certificate holders/owners/beneficiaries between the Calculation Date and the Closing Date; (ii) dollar for dollar for all policy loans made by ACA to Assumed Certificate owners between the Calculation Date and the Closing Date, if any; and (iii) by the full amount of the reserve applicable to any Assumed Certificates that are surrendered to ACA between the Calculation Date and the Closing Date, if any.

3.4 Policies Surrendered Within Three Months of Closing. Royal Arcanum shall pay to ACA, within one hundred twenty (120) days after the Closing Date, an amount equal to the difference between the amount paid upon surrender and the Surrender Value Reserve as to all Assumed Certificates that are surrendered during the period commencing on the Closing Date and ending three months after the Closing Date (the "Surrender Differential"). Payments of Surrender Differential shall be accompanied by a written accounting setting forth all surrenders occurring during the three month period and setting out the amount paid to each surrendering policyholder and the related Surrender Value Reserve in accordance with the Lewis & Ellis calculator. ACA shall have fifteen (15) days after receipt of the written account to object to the calculations.

3.5 Return of Liquidation Assets. The Liquidation Assets that are attributable to the Assumed Certificates shall be transferred to Royal Arcanum as described in Section 3.4 of the

First Assumption Agreement; provided that any Liquidation Assets transferred to Royal Arcanum with respect to the Assumed Certificates under this Agreement or the First Assumption Agreement shall, subject to approval of the Liquidation Court: (i) first be used to pay Royal Arcanum's reasonable, documented, direct transaction costs incurred with respect to its acquisition of the Assumed Certificates under this Agreement; (ii) with any remaining amount then being applied to pre-need life insurance policies that have not been surrendered to ACA or to Royal Arcanum to restore the reduction of such pre-need life insurance policies due to the Second Assessment on an aliquot basis; (iii) with any remaining amount after application of (i) and (ii) being used to pay Royal Arcanum's reasonable, documented costs described in Section 3.4 of the First Assumption Agreement; and (iv) finally, with any remaining amount after application of (i), (ii) and (iii) being used to restore the reduction of all Assumed Certificates under the First Assumption Agreement and this Agreement due to the First Assessment on those policies on an aliquot basis .

3.6 Conveyance of Transferred Assets. The Rehabilitator shall transfer, assign, deliver and convey good and marketable title to all Transferred Assets and Liquidation Assets to Royal Arcanum. The Rehabilitator shall also provide to Royal Arcanum all records (in whatever form or medium currently maintained) with respect to the Transferred Assets, including the Assumed Certificates, that are requested by Royal Arcanum and that are in the possession of the Rehabilitator or ACA. The Rehabilitator further agrees to execute any and all appropriate documents and to take all other reasonable actions necessary, or as may reasonably be requested by Royal Arcanum to effectuate or facilitate the assignment and transfer of good and marketable title to all Transferred Assets and Liquidation Assets to Royal Arcanum.

Article IV ACA Chapters and Members

4.1 Membership. All members of ACA on the Assumed Certificates in the United States that are not already members of Royal Arcanum shall become members of Royal Arcanum as of the Closing Date and each member of ACA shall become a member of the Council of Royal Arcanum corresponding to the Chapter of ACA in which they were a member. All ACA members, certificate owners and beneficiaries shall be subject to the laws, rights, obligations and privileges of membership in Royal Arcanum. Upon payment of dues, the ACA members shall be entitled to vote and hold office as provided by the laws of Royal Arcanum.

Article V Cooperation and Other Covenants

5.1 Cooperation In Seeking Necessary Approvals. ACA, Royal Arcanum and the Rehabilitator shall assist and cooperate with each other by acting in good faith to seek and obtain all approvals and consents required to consummate the Transactions, including, without limitation, the approvals set out in Section 6.2.

5.2 Actions to Consummate Transactions. ACA, Royal Arcanum and the Rehabilitator and their respective Representatives shall act in good faith and use their best efforts to take, or cause to be taken, all actions and execute any documents necessary, proper or advisable to

consummate and make effective the Transactions and to cooperate fully in all reasonable respects in order to accomplish the objectives of this Agreement.

5.4 Confidentiality. The Parties shall continue to comply with the obligations of the Confidentiality Agreement dated April 28, 2008.

5.5 Conduct of Business. Except as set forth in Sections 5.6 and 5.7, prior to the Closing ACA shall:

- (a) use its best efforts to preserve the value of the Assumed Certificates;
- (b) not make changes to any of the practices, methods or policies employed with respect to the Assumed Certificates; and
- (c) not take or cause to be taken any actions or enter into any transactions that are inconsistent with the Transactions or which otherwise would result in changes in the way ACA presently conducts business.

5.6 Surrenders. A moratorium on surrenders of pre-need life insurance policies has been in place pursuant to an order of the Rehabilitator since September 2008. Royal Arcanum has requested that the Rehabilitator lift the moratorium on surrenders of pre-need life insurance policies for a period of no less than ninety (90) days preceding the Closing Date to permit policyholders to surrender their policies prior to the Closing, and the Rehabilitator has agreed to do this. Royal Arcanum agrees that this period may exceed ninety (90) days. The Rehabilitator shall give prior written notice to each certificate owner of his intent to lift the moratorium. Surrenders of policies during this period shall reduce the amount to Transferred Assets as provided in Section 3.3.

5.7 Additional Assessment. Royal Arcanum understands that a Second Assessment of up to fifteen percent (15%) shall be imposed by ACA upon the Assumed Certificates prior to the Closing Date, bringing the total assessment on the Assumed Certificates under this Agreement to up to forty percent (40%).

5.8 Communications. Prior to Closing the Parties shall obtain prior written approval of the other Party, which approval shall not be unreasonably delayed or withheld, with respect to any publicity or release of information to the general public regarding the Transactions. This shall not extend to or limit the Rehabilitator's ability to make court filings or reports, to notify policyholders of actions of the Rehabilitator, including the imposition of any assessment, or to comply with the open records law of the State of New Hampshire.

Article VI Closing

6.1 Time and Location. Except as otherwise agreed by the Parties, the Closing of the Transactions contemplated by this Agreement ("Closing") shall take place on December 31, 2011

or, if earlier, on the 3rd business day following the last condition to Closing listed in Section 6.2 being satisfied, at such time and location as the Parties shall agree ("Closing Date").

6.2 Conditions to Closing. The respective obligations of the Parties to consummate the Transactions are subject to the satisfaction of the following conditions in addition to any conditions elsewhere specified in this Agreement:

- (a) the Transactions shall have been approved by the Commissioner of Insurance of the State of New Hampshire;
- (b) the Executive Committee of Royal Arcanum shall have approved the Agreement and the Transactions;
- (c) the board of directors of ACA shall have indicated its non-objection to the Agreement and the Transactions;
- (d) the board of directors of ACA shall have authorized the Second Assessment of up to fifteen percent (15%);
- (e) the Transactions shall have been approved by the Commissioner of Insurance of the State of Massachusetts or the Commissioner shall not have objected or shall have indicated that they have no authority over the transaction after appropriate notice if approval is not legally required;
- (f) the Court shall have approved the Agreement, the Transactions and the Second Assessment by an order or orders, which in part bars claims against Royal Arcanum for Excluded Liabilities and is otherwise in a form reasonably acceptable to the Rehabilitator and Royal Arcanum;
- (f) all consents and approvals of any and all other regulatory authorities which the Parties reasonably agree are required for consummation of the Transactions shall have been obtained in form and substance reasonably acceptable to the Rehabilitator and Royal Arcanum;
- (g) all obligations and covenants of the Parties to be performed on or before the Closing Date shall have been performed in all material respects. No Party may avoid its obligations under this Agreement by asserting that its own obligations and covenants have not been performed in all material respects as of the Closing Date. The representations of ACA shall remain true as of the Closing Date, but such representations shall not survive the Closing unless otherwise stated in this Agreement; and
- (h) ACA shall have on hand cash and cash equivalents at market value such as Treasury Bills or marketable Certificates of Deposit sufficient to constitute the Transferred Assets.

Article VII
Termination

7.1 Termination. This Agreement may be terminated at any time prior to Closing by mutual agreement of the Parties or:

- (a) by either Party giving written notice to the other Party of any condition precedent to its obligation as set forth in Section 6.2 that is not satisfied or waived within 300 days following the date of this Agreement, provided, however, such right shall not be available to any Party that has failed to materially perform its obligations under the Agreement required to be performed by it on or prior to the Closing;
- (b) by ACA in the event the Rehabilitator reasonably determines that any necessary approvals under section 6.2 will not be provided; or
- (c) by either Party giving written Notice to the other Party if there has been a material breach by the other Party of this Agreement that, together with all such breaches, would prevent any of the conditions set forth in Section 6.2 from being satisfied and the breach is not curable or, if curable, is not cured within thirty (30) calendar days after written notice of such breach is given by the Party to the breaching Party.

7.2 Survival. If this Agreement is terminated and the Transactions are not consummated, no party will have any further liability hereunder except that, in the event of such a termination because of any breach: (a) the breaching party shall be liable to the other party for all actual damages arising directly from such breach, including but not limited to, reasonable consultant fees and expenses, but in no event shall any Party be entitled to consequential or punitive damages in connection with any claim arising out of the termination of this Agreement; and (b) the obligations arising under this Section 7.2 and Sections 5.4 shall remain in full force and effect.

Article VIII
Miscellaneous

8.1 Amendment. This Agreement may be amended only by a writing executed by all Parties. Notwithstanding the foregoing, the Court must approve any amendment that is reasonably expected by any Party to result in a material reduction in benefits to Assumed Certificate owners.

8.2 Assignment. No Party may assign this Agreement or any of its rights, interests, or obligations hereunder without prior written consent of the other Party.

8.3 Broker Fees. Each Party hereby represents and warrants that it has not taken action that would impose on any other Party liability for payment of any broker, finder, or similar fee in connection with the origin, negotiation, execution or performance of this Agreement. This representation shall survive closing.

8.4 Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.5 Entire Agreement. This Agreement constitutes the entire understanding of the Parties pertaining to the subject matter contained in this Agreement and supersedes all prior oral and written agreements, representations, and understandings of the Parties.

8.6 Expenses. Except as otherwise expressly provided elsewhere in this Agreement, each Party shall pay all of its own costs, fees, and expenses incurred or to be incurred in negotiating and preparing this Agreement and in closing and carrying out the Transactions.

8.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire notwithstanding any state's choice of law rules to the contrary.

8.8 Headings. The captions and headings of the articles and sections of this Agreement are included for purposes of convenient reference only and shall not affect the construction or interpretation of this Agreement.

8.9 Notices. Any notices made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given on the date of delivery, if delivered personally, by certified mail, return receipt requested, or by facsimile transmission, or on the day after transmittal if sent by overnight delivery services. Any notice must be properly addressed as follows:

If to Royal Arcanum:
Kenneth J. Kolek
Supreme Secretary
Supreme Council of the Royal Arcanum
61 Batterymarch Street
Boston, MA 02110
(617) 426-4135

cc: Paul F. D'Emilio, Esq.
The Law Office of Paul F. D'Emilio, LLC
905 West Sproul Road, Suite 105
Springfield, Pennsylvania 19064
(610) 338-0338 (voice)
(610) 339-0303 (fax)

If to ACA:

Peter A. Bengelsdorf
Special Deputy Commissioner
c/o The Home Insurance Company in Liquidation
61 Broadway, Sixth Floor
New York, New York 10006
(212) 530-3741

If to the Rehabilitator:
Insurance Commissioner
State of New Hampshire
21 South Fruit Street, Suite 14
Concord, New Hampshire 03301
(603) 271-2261

cc: Steven J. Lauwers, Esq.
Rath, Young and Pignatelli, P.C.
One Capital Plaza, P.O. Box 1500
Concord, New Hampshire 03302-1500
(603) 226-2600

8.10 Severability. In the event that any provision or term of this Agreement shall be held by any court of competent jurisdiction to be invalid, illegal or unenforceable, all the other provisions and terms shall remain in full force and effect to the extent that their continuance is practicable and consistent with the original intent of the Parties. In addition, if provisions or terms are held invalid, illegal or unenforceable, the Parties will attempt in good faith to renegotiate this Agreement to carry out its original intent.

8.11 Successors. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. The Parties acknowledge that the obligations of ACA and the Rehabilitator with respect to the Certificate Liabilities cease upon approval by the Court in accordance with Chapter 402-C of the New Hampshire Statutes.

8.12 Third Party Beneficiaries. Nothing contained herein, express or implied, is intended to confer any rights or remedies on any persons other than the Parties to this Agreement. In addition, nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third party.

8.13 Capacity of Rehabilitator. The Rehabilitator is a Party to this Agreement and has incurred obligations hereunder only in his official representative capacity as Rehabilitator of ACA, and not individually. The Parties agree and acknowledge that the Rehabilitator shall not have any personal liability for any matters or obligations hereunder, and further that the State of New Hampshire is not a Party and shall have no liability with respect hereto.

[Remainder of page left intentionally blank. Signature page follows.]

SIGNATURE PAGE

TO

ASSUMPTION AGREEMENT (U.S. CERTIFICATES, PRE-NEED POLICIES)

Dated this 31st day of January, 2011.

ACA ASSURANCE in Rehabilitation, Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire as Rehabilitator

By: _____
Peter A. Bengelsdorf, Special Deputy Commissioner

SUPREME COUNCIL OF THE ROYAL ARCANUM

By: _____
Carol Zavitz, Supreme Regent

By: _____
Kenneth J. Kolek, Supreme Secretary

EXHIBIT A

ACA Assurance is licensed as a fraternal benefit society in the following jurisdictions:

United States

- (1) Arkansas
- (2) Connecticut
- (3) Florida
- (4) Louisiana
- (5) Maine
- (6) Maryland
- (7) Massachusetts
- (8) New Hampshire
- (9) Pennsylvania
- (10) Rhode Island
- (11) South Carolina
- (12) Virginia
- (13) Vermont

Royal Arcanum is licensed as a fraternal benefit society in the following U.S. states:

Unites States

- (1) Arizona
- (2) California
- (3) Colorado
- (4) Connecticut
- (5) District of Columbia
- (6) Florida
- (7) Georgia
- (8) Illinois
- (9) Maryland
- (10) Maine
- (11) Massachusetts
- (12) Michigan
- (13) Missouri
- (14) Nebraska
- (15) New Jersey
- (16) New York
- (17) North Carolina
- (18) Ohio
- (19) Oregon
- (20) Pennsylvania
- (21) Rhode Island
- (22) Virginia
- (23) Washington
- (24) Wisconsin

EXHIBIT 1.1
Schedule of Acceptable Assets

ACA shall transfer to Royal Arcanum the amounts set forth in Section 3.3 in the form of cash or cash equivalents.

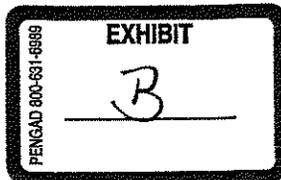
EXHIBIT 2.6
Form of Assumption Certificate

Attached.

EXHIBIT 3.1

**Calculation of "Net Statutory Reserves" as of the Calculation Date
Using Lewis & Ellis Calculator
Adjusted to Reflect all Assessments on Assumed Certificates
Prior to the Calculation Date**

Attached.



TITLE XXXVII INSURANCE

CHAPTER 418 FRATERNAL BENEFIT SOCIETIES

Section 418:18

418:18 The Benefit Contract. –

I. Every society authorized to do business in this state shall issue to each owner of a benefit contract a certificate specifying the amount of benefits provided in such contract. The certificate, together with any riders or endorsements, the laws of the society, the application for membership, the application for insurance and declaration of insurability, if any, signed by the applicant, and all amendments to each thereof, shall constitute the benefit contract, as of the date of issuance, between the society and the owner, and the certificate shall so state. A copy of the application for insurance and declaration of insurability, if any, shall be endorsed upon or attached to the certificate. All statements on the application shall be representations and not warranties. Any waiver of this provision shall be void.

II. Any changes, additions or amendments to the laws of the society duly made or enacted subsequent to the issuance of the certificate, shall bind the owner and the beneficiaries, and shall govern and control the benefit contract in all respects the same as though such changes, additions or amendments had been made prior to and were in force at the time of the application for insurance, except that no change, addition or amendment shall destroy or diminish benefits which the society contracted to give the owner as of the date of issuance.

III. Any person upon whose life a benefit contract is issued prior to attaining the age of majority shall be bound by the terms of the application and certificate and by all the laws and rules of the society to the same extent as though the age of majority had been attained at the time of application.

IV. A society shall provide in its laws that if its reserves as to all or any class of certificates become impaired its board of directors or corresponding body may require that there shall be paid by the owner to the society the amount of the owner's equitable proportion of such deficiency as ascertained by its board, and that if the payment is not made either:

(a) It shall stand as an indebtedness against the certificate and draw interest not to exceed the rate specified for certificate loans under the certificates; or

(b) In lieu of or in combination with subparagraph (a), the owner may accept a proportionate reduction in benefits under the certificate. The society may specify the manner of the election and which alternative is to be presumed if no election is made.

V. Copies of any of the documents mentioned in this section, certified by the secretary or corresponding officer of the society, shall be received in evidence of the terms and conditions thereof.

VI. No certificate shall be delivered or issued for delivery in this state unless a copy of the form has been filed with the commissioner in the manner provided for like policies issued by life insurers in this state. Every life, accident, health, or disability insurance certificate and every

annuity certificate issued on or after one year from the effective date of this chapter shall meet the standard contract provision requirements not inconsistent with this chapter for like policies issued by life insurers in this state, except that a society may provide for a grace period for payment of premiums of one full month in its certificates.

VII. The certificate shall also contain a provision stating the amount of premiums which are payable under the certificate and a provision reciting or setting forth the substance of any sections of the society's laws or rules in force at the time of issuance of the certificate which, if violated, will result in the termination or reduction of benefits payable under the certificate.

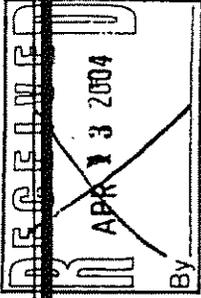
VIII. If the laws of the society provide for expulsion or suspension of a member, the certificate shall also contain a provision that any member so expelled or suspended, except for nonpayment of a premium or within the contestable period for material misrepresentation in the application for membership or insurance, shall have the privilege of maintaining the certificate in force by continuing payment of the required premium.

IX. Benefit contracts issued on the lives of persons below the society's minimum age for adult membership may provide for transfer of control of ownership to the insured at an age specified in the certificate. A society may require approval of an application for membership in order to effect this transfer, and may provide in all other respects for the regulation, government and control of such certificates and all rights, obligations and liabilities incident thereto and connected therewith. Ownership rights prior to such transfer shall be specified in the certificate.

X. A society may specify the terms and conditions on which benefit contracts may be assigned.

XI. No action at law or in equity shall be had or maintained on any certificate or contract issued by a fraternal benefit society unless commenced within 18 months after the cause of action shall accrue.

Source. 2003, 182:1, eff. Jan. 1, 2004.



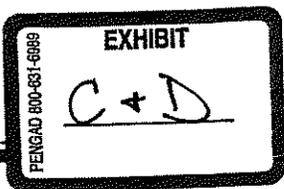
CONSTITUTION
and
BY-LAWS

of

ACA ASSURANCE
AN INTERNATIONAL FRATERNAL BENEFIT
SOCIETY ESTABLISHED IN 1896 as
Association Canado-Américaine

as amended on August 23, 2003
at its
33RD CONVENTION
and on November 15th
by its
Board of Directors

Manchester, New Hampshire



AN INTERNATIONAL FRATERNAL BENEFIT SOCIETY ESTABLISHED IN 1896 as
Association Canado-Américaine

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email : aca.assurance@tr.egocable.ca

SECRETARY'S CERTIFICATE

I, Paul LaFlamme, being the duly elected and acting Secretary of ACA ASSURANCE, do hereby certify that the following are true, exact and complete copies of the Articles of Association, as amended, and the Constitution and By-laws of ACA ASSURANCE, as amended at its 33rd Convention held in Nashua, NH, on August 23rd, 2003.

Paul N. LaFlamme

Paul LaFlamme
Board Secretary

January 14th, 2004

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BY-LAWS OF THE CONSTITUTION

- 1 - **Name and Character** - The name of this Society is "ACA ASSURANCE". It is a fraternal benefit society, incorporated under the laws of the State of New Hampshire, with a representative form of government.
- 2 - **Home Office** - Its home office is in Manchester, New Hampshire.
- 3 - **Patron Saint** - St. John the Baptist is its patron saint.
- 4 - **Motto and Seal** - Its motto is Religion! Patriotism! Fraternity! Its seal is a circular seal festooned and bordered with the inscription "ACA ASSURANCE", Manchester, N.H. and an underlining thread. Chargé en abîme d'un écu tiercé en fasces; au 1 parti à dextre d'azur à une croix d'argent cantonnée de quatre fleurs de lys du même et à senestre de sinople à un aigle américain du deuxième; au 2 de pourpre à un faisceau de licteur chargé d'un dextrochère armé d'un marteau du dernier; au 3 de gueules à une foi du même. Au-dessus de l'écu, année 1896. — Reference - The American coat of arms and the fleurdelisé symbolize the two countries where the Society is operating; the cross and the fleur-de-lys represent the Catholic faith and the French culture; the hammer is for the City of Manchester and the fasces of the licitor represent the State of New Hampshire where the head office is located; the handclasp symbolizes the Society's purpose, mutual assistance; 1896 is the year the Society was founded.
- 5 - **Purpose** - Its purpose is the union of persons of French Catholic ancestry or affinity in North America, the promotion of their spiritual, civic, cultural, social, and economic advancement, and the preservation of the French language and French culture.
- 6 - **Composition** - The Society consists of its members who belong to local chapters.
- 7 - **Convention** - Members of the Board of Directors and delegates elected or chosen pursuant to the By-laws of the Society form the Convention, which is vested with all legislative powers of the Society.
- 8 - **Board of Directors** - The Board of Directors consists of the Officers and the Directors elected by the Convention and is vested with all the executive, administrative, and disciplinary powers of the Society.
- 9 - **Ritual** - Its ritual governs procedure at meetings, installations and other ceremonies.
- 10 - **Amendment** - The Constitution may be amended only by the affirmative vote of nine-tenths of the delegates voting at a regular or special session of the Convention or voting in a referendum.

PREAMBLE

PHILOSOPHICAL FOUNDATIONS

Vision - North-Americans of French-Catholic heritage or affinity collaborate to insure their quality of life and general development.

Mission - ACA ASSURANCE's mission is:

1. - To offer to its members services and products promoting their financial security.
2. - To promote the total development of North American of French-Catholic heritage or affinity.

Powers and duties - ACA ASSURANCE fulfills its mission in assuming the powers and duties of:

1. - Offering services and products of life, health, accident and travel insurance, and life annuities.
2. - Under the Association Canado-Américaine, its fraternal branch:
 - a) Encouraging and/or supporting social, cultural, and religious activities.
 - b) Encouraging volunteerism.
 - c) Offering services and support to local chapters.
 - d) Communicating with members and the public.

3. - Offering travel services.

4. - Offering scholarships.

Values - The actions and decisions of ACA ASSURANCE are guided by the following values:

1. - Insurance services
 - a) We offer our members financial products priced according to their means.
 - b) Our members receive services and superior quality products at a reasonable price.
 - c) We offer efficient and relevant services according to the needs of our members.
 - d) Our decisions are based on our sense of equity and accountability to our members.
 - e) We regard our members as partners to our success.
 - f) We have the expertise necessary to offer quality products and services to our members.
2. - Fraternal and cultural activities
 - a) We collaborate in the development of French culture in North America.

- b) We favor the general development of North Americans of French Catholic heritage or affinity.
- c) We encourage the dissemination of the culture of persons of French-Catholic heritage or affinity in North America.
- d) We favor the dissemination of the fraternal and Catholic values held by persons of French heritage or affinity.

3. - Internal Administration

- a) Our decisions are based on the vision, mission, powers, duties, values, and strategic goals of the Society.
- b) Our communication and our team spirit are founded on integrity, mutual respect, and openness of mind.
- c) We work as a team striving to make decisions by consensus.
- d) We manage our human, material, and financial resources in a competent and efficient manner.
- e) We respect the confidentiality of internal discussions of the Board of Directors and of the internal operations of the Society
- f) We respect the code of ethics established by the Board of Directors.

CHAPTER I

THE MEMBERS

Art. 1.1 - Classification

There are four (4) classes of members: beneficiary members, social members, associate members and honorary members.

- 1.1.1 - **Beneficiary Members** - Any person to whom the Society is financially obligated under the terms of his policy is a beneficiary member. Upon reaching 18 years of age, he has the right to vote, to be elected an officer, and to participate in the administration of the Society.
- 1.1.2 - **Social members** - Social members are persons who wish to participate in the Society's different economic programs. In return, these persons agree to financially contribute to the Society. These members are not considered beneficiary members.
- 1.1.3 - **Associate members** - Associate members are College or University level students. They are part of a special chapter known as such by the Association Canado-

Américaine. They enjoy all the privileges accorded to such a chapter and must contribute financially to the Society.

1.1.4 - Honorary Members - Honorary members are noteworthy individuals who have rendered or are apt to render outstanding services to the Catholic faith, to social or economic sciences, to the arts, to education, to French culture generally, or to any other important ideal to the Society. This title is granted by the Board of Directors.

Art. 1.2 - Terms of Admission

To become a member, a person must be of French Catholic ancestry or affinity, be related to one who is or support the aims and purposes of the Society, make an application for admission in the form prescribed by the Society, agree to abide by the By-laws and any future amendments thereto, submit to the required medical examination, if any, pay the required contributions and be admitted in accordance with the By-laws. The contracting party shall complete and sign the application form; if a third party applies for a minor, the written consent of the father, mother or guardian is required. A contracting party who is not the insured member and wishes to retain ownership of the policy must so state in the application for insurance.

Art. 1.3 - Chapter

The Board of Directors assigns each member to a local chapter; however, any member in good standing may be transferred to another chapter by complying with the requirements set by the Board of Directors.

Art. 1.4 - Suspension and Expulsion

The Chairman of the Board of Directors, following the recommendation of at least three (3) members of the Board of Directors or of an ad hoc Committee of the Board of Directors, may suspend or expel a member who acts or speaks against the best interests of the Society, depriving such member of its fraternal rights such as: right of vote, attendance at the meetings, and candidacy for any position. Such member may, however, appeal to the Board of Directors from such suspension or expulsion. The insurance policy of a suspended or expelled member remains in force as long as the premiums are paid.

Art. 1.5 - Disappearance

In the event of the disappearance of a member, his or her policy shall become due and payable if the contributions have been paid for a period of 7 years after the disappearance; however, if such payments have not been made during this period, the rights under the policy shall be subject to the automatic premium loan or lapse provisions.

CHAPTER II THE CONVENTION

Art. 2.1 - The Convention

The Convention is the meeting of delegates chosen either by the chapters or by the representatives of the local chapters, assembled in regional meetings, and of the members of the Board of Directors. The Convention is vested with all legislative powers. The elected delegates shall represent no less than two-thirds of the votes. It meets every three (3) years at a place and time determined by the Board of Directors. The Convention may confer the honorary title of President Emeritus to the outgoing Chairman of the Board of Directors.

Art. 2.2 - The powers and duties of the Convention:

2.2.1 - To establish the overall orientation of the Society in adopting;

2.2.1.1 - The philosophic statements of the Society (vision, mission, powers, duties and values), and

2.2.1.2 - The strategic goals of the Society.

2.2.2 - To receive the reports of the presidents of the permanent committees of the Board of Directors and from the President / Chief Executive Officer, including the main achievements of the Society since the last Convention.

2.2.3 - To ratify and accept the audited financial reports of the Society since the last Convention.

2.2.4 - To amend the Constitution and By-laws.

2.2.5 - To elect the members of the Board of Directors: eight (8) directors and its five (5) officers. The latter are: the Chairman, the two (2) Vice-presidents, the Secretary and the Treasurer. Since ACA ASSURANCE is an American Society, it is required that a minimum of 50% plus one of the members of the Board of Directors be residents of the United States.

Art. 2.3 - Sessions

The Presidents of the Permanent committees of the Board of Directors submit a written report of the activities of each committee since the last Convention. The Convention delegates shall meet behind closed doors; however, members in good standing of the Society may attend, as spectators, at their own expense. The Convention in regular or special session may not transact any business without a majority of its members present.

Art. 2.4 - Special Sessions

The members of the Convention attending its sessions shall be entitled to their travel expenses calculated on the basis of the most direct route and to such compensation determined by the Board of Directors.

2.6.3 - Alternates: Alternates for the delegates are adult beneficiary members who were not older than 75 when they were elected. In the event that a delegate is unable to be present at the regional meeting or the Convention, an alternate, chosen by order of election, shall serve in his stead.

2.6.4 - Absence of a delegate or alternate: In the event of death, written resignation, or non-member status of the delegate or alternate, the administrative committee of the chapter will have the right to designate a replacement in order to assure a fair representation.

2.6.5 - Eligibility for the positions of Directors and Officers of the Board of Directors: To become a Director or Officer of the Board of Directors, a person must be an adult beneficiary member for at least one year, be older than 18 and less than 70, and not be an employee of the Society. To become a candidate for the positions of Director, President, American Vice-President, Canadian Vice-President, Secretary or Treasurer of the Board of Directors, one must notify the nominating committee of one's intention, at least 30 days before the opening date of the Convention.

In becoming a candidate, an employee shall take a leave of absence, and, if elected, must resign. To become an employee of the Society, a member of the Board of Directors must resign his position.

2.6.6 -Caucuses: The American delegates, gathered at the Convention constitute the American Caucus. The Canadian delegates, gathered at the Convention, constitute the Canadian caucus.

2.6.7 - Election procedures for the members of the Board of Directors: The Convention elects the Directors and the officers of the Board of Directors by means of a three (3) stage process:

1) Election of the President of the Election and two scruteneers (one American, one Canadian) among the delegates who are non-candidates to an elective position.

Following a vote of two-thirds of the members of the Board of Directors or at the request of an absolute majority of the chapters in good standing, the Chairman of the Board of Directors shall call a special session of all the delegates of the preceding Convention, at such place and time as the Board of Directors may judge most convenient, for the purpose of dealing with any extraordinary matters. But only such matters may be on the agenda as are specified in the notice of call. This call shall be made by the Secretary to all the delegates at least 12 days before the opening of said special session. Special sessions shall be governed by the same rules as regular sessions.

Art. 2.5 - Referendum Vote

By a vote of two-thirds (2/3) of its members, the Board of Directors may submit proposed amendments to the Society's By-laws or any other question to a referendum vote of all the delegates elected to the preceding session of the Convention. The Secretary of the Board of Directors mails the proposal, arguments in favor and against the proposal, and an official ballot to each of the delegates by certified or registered mail. To be counted as valid, the ballot must be received within 30 days of its mailing to the delegate. The affirmative vote of two-thirds of the delegates voting shall be required for the proposal to be adopted.

Art. 2.6 - The elections

2.6.1 - The delegates are adult beneficiary members who were not older than 75 when they were elected.

2.6.2 - The Convention has 100 delegates, including the members of the Board of Directors. Each chapter in good standing is entitled to at least one delegate. To establish the number of adult beneficiary members required to elect a delegate to the Convention, one subtracts the number of the Board of Directors from 100. For the surplus, the chapter elects one additional delegate if:

- a) the fraction of its surplus is more than half the number of members required to elect one delegate;
- b) it has two times the number of members required to elect one delegate. For each surplus equal to the number of required members to elect one delegate, the chapter elects one additional delegate.
- c) The chapters select their delegates and alternates at least 120 days before the Convention. Employees of the Society and their spouses may neither be elected delegates nor alternates.

- 2) The two national caucuses gather and proceed to the nomination by mode of election:
- a - of the Directors;
 - b - of the Vice-Presidents of the Board of Directors.
- 3) Election by the Convention:
- a - of the Directors;
 - b - of the Vice-Presidents of the Board of Directors;
 - c - of the Chairman of the Board.

2.6.8 - Methods of election for each of the three (3) stages:

2.6.8.1 - 1st stage: The Convention proceeds to the election of a President of Election of the Convention and of two scruteneers one Canadian and one American among the delegates who are not candidates to an elective position. The elected President of the election and the two scruteneers will remain in these positions for the duration of the different elections at the Convention.

2.6.8.2 - 2nd stage: The American caucus gathers and proceeds to the nomination by way of election of the directors. It then proceeds to the election of the American Vice-President. Then, the Canadian caucus proceeds the same way.

Secret ballot: If there is more than one candidate for any of these positions, an election will be held by secret ballot. The President of the Election and the scruteneers have the right to vote. The votes are cast individually and behind a partition. Each candidate will name a representative who will join the scruteneers. They will count the votes and the President of the election will report the results of the election to the Convention.

2.6.8.3 - 3rd stage - Immediately after, the President of the Election proceeds to the election of the directors and the Vice-Presidents of the Board of Directors by the Convention.

2.6.8.3.1 - Election of the Chairman of the Board of Directors by the Convention.

The President of the Election of the Convention proceeds, at the end, to the election of the Chairman of the Board. The delegates of the Convention then elect a candidate among the new elected Directors, except the two Vice-Presidents.

2.6.8.3.2 - Nomination by way of election of the Secretary and the Treasurer of the Board of Directors. The elected directors meet and choose, successively among them, except for the President and the two Vice-Presidents, a candidate for the position of Secretary of the Board and, a candidate for the position of Treasurer of the Board.

2.6.9 - Additional rules for the elections:

2.6.9.1 - Validity of the secret ballot:

In the case of a secret ballot, in order to be elected to a position, a candidate must receive a majority of the votes, which is more than half the votes, even if such excess is made up of only a fractional vote. If no candidate receives an absolute majority of the votes, the one who has received the fewest votes is eliminated and new ballots are taken until a candidate receives the required majority. If two or more of the candidates obtain the same number of votes, new ballots are taken.

2.6.9.2 - Rejection by the Convention

If the Convention does not elect a nominated Director, Vice-chairman, Secretary, or Treasurer, the Electoral Presiding Officer then asks the appropriate caucus to meet again to nominate another candidate from amongst the candidates who had expressed, within the time limits, their intention to run for such a position.

If no other candidate for any of the positions had declared his candidacy within the required time limits, the nominating committee will be in charge of finding a candidate according to the established profile.

CHAPTER III THE BOARD OF DIRECTORS, AND THE OFFICERS

Art. 3.1 - The Board of Directors - The Board of Directors is vested with all the executive, administrative and disciplinary powers of the Society and has custody of all its property. It consists of the Officers and Directors elected by the Convention and also the Chaplain named by the Bishop of Manchester, New Hampshire, following the recommendation of the Chair-

man of the Board of Directors.

Art. 3.2 - Working language of the Board of Directors: The working language of the Board of Directors is French.

Art. 3.3 - Its powers and duties: Accountable to the Convention, the Board of Directors has the powers and duties to:

3.3.1 - Ensure itself that its decisions respect the vision, the mission, the powers, the duties, and the values of the Society;

3.3.2 - Submit recommendations to the Convention;

3.3.3 - Approve policies for managing the administration of operations, human resources, materials, finance, and services to members, comprising:

3.3.3.1 - Issue and amendments of insurance policies in forms, terms, conditions, and rates;

3.3.3.2 - Authorization of the use of audited proportions of the premiums collected from all the members for conserving beneficial funds and for expenses and reserves for expenditures;

3.3.3.3 - Authorization of the use of a revised scale of re-funds based on the surplus and the amount of the surplus, following the year at issue, or the year and age of issue;

3.3.3.4 - Reviewing or cessation of the contributions of the Society to the Educational Funds.

3.3.4 - Upon the recommendation of the actuary, it can authorize the payment of a dividend to the members.

3.3.5 - Adopt and evaluate the annual objectives of the Society.

3.3.6 - Adopt the annual budget and budgetary revisions.

3.3.7 - Appoint a legal counsel and the external auditors.

3.3.8 - Create permanent and ad hoc committees, establish their powers and duties, and appoint their members and their chairman upon the recommendation of the Chairman of the Board of Directors.

3.3.9 - Approve the major and long-term legal agreements that bind and/or engage the Society.

3.3.10 - Approve the pay scale and allowable benefits of the personnel.

3.3.11 - Adopt an organizational chart.

3.3.12 - Hire and fire the President and Chief Executive Officer who is accountable directly to the Board of Directors.

3.3.13 - Adopt the description of the responsibilities of the Presi-

dent and Chief Executive Officer, evaluate his performance relative to the established objectives and determine his salary.

3.3.14 - Determine the per diem and the rate of expenses of the Board of Directors and the Committees, as well as for the delegates to the Convention.

3.3.15 - Fill vacancies on the Board of Directors between the Conventions.

3.3.16 - Dismiss any member of the Board of Directors (see Art. 3.14 of the new proposed text).

3.3.17 - Assign to each chapter the region to which it belongs. The regions may be subdivided or combined.

3.3.18 - Create, merge, divide or suspend a Chapter.

3.3.19 - Ratify the nomination of the Chaplain, made by the Bishop of Manchester, New Hampshire, following the recommendation of the Chairman of the Board of Directors.

Art. 3.4 - Frequency of meetings of the Board of Directors. - The Board of Directors holds three (3) regular meetings each year attended in person. In case of an emergency or in special situations, the Executive Committee may call a meeting of the Board of Directors either in person or by conference call.

Art. 3.5 - Permanent committees of the Board of Directors. -

The Board of Directors establishes the following permanent committees:

- The Committee of Insurance Services
- The Committee of Fraternal Services
- The Finance and Administration Committee
- The Executive Committee.

These Committees can meet either in person or by conference call.

3.5.1 - The Committee of Insurance Services

The Committee of Insurance Services assumes the following powers and duties:

3.5.1.1 - Recommend to the Board of Directors:

- Insurance products relevant to clients' needs;
- Policies governing insurance services;
- Annual, strategic and marketing plans;
- Information and communication services with the members;
- The policies governing the Society.

3.5.1.2 - To evaluate the performance of the Society in the field of insurance services.

3.5.2 - The Committee of Fraternal Services

The Committee of Fraternal Services assumes the following powers and duties:

3.5.2.1 - Recommends to the Board of Directors:

- Fraternal services applicable to the needs of the Chapters;
- Policies governing Fraternal services, support services to the chapters, the Committee of the Legion of Honor, the Archive Committee and ACA Bon Voyage Inc.
- The strategic and annual plan;
- Information and communication services with the members.

3.5.2.2 - To evaluate the performance of the Society in the field of fraternal services.

3.5.3 - The Finance and Administration Committee

The Finance and Administration Committee assumes the following powers and duties:

3.5.3.1 - Recommend to the Board of Directors:

- Policies governing the administration of human resources assets and finances of the Society;
- Policies concerning subsidies awarded to Educational Funds;

- The annual budgets and budgetary revisions.

3.5.3.2 - Evaluate the performance of the Society in the area of its internal administration.

3.5.4 - The Executive Committee is composed of the Officers of the Society who are : The Chairman of the Board, the two Vice-Presidents of the Board, the Secretary of the Board and the Treasurer of the Board.

The Executive Committee assumes the following powers and duties:

3.5.4.1 - To act as a selection committee for the position of President and Chief Executive Officer and to submit recommendations to the Board of Directors.

3.5.4.2 - To evaluate annually the performance of the President and Chief Executive Officer in relation to the objectives established by the Board of Directors.

3.5.4.3 - To make sure that the members of the Board of Directors possess the necessary means to exercise a monthly follow up on the actions of the President and CEO and the current operations of the Society.

3.5.4.4 - In urgent situations, to make decisions which are not the responsibility of other Committees of the Board of Directors, subject to ratification by the latter.

Art. 3.6 - Ad Hoc Committees of the Convention. - In preparation for the Convention, the Board of Directors establishes the following ad hoc committees:

- The Convention Committee
- The Nominating Committee
- The Legislation Committee

These committees can meet either in person or by conference call.

3.6.1 - The Convention Committee

The Convention Committee assumes the powers and duties of:

3.6.1.1 - Recommending to the Board of Directors:

- The Convention agenda
- Programs and social and cultural activities for the Convention;
- Dates, location, and site of the Convention and budgetary provisions.

3.6.1.2 - Insuring that the principal logistics of the Convention are in place.

3.6.1.3 - Insuring that the Convention delegates have their proper credentials.

3.6.1.4 - Submitting an evaluation report of the Convention, including the financial report and the recommendations for the organization of the next Convention.

3.6.2 - The Nominating Committee

The Nominating Committee assumes the powers and duties of:

3.6.2.1 - Recommending to the Board of Directors the profile of the Board of Directors, as well as the permanent and ad hoc Committees, to the Board of Directors.

3.6.2.2 - Actively recruiting candidates most apt to fill the positions according to the policies and the established procedures.

- 3.6.2.3 - Insuring the eligibility of the candidacy of persons interested in available positions.
- 3.6.2.4 - Finding a candidate who corresponds to the profile established by the Board of Directors, in case the Convention refuses to elect a director and, if no other candidate has declared his intention to become a candidate within the time limit.
- 3.6.2.5 - Ensuring each region with the best possible representation of the members of the Board of Directors.
- 3.6.3 - The Legislation Committee
 - The Legislation Committee assumes the powers and duties of:
 - 3.6.3.1 - Receiving and examining requests for modifying rules and regulations.
 - 3.6.3.2 - Recommending amendments to the rules and regulations to the Board of Directors.
 - 3.6.3.3 - Submitting amendments to the rules and regulations to the Convention in the name of the Board of Directors.

Art. 3.7 - Presidents of the permanent committees:

- 3.7.1 - The Chairman of the Board of Directors presides over the Executive Committee.
- 3.7.2 - The Treasurer of the Board of Directors presides over the Finance and Administration Committee.
- 3.7.3 - The chairmen of the other permanent committees are selected from amongst the members of the Board of Directors.
- 3.7.4 - Voting rights of the Committee Chairmen: The person who chairs a meeting of the Board of Directors or of a committee votes only in case of a tie vote.

Art. 3.8 - The Chairman of the Board of Directors.

- The Chairman of the Board of Directors assumes the powers and duties of:
- 3.8.1 - Ensuring the proper operation of the Board of Directors and the behavior of its members in regard to the vision, mission, powers and duties, values, as well as the rules and regulations of the Society.
- 3.8.2 - Presiding over Convention sessions and meetings of the Board of Directors and of the Executive Committee.
- 3.8.3 - Sitting as an ad hoc member on all the committees of the

- Board of Directors with the right to vote.
- 3.8.4 - Acting as the official spokesperson of the Society.
- 3.8.5 - Clarifying, as necessary, the policies established by the Board of Directors.
- 3.8.6 - Recommending to the Board of Directors the Chairman and the members of the committees of the Board of Directors.
- 3.8.7 - Recommending to the Board of Directors the nominations of members of the ACA Educational Fund Commission.

Art. 3.9 - The Vice-Chairman

One Vice-Chairman, chosen by the Chairman of the Board of Directors, exercises the powers and performs the functions of the Chairman in his absence at meetings of the Convention, of the Board of Directors or the Executive Committee. In the absence of both the Chairman and this Vice-Chairman, the other Vice-Chairman fulfills these functions.

Art. 3.10 - The Secretary

The Secretary of the Board of Directors assumes the powers and duties of:

- 3.10.1 - Being responsible for correspondence sent to the members of the Board of Directors.

- 3.10.2 - Signing the minutes of the Convention and of the meetings of the Board of Directors, as well as legal and corporate documents required by law.

- 3.10.3 - Ensuring that a quorum is present at sessions of the Convention, at special sessions, and at the meetings of the Board of Directors.

- 3.10.4 - Being the keeper of the Seal of the Society.

- 3.10.5 - Carrying out any task entrusted to him by the Board of Directors.

Art. 3.11 - The Treasurer.

The Treasurer of the Board of Directors assumes the powers and duties of:

- 3.11.1 - Presiding over the permanent committee of Finance and administration.

- 3.11.2 - Submitting its report to the Board of Directors

- 3.11.3 - Submitting to the Convention the Financial statements of the Society.

- 3.11.4 - Supervising the action plans and the estimates for the expenses incurred by the members of the Board of Directors, for the Society, in accordance with the adopted policies of the Board of Directors.

3.11.5 - Carrying out any task entrusted to him by the Board of Directors.

Art. 3.12 - The Chaplain

3.12.1 - Nomination

Following the recommendation of the Chairman of the Board of Directors, the Bishop of Manchester nominates the Chaplain. This nomination is ratified by the Board of Directors.

3.12.2 - Right to Vote

The Chaplain has the right to vote on matters that fall within his pastoral powers and duties granted by the Bishop of Manchester

Art. 3.13 - The Members of the Board of Directors.

Each member of the Board of Directors assumes the following responsibilities:

3.13.1 - To attend meetings of the Board of Directors.

3.13.2 - To sit on one or more of the permanent committees of the Board of Directors.

3.13.3 - To respect the vision, mission, powers and duties, values, priorities and policies of the Society.

3.13.4 - To promote the attainment of the strategic aims and annual objectives at Society and regional levels.

3.13.5 - To inform the Board of Directors and the President and Chief Executive Officer of regional needs and expectations.

3.13.6 - To promote the Society in nearby regions and Chapters.

3.13.7 - To share his knowledge, experience, skills, and expertise with the Society at the time of meetings of the Board of Directors and its committees.

3.13.8 - To submit each year an action plan for activities and budgetary provisions in accordance with the policies established by the Board of Directors.

3.13.9 - To contribute to decision-making of the Board of Directors and its committees in promoting consensus and teamwork.

3.13.10 - To execute special duties that may be assigned to him by the Board of Directors.

Art. 3.14 - Removal

A member of the Board of Directors who neglects his duties or fails to at-

tend three (3) consecutive meetings, without just cause, may be removed by a vote of two-thirds (2/3) of the members present at a regular meeting, after being given an opportunity to be heard before the Board of Directors.

Art. 3.15 - Permanent Disability

An Officer or a Director who becomes unable to perform his duties by reason of permanent disability may be relieved from office for the remainder of his term by a vote of two-thirds (2/3) of the members of the Board of Directors, at a regular or special meeting. Such action may be taken only upon the written request of a majority of the members of the Executive Committee, to which is annexed the certificate of a physician approved by the Executive Committee stating that the said Officer or Director is unable by reason of permanent disability to fulfill his duties.

Art. 3.16 - Process of Replacement in case of dismissal, permanent disability or death.

3.16.1 - When a Director leaves, the Board of Directors fills his position by a person from the same region who has the required qualifications.

3.16.2 - When an Officer leaves, the Board of Directors fills the position with one of its members who has the required qualifications.

Art. 3.17 - Indemnification of Officers and Directors.

The Society shall indemnify each Officer or Director against the reasonable expenses incurred, including attorneys' fees, any and all claims, liabilities, penalties, forfeitures, and fines to which he may be or become subject to by reason of his having served in any such capacity, except as to matters as to which such Officer or Director is guilty of gross negligence or misconduct in the performance of his or her duties. Such indemnification shall also extend to instances where at the request of the Society the individual serves as a Director, officer or fiduciary of another enterprise. The foregoing right of indemnification shall not be deemed exclusive of any other rights to which such Officer or Director may be entitled.

CHAPTER IV THE CHAPTERS

Art. 4.1 - Philosophical Principles.

To insure a consistency between the philosophical principles of the Society and the chapters, the chapters are guided by the following philosophical rules:

4.1.1 - Vision: The members of our community who are of

French-Catholic descent or affinity, fully develop themselves in all respects.

4.1.2 - **Mission:** A chapter of our Society has the mission to promote the quality of life and the general development of its members and its community.

4.1.3 - **Powers and duties:**

4.1.3.1 - **The Franco-American chapters:** A Franco-American chapter of the Society accomplishes its mission in assuming the powers and duties to:

- Organize programs, services, and activities that favor the linguistic, socio-cultural, financial and spiritual development of its members and the Franco-Americans of its community.
- Volunteer in its community.
- Organize exchange programs with Canadian chapters.
- Inform the members of the chapter of the financial, insurance, and other services of the Society that can improve their quality of life.

4.1.3.2 - **The Canadian chapters:** A Canadian chapter of the Society accomplishes its mission in assuming the powers and duties to:

- Inform the members of the chapter of the financial, insurance, and other services of the Society that can improve their quality of life.
- Support the Franco-American chapters in their organizing of programs, services, and activities that favor their linguistic, socio-cultural, and spiritual development.
- Organize exchange programs with Franco-American chapters.

Volunteer in its community.

Art. 4.2 - Chapter in Good Standing.

To be a chapter in good standing, a chapter must hold an annual election meeting, fill all Officers' positions, and provide the required reports.

Art. 4.3 - Composition and Dissolution

Four hundred adult beneficiary members are required to organize a chapter. Each chapter that is active and in good standing is entitled, for local administration, to a monthly contribution set by the Board of Directors. The local fund and property are deemed owned in common by the members of each chapter, but they shall not share them as long as there remain

7 members in good standing to maintain the chapter. A chapter seceding from the Society thereby loses all rights to the monies accumulated in its various funds. The Society shall not be held responsible for the negligence of any chapter or of its officers in the performance of their duties, or for any act, omission or promise made without authority by them or in violation of the By-laws of the Society. The charter of a chapter may not be revoked without cause, nor may it be surrendered as long as 7 members in good standing desire to maintain it in full force and effect.

4.3.1 - In order to promote the Society's development and to address specific needs, following the recommendation of the Fraternal Services Committee, the Board of Directors may authorize the creation of new experimental chapters in given communities. Those new chapters may not correspond to the requirements of article 4.3. They may also be of a temporary nature. The rights given to regular chapters do not apply to these chapters.

Art. 4.4 - University/College Chapter

A university/college chapter is made up of students. The number of members in this chapter may be different from the number required for a regular chapter (see article 4.3). Such a chapter may be comprised of beneficiary, associate, and social members and may utilize all the Society's Fraternal Department services. The Board of Directors, based on the recommendation of the Fraternal Services Department, authorizes its special working budget.

Art. 4.5 - Powers and Duties

The members of a chapter, in meeting assembled, are vested with the elective and legislative powers of the chapter; but the administrative and disciplinary powers are vested in elected officers sitting as the Administrative Committee. The charter granted to a chapter by the Board of Directors confers upon it all the powers and privileges enumerated in the following articles, so long as the chapter complies with the By-laws of the Society. Each chapter is known and designated under the name it selects, and under the number assigned to it by the Board of Directors; a chapter may not adopt the name of another chapter in the same area or the name of any living person. Subject to the approval of the Board of Directors, after giving 10 days' notice to the membership prior to the meeting, a chapter, with the affirmative vote of four-fifths of the members present, may adopt a new name.

Art. 4.6 - Election, Installation and Removal

The officers of a chapter are: the President, the Vice-President, the Secre-

by the Vice-President in the absence or refusal by the President or, by the majority of the administrative committee, in the absence or the refusal of the President and the Vice-President.

4.8.2 In the absence of the President and of the Vice-President, the Ex-president shall preside, and in his absence, the meeting shall choose a President *pro tempore*.

4.8.3 The call for the annual meetings or for the election of delegates to the Convention shall be given in the official publication or in a newspaper published in the chapter's region or in writing mailed by the Secretary to all members, at least 10 days prior to said meetings. Said call shall specify the object, time and place of such meeting and only such matters as are mentioned in said call shall be considered at the meeting.

4.8.4 The quorum of any meeting may be set in the regulations of each chapter, but it shall never be less than five (5) members.

4.8.5 Following the request of the Director of the Fraternal Department, or whenever the interest of the so Society requires, the Chairman of the Board may ask Director to visit a section and participate to its deliberations.

4.8.6 Any other member visiting a chapter may not participate in its discussions or deliberations except when invited to do so by the unanimous vote of the meeting.

Art. 4.9 - The President

The President assumes the following responsibilities:

4.9.1 preside all meetings of the chapter and of the Administrative Committee;

4.9.2 prepare their agendas;

4.9.3 maintain order and decorum during said meetings;

4.9.4 enforce the By-laws of the Society;

4.9.5 carry out the orders of the Convention, of the Board of Directors, and of the Administrative Committee;

4.9.6 sign all orders for the payment of money voted by the chapter as well as the minutes of deliberations as approved by the meeting and any documents requiring his signature;

4.9.7 after consulting with the members, appoint the members of the several committees;

4.9.8 convene the Administrative Committee at least once a

itary, the Treasurer, the Auditor, the Public Relations Officer, and the Information Officer. These Officers are the Administrative Committee members. Except for the Chaplain and the Ex-president, the members of the administrative committee are elected by secret ballot, at a meeting held in April, May or June of each year; they remain in office until the installation of their successors. No one may simultaneously hold more than one position. For all election, the members present elect as President of Election a member that is not a candidate to any position. The President of Election shall appoint two (2) scruteneers for the counting of ballots. To be elected, a candidate must obtain a majority of the votes cast. When there are more than two (2) candidates and no one receives a majority of the votes cast, the candidate with the least votes is eliminated, and a new vote is taken until a candidate obtains a majority of the votes. The President of Election shall announce the result of the voting and if there be election, he shall preside it. The installation of officers may be public, if a chapter so decides by vote of a majority of the members present. Officers must be installed immediately after their election by the Ex-president or the person presiding the election. A member may not be elected officer if he is absent unless having previously agreed in writing to serve if elected. A member elected to an office who fails to be present at the time and place scheduled for the installation, shall be installed at the next regular meeting. An office shall become vacant upon the death, resignation, or removal of its holder and the Administrative Committee shall fill all vacancies by consensus. Any officer of a chapter may be removed for incompetence, negligence, disability, or for being absent from three (3) consecutive meetings without reasonable cause. Any petition for removal must be signed by five (5) members of the chapter; a signed copy of the petition shall be given to the officer whose removal is sought at least 10 days prior to the regular meeting at which said petition is to be considered. A vote of two-thirds of the members present and voting at a regular meeting is required for the removal of an officer.

Art. 4.7 - Term of Office

Officers are elected to one-year terms and may hold the same office for no more than 3 consecutive terms.

Art. 4.8 - Meetings

The business meetings of each chapter (administrative committee and the members) shall be held once a month, on the day and at the hour called for in its regulations.

4.8.1 A special meeting may be convened: by the President on his own or following the written request of five (5) members,

Art. 4.14 - The Auditor assumes the following responsibilities:
4.14.1 Jointly with the President and the Treasurer be responsible for general supervision over the property of the chapter;
4.14.2 during the first 20 days of January, April, July and October the Auditor shall audit all accounts of the chapter;
4.14.3 require that the bookkeeping system established by the Board of Directors be strictly observed.

Art. 4.15 - The Public Relations Officer assumes the following responsibilities:

4.15.1 maintain contact with the media to publicize the chapter's activities

4.15.2 strive to promote fraternal activities initiated by the Home Office.

Art. 4.16 - The Information Officer assumes the responsibility of contacting new members and keeping them informed of the activities of the chapter and the Society.

Art. 4.17 - The Permanent Committee

The permanent committee of a chapter is the Administrative Committee.
Art. 4.18 - The Administrative Committee shall be vested with the administrative and disciplinary powers of the chapter. The Administrative Committee shall consist of the Ex-president, the President, the Vice-President, the Secretary, the Treasurer, the Auditor, the Public Relations Officer, the Information Officer, and the Chaplain. The President of the chapter is its presiding officer. Its mandate - The Administrative Committee assumes the following responsibilities:

4.18.1 - designate the financial institutions where the Treasurer must deposit all funds.

4.18.2 - hear and decide all issues between the members of the chapter, complaints made by one member against another or against an officer, provided that such complaints be made in accordance with the By-laws. A member of the Administrative Committee shall not be qualified to serve thereon whenever he is the accused, the complainant, or the subscriber of a complaint or charge, or a witness.

4.18.3 - make no disbursement on behalf of the chapter without its special authorization. In case of emergency, it may authorize an expenditure not exceeding an amount set by the chapter;

4.18.4 - hold at least one meeting a month. Its quorum is determined by its rules, but it may not consist of fewer than five (5) members;

month.
Art. 4.10 - The Vice-President assumes the following responsibilities:
4.10.1 assist the President in keeping order and decorum;
4.10.2 in the absence of the President, the Vice-President shall act in his stead and in case of a vacancy in the presidency, shall assume that office for the remainder of the year;
4.10.3 maintain contact with the insurance department of the Home Office.

4.10.4 be responsible of the nominating committee of the Legion of Honor and of organizing the ceremonies of the Legion of Honor.

Art. 4.11 - The Ex-president is the last President leaving office at the end of the preceding term. He assumes the responsibility of counseling the President and the Administrative Committee.

Art. 4.12 - The Secretary assumes the following responsibilities:

4.12.1 record minutes of the meetings of the chapter and of its permanent committees;

4.12.2 keep in a book for that purpose a record of all motions made and adopted by the chapter;

4.12.3 report election results to the Home Office within 48 hours following the election;

4.12.4 be responsible for the chapter's correspondence and archives.

4.12.5 sign the minutes and upon their approval by the chapter, have them countersigned by the President;

4.12.6 is responsible of the archives of the chapter..

Art. 4.13 - The Treasurer assumes the following responsibilities:

4.13.1 be responsible for the funds belonging to the chapter;

4.13.2 keep a detailed record of the local expense fund in accordance with the system established by the Board of Directors;

4.13.3 give an account therefore whenever requested;

4.13.4 produce the bank records of the chapter whenever the Administrative Committee, the chapter or its Auditor shall request them;

4.13.5 and have his or her books & records audited by the Auditor before submitting the reports to the Home Office;

4.13.6 have another officer of the chapter countersign all the payments voted by the chapter.

4. 18.5 - deliver to the Board of Directors or its representatives, whenever requested, the books, records, documents, etc. of the chapter.

4. 18.6 - A member of the Administrative Committee leaving office shall deliver to the chapter, under penalty of suspension, all the funds, insignia, books, registers and other articles entrusted to his care.

Art. 4.19 - Suspension

A chapter may be suspended by the Board of Directors. A chapter under suspension may not hold meetings, except for the purpose of having the suspension lifted. The suspension may be indefinite or for a certain period, depending upon the seriousness of the offense. The Secretary of the Board of Directors shall notify all the members of the chapter, its President and its Secretary of the suspension, specifying the reasons for the suspension, its duration and the action required to lift the suspension. A chapter shall be subject to suspension in the following cases: if it refuses or neglects to hold regular meetings; if it refuses or neglects to respect the By-laws of the Society; if it violates the orders of the Board of Directors or of the Chairman of the Board of Directors; if it participates in any action prejudicial to the Society; if there exists a disagreement between the officers or the members, which is detrimental to the interest of the chapter or of the Society, or for any other cause deemed sufficient by the Board of Directors or the Chairman of the Board of Directors. During the suspension, the suspended chapter shall not be represented at the Convention and its monthly allocation shall be forfeited for the length of the suspension; such rights are restored immediately upon the lifting of the suspension, without retroactivity.

CHAPTER V THE ARCHIVES COMMISSION

Art. 5 - Definition

The Commission is charged with the collection, custody, classification, preservation and development of the archives of the Society, and of the chapters.

CHAPTER VI LEGION OF HONOR

Art. 6 - Definition

The Legion of Honor is charged to grant an order of merit having four (4)

ranks—member, knight, officer, and commander conferred in recognition of meritorious contribution to the economic, social, and cultural progress of the Society.

CHAPTER VII THE ACA EDUCATIONAL FUND

Art. 7.1 - Definition

The ACA Educational Fund was created and is maintained by the Society. It is a separate and distinct fund, set aside for the Society's educational works; its assets are not part of the Society's single fund assets.

Art. 7.2 - Commission

The ACA Educational Fund Commission consists of a minimum of five (5) members and a maximum of nine (9) members, one of whom shall be the Chairman of the Board of Directors and the others appointed by him for a three-year term, on the recommendation of the Board of Directors, at the adjournment of Convention. The members of the Commission shall elect its officers and adopt such regulations as it deems necessary.

Art. 7.3 - Powers and Duties

The Commission alone shall be vested with the full right to invest part or all of the assets of the fund and to consolidate the assets of the fund in the absence of specific restrictions. It shall grant all the honor loans. It shall report to the Board of Directors in writing twice a year, indicating the total assets of each dedicated scholarship fund, for the guidance of the Board of Directors, and it shall file a triennial report at each Convention.

Art. 7.4 - Eligibility

To qualify for a scholarship an applicant must: (1) be a high school graduate; (2) be a member, child or ward of an active member in good standing for at least two years, or the orphan of a member in good standing at the time of his or her death; (3) produce a certificate of studies, a letter of recommendation and a parent's statement, all satisfactory to the Commission. Any scholarship may be revoked by the Commission.

Art. 7.5 - Income and Expenditures

The current income of the ACA Educational Fund is derived from a contribution of at least 50 cents per year for each policy in force, reimbursements from past loan recipients, and gifts. Monies held in this fund are invested at interest. All income from investments of this fund, including interest, dividends, rents, profits on sales, provides for scholarships. For each meeting they attend, members of the Commission shall receive the

same *per diem* as paid to members of the Board of Directors. All administrative expenses, including the *per diem*, will be paid out of current income.

Art. 7.6 - Irrevocability and Termination
The fund will remain irrevocable, but the Society reserves to itself the right to discontinue its contributions to that fund, anytime the Board of Directors so orders. In that event, the ACA Educational Fund Commission shall pursue its task according to the conditions herein above stated.

CHAPTER VIII FUNDS

Art. 8.1 - Single Fund

The Society maintains a single fund for the various benefits given to members and for its general administration. This single fund is derived from contributions, profits, interest, sales and increases accruing from the Society's business; it provides for payment of benefits to members and their beneficiaries, maintenance of necessary reserves, and for expenses of administration and fraternal activities.

Art. 8.2 - Additional Assessments

If the contributions collected from the members and all other revenues prove insufficient to satisfy in full all claims for death, sickness and accident, disability benefits and administrative expenses, and to provide for the creation and maintenance of the required reserves, supplementary or increased contributions or rates shall be collected from the members to make up any deficiency and maintain the single fund of the Society in such amount as may be required by law.

Art. 8.3 - Distribution of Surplus

Whenever the balance sheet of the Society shows a surplus, the Board of Directors, subject to the approval of its Actuary, may apply said surplus in whole or in part to the payment of a dividend to the members, in such amount, at such time and in such manner as the Board of Directors shall determine.

CHAPTER IX PAYMENT OF CONTRIBUTIONS

Art. 9.1 - Payment of Premiums

A member failing to pay his contributions on or before the due date has a one-month grace period in which to fulfill such obligation before suspen-

sion or loss of his or her membership rights

Art. 9.2 - Loss of Rights

Any member who fails to pay his contributions during the grace period of one month is suspended and loses all his or her rights to the benefits of the Society, except for his right of reinstatement, automatic premium loan, cash value, paid-up policy, extended term insurance, and all other non-forfeitable values granted by the Society

Art. 9.3 - Place of Payment

All contributions are payable at the head office of the Society, unless otherwise determined by the Board of Directors

CHAPTER X BENEFICIARIES

Art. 10.1 - Beneficiaries

In case of death of the named beneficiary and the failure to designate an alternate or successor beneficiary, the benefits under the policy shall be paid to the person or persons entitled thereto under the laws of the state or the province where the insured member was domiciled when the policy was issued. No beneficiary may collect the value of said policy during the lifetime of the insured

Art. 10.2 - Change of Beneficiaries

Any member may, subject to the laws of the jurisdiction of his or her domicile, change the beneficiary or beneficiaries named in his or her benefit policy by signing the form required by the Society and returning it, properly witnessed, to the Head Office for endorsement. The change of beneficiary is effective on the date it is filed in the Secretary's files. In the case of a minor, the right to change the beneficiary, without prior notice to, or approval of, the insured, shall remain with the owner of the policy

Art. 10.3 - Lost, Destroyed or Misplaced Policies

Whenever a benefit policy is destroyed, lost or misplaced, the member may obtain another by submitting to the Secretary a statement, signed in the presence of a witness, to the effect that the policy has been lost, destroyed or misplaced, requesting that a new policy be issued to him or her in substitution for the original, and by paying the replacement fee set by the Board of Directors. The issuance of a new policy in favor of any member cancels the replaced policy

Art. 10.4 - Change in Amount of Insurance

Any member in good standing may increase or decrease the amount of his or her policy by complying with the requirements set by the Board of Di-

rectors

Art. 10.5 - Claims

Claims under any policy or rider shall be submitted on forms prescribed by the Board of Directors. The furnishing of such forms shall not constitute an acknowledgement of liability nor be deemed a waiver of any rights or defenses available to the Society, nor shall it be deemed a waiver of the right to demand further proofs. Claims are paid as soon as all requirements set by the Board of Directors have been met and proof has been received. Unless prohibited by law of the jurisdiction of the member, if no claim is received by the Society from one qualified to submit a claim within 2 years from the date it is established from the records of the Society that monies became due and payable, or if the proper claimant cannot be located within said period of time, the benefits provided in the insured's policy or policies shall be paid into the ACA Educational Fund

Art. 10.6 - Faculty of Payment

At the option of the Society and notwithstanding any other provision of these By-laws or in the policy to the contrary, if the amount due under a deceased insured's policy to any person or entity is \$1,000 or less and such person or entity does not make claim therefore within sixty days from the date of death of the insured, the Society may pay such amount to the husband, wife, relative by blood, connection by marriage to the insured, or to any person or entity appearing to the Society to be equitably entitled thereto, by reason of having incurred expense in any way on behalf of the insured, for the insured's maintenance, last illness, burial or for any other purpose. The payment of such amount shall be in full and complete discharge of the liability of the Society to the person or entity thus failing to make claim to the extent of the amount thus paid.

CHAPTER XI

SICKNESS AND ACCIDENT BENEFITS

Art. 11.1 - Admission

A person qualified to become an adult beneficiary member may obtain any sickness and accident policy offered, but subject to the conditions set by the Society

Art. 11.2 - Mode of Request

In order to be entitled to sickness and accident benefits, a member must pay his contributions regularly, notify the Society of any illness or accident, be treated by a licensed physician and complete the claim form prescribed by the Board of Directors. In doubtful cases, the Society may re-

quire additional proof. Furnishing the sick member with the required claim forms shall not be construed as an admission of liability on the part of the Society.

Art. 11.3 - Loss of Benefits

A member who fails to pay his or her contributions shall have no right to the benefits specified in his or her policy; in case of sickness or accident, he shall not be entitled to any benefits, and may not be reinstated during the period of disability. A reinstated member is entitled to benefits beginning on the day the arrears are paid.

Art. 11.4 - Deceased or Mentally Ill Members

Sickness and accident benefits due a deceased member shall be payable to his or her beneficiary, or his or her heirs, under the laws of the jurisdiction of domicile of the insured or, in the absence of such, to his or her estate. Sickness and accident benefits due to a mentally ill member shall be payable to the person named to receive them pursuant to the laws of the jurisdiction of the insured.

CHAPTER XII

THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Art. 12.1 - The President/Chief Executive Officer is accountable to the Board of Directors for the administration of the Society.

Art. 12.2 - His powers and duties:

12.2.1 - He is responsible for recommending and ensuring the realization of the orientations, strategies, policies, and action plans of the Society.

12.2.2 - He ensures the hiring of personnel according to the policies established by the Board of Directors. Employees must be or become members of the Society.

12.2.3 - He ensures the efficient administration of the operations and promotes the products and services of the Society in the fields of insurance and fraternal services.

CHAPTER XIII

MISCELLANEOUS

Art. 13.1 - Voting by proxy

A member of the Society may not vote by proxy at any committee or chapter meeting, or at any meeting of the Board of Directors, the Execu-

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tive Committee, or the Convention.
Art. 13.2 - Official Publication
 The official publication of the Society shall be issued under the control of the Board of Directors.
Art. 13.3 - Notices
 All notices to members may be given either by mail, by publication in the official publication, or in one or more newspapers published or having circulation in the region of the affected members' residence.
Art. 13.4 - Fiscal Year
 The fiscal year of the Society shall begin the first day of January and end the thirty-first day of December.
Art. 13.5 - Birth Certificate
 The Board of Directors may require any member to produce his or her birth certificate.
Art. 13.6 - Control of Policy
 The contracting party is the owner of the policy issued to a minor member until the minor reaches his or her 18th birthday. If the contracting party wishes to retain ownership of the policy after the insured has attained majority, he must submit the required forms prior to the majority of the insured. If the contracting party dies without having transferred his rights to control and dispose of said policy, his rights shall automatically be transferred to the rightful owner according to the laws of the state or province where the policy was issued.
Art. 13.7 - Amendment Rights
 The Society's By-laws are binding upon all officers, Directors, members and their beneficiaries. The By-laws may be amended only by the Convention in regular or special session called for that purpose. To be considered, a proposal to amend the By-laws must be filed by a member or a chapter with the Legislation Committee at least 90 days before the convening of the Convention. Any proposal submitted thereafter shall be considered by the Convention, only if a majority of the Legislation Committee so recommends, but the Board of Directors nevertheless has the power to make a proposal at any time. The affirmative vote of two-thirds of the delegates voting at the Convention or in a referendum is required to adopt an amendment. An amendment is in force upon its adoption unless another in-force date is specified.

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W X Y Z

Members, Art. 1.2
In general, a member is a person to whom the Society is financially obligated.

The Convention, Art. 2.1
The Convention is the meeting of delegates chosen by the chapters and of the members of the Board of Directors.

Delegates, Art. 2.6.1
The delegates are adult beneficiary members who were not older than 75 when they were elected.

Alternates, Art. 2.6.2
Alternates for the delegates are adult beneficiary members who were not older than 75 when they were elected.

Directors of the Board of Directors, Art. 3.6.2.4
Directors are candidates recruited according to a profile established by the Board of Directors.

The Board of Directors, Art. 3.1
It is composed of the directors elected by the Convention

The Officers of the Board of Directors, Art. 3.7
They are: the President, the two Vice-Presidents (American and Canadian), the Secretary and the Treasurer.

election meeting, fill all Officers' positions, and provide the required reports.

Active chapter (not defined in the text)

For a chapter in good standing to be considered active, it must also realize the activities announced in its annual activity plan and obey the directives coming from the Home Office regarding fraternal activities.

Quorum of a chapter's meeting, Art. 4.8.4

The quorum of any meeting may be set in the regulations of each chapter, but it shall never be less than five (5) members.

The Executive Board, Art. 3.5.4

It is composed of the Officers of the Board of Directors

Regions, Art. 3.3.17

A region is composed of a number of chapters located in a given perimeter.

National Caucuses, Art. 2.6.6

They are composed of the delegates of each country, gathered together at the Convention.

Nomination by way of election, Art. 2.6.8.2 & 2.6.8.3.1

Ratification by a caucus of the candidates who have expressed their intention of running for a position. An election is held if there is more than one candidate for the same position.

Election of the directors by the Convention, Art. 2.6.8.3

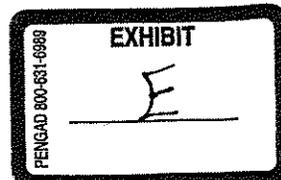
Approval, by the Convention, of the recommendations made by the caucuses and the Board of Directors to fill all the directors positions

Chapters, Art. 4.1

A chapter is a geographical grouping of the Society's members

Chapter in good standing, Art. 4.2

To be a chapter in good standing, a chapter must hold an annual



Commissioner's Order
Rehabilitation of ACA Assurance
April __, 2011
Lifting Moratorium on Pre-Need Policy Surrenders

On September 8, 2008, the Merrimack County Superior Court (Judge Mangones presiding) granted the Commissioner's Petition to Reopen Rehabilitation with respect to ACA Assurance ("ACA") (06-E-380) and on that date issued an Order Appointing Rehabilitator (the "Court Order"). The Court Order authorized the Commissioner, as Rehabilitator of ACA, to impose a moratorium upon loan and cash surrender rights under ACA policies, as follows:

"(k) The Commissioner is authorized to impose a moratorium upon loan and cash surrender rights under ACA policies, for such period and to such an extent as the Commissioner deems are necessary."

On September 9, 2008, the Commissioner issued an order imposing such a moratorium upon all loan and cash surrender rights under ACA policies, including all pre-need insurance policies, effective as of 9 a.m. EDT that day (the "Moratorium Order"). That moratorium applied to loan or cash surrender transactions involving all ACA policies, including policies issued in the United States and Canada, and the Moratorium has been in effect from that date until the date of this Order Lifting Moratorium on Pre-Need Surrenders (the "Lifting Order"). The portion of the Moratorium Order restricting loans on such ACA policies is not affected by today's Lifting Order and remains in full effect.

Effective as of January 31, 2011, the Commissioner, as Rehabilitator of ACA, entered into an assumption reinsurance agreement with respect to ACA's U.S. pre-need policies (the "Agreement") with Supreme Council of the Royal Arcanum, a Massachusetts domiciled fraternal benefit society ("Royal Arcanum"). Pursuant to the Agreement, the Commissioner and Royal Arcanum agreed that the Moratorium Order would be temporarily lifted with respect to surrenders of ACA's pre-need policies for at least 90 days prior to the closing date for the transactions contemplated by the Agreement.

Consistent with the authority granted to him under the Court Order, the Commissioner hereby orders that the Moratorium Order be temporarily lifted only with respect to the surrender of ACA's U.S. pre-need policies, during the period from April [], 2011 to the closing date of the Royal Arcanum Agreement (the "Surrender Period"). Any pre-need policy surrendered during the Surrender Period shall remain subject to all other obligations associated with such policy, including, but not limited to, the 40% assessment currently in place with respect to such policies.

The Special Deputy Commissioner for the Rehabilitation of ACA, Peter A. Bengelsdorf, and any other representatives of the New Hampshire Insurance Department are hereby severally authorized and instructed to take all steps necessary or advisable to implement the provisions of this Lifting Order.

So Ordered,

Roger A. Sevigny
Commissioner
Rehabilitator of ACA Assurance
April __, 2011

**Resolutions of the Board of Directors of ACA Assurance ("ACA")
Friday, April 1, 2011**

I, André Bellemare, Secretary of ACA Assurance, hereby certify that the following is a true copy of resolutions duly adopted by the Board of Directors of ACA at a meeting held on April 1, 2011 at which a quorum was present and acting throughout. After discussion and upon motion duly made and seconded, and:

WHEREAS, the Rehabilitator has requested that the Board of Directors ("Board") of ACA Assurance vote to (i) object or not to object to the second Assumption Agreement dated January 31, 2011 between ACA Assurance and the Supreme Council of the Royal Arcanum ("Royal Arcanum" and "Royal Arcanum Agreement") whereby all remaining preneed insurance policies issued by ACA will be assumed by Royal Arcanum; and (ii) to impose an additional 15% assessment on such preneed insurance policies (which shall result in an aggregate 40% assessment on said policies) in order to provide sufficient reserves to accomplish said assumption, ongoing administrative expenses, certain illiquid assets and to fully fund the ACA's pension plan which the Board voted to terminate on a fully funded basis in October of 2010; and

WHEREAS, representatives of the Rehabilitator have furnished to the Board the Summary of Estimated ACA Cash Position Report as of February 28, 2011 and met with the Board on April 1, 2011 in support of their request; and

IT WAS:

RESOLVED: That the Board hereby does not object to the Royal Arcanum Agreement in the form presented to the Board;

RESOLVED: That, pursuant to the authority granted to the board of directors of a New Hampshire fraternal benefit association under RSA 418:18 IV, the provisions of ACA's Constitution and Bylaws and the terms of ACA's preneed policies, and in reliance on the information furnished to the Board by the Rehabilitator, an additional equitable assessment of fifteen percent (15%) shall be imposed upon all remaining outstanding preneed insurance policies issued by ACA so that the total assessment on such policies shall be forty percent (40%); such assessment being effective after approval by the New Hampshire Superior Court, Merrimack County on such date as the Rehabilitator selects;

RESOLVED: That, in reliance on the information furnished to the Board by the Rehabilitator, the aggregate forty percent (40%) assessment on the pre-need policies shall be permanent and shall be applied against: (i) in the case of claims

payments by ACA or Royal Arcanum, the face amount of such preneed insurance policies; or (ii) in the case of surrender, against the cash surrender value of preneed insurance policies surrendered to ACA or to Royal Arcanum;

RESOLVED: That the officers of ACA, including the Rehabilitator and the Rehabilitator's representatives pursuant to NH RSA 402-C:17 II, are hereby authorized to take any and all necessary or advisable actions to implement and effectuate the intent and purposes of these resolutions.



André Bellemare, Secretary



Corporate Seal

EXHIBIT

H

ACA
ASSURANCE
IN REHABILITATION

P.O. Box 989, Manchester, NH 03105 603.625.8577 800.222.8577 Fax: 603.625.1214 www.aca-assurance.org
ACA is a Fraternal Life & Health Insurance Benefit Society Established in 1896 as Association Canado-Américaine

DRAFT

SUBJECT TO COURT APPROVAL AND SUBSEQUENT REVISIONS

**THIS DRAFT LETTER HAS NOT BEEN REVIEWED OR APPROVED BY
ROYAL ARCANUM**

IMPORTANT NOTICE

ACA Assurance ("ACA") was placed in Rehabilitation on September 8, 2008 by order of the New Hampshire Superior Court, Merrimack County (the "Court"), and the New Hampshire Insurance Commissioner was appointed Rehabilitator (the "Rehabilitator"). The Board of Directors of ACA, upon the Rehabilitator's advice and recommendation, have imposed an additional assessment of 15% against the face value of your pre-need life insurance policy issued by ACA, which brings the total assessment against your policy to 40%. As described below, the liabilities under your policy are being assumed under an assumption reinsurance agreement, which agreement includes the right to surrender your policy during a specified period subject to the assessment. Please read this communication in its entirety, including the Questions and Answers attached. If after reading this letter you have any unanswered questions, you may visit ACA's website which has a section addressing the assessment at: www.aca-assurance.org. Finally, you can speak to an ACA representative at 1-800-222-8577.

April __, 2011

Member/Agent Name
Member /Agent street
Member/Agent State

Dear Member/Agent:

This letter is being sent to advise you of several events that will impact you as a policyholder of ACA. Specifically, this letter serves as notice of the following: (1) the imposition of an additional 15% assessment against your policy, bringing the total current assessment to 40%; (2) the assumption of the liabilities under your policy pursuant to an assumption reinsurance agreement between ACA and Supreme Council of the Royal Arcanum, a Massachusetts domiciled fraternal benefit society ("Royal Arcanum"); and (3) the lifting of the moratorium on policy surrenders that occurred by Order of the New Hampshire Insurance Commissioner on April [], 2011 which will remain in effect until the assumption of your policy by Royal Arcanum.

1. Additional Assessment

Due to the substantial nature of the remaining obligations associated with ACA's rehabilitation and the need to resolve these obligations in a fashion best structured to protect policyholders, an additional fifteen percent (15%) assessment has been imposed upon your ACA policy effective as of April 1, 2011.

This additional assessment will be applied to any claim received by ACA on or after April 1, 2011, regardless of the date of the underlying death that occasioned the claim to be made.

This additional assessment will also be applied against the cash surrender value of any policy that is surrendered during the period when the moratorium is lifted. Please see a more detailed discussion of the implications of policy surrender under Item #3 below.

If the policy is not surrendered, the assessment will become permanent at 40% upon the closing date of the assumption of your policy by Royal Arcanum

This assessment was authorized by the board of directors of ACA, the Rehabilitator and the Court. As a fraternal benefit association, ACA is authorized under both New Hampshire law and under ACA's own Constitution and By-laws to place an assessment on the face value or cash surrender value of any policy it has written with its members. These assessments are required to maintain the financial condition of ACA as a Fraternal Benefit Society.

ACA is not demanding that you pay this or any amount. In fact, the Rehabilitator of ACA is asking that you not pay this amount. Instead, the assessment will reduce the benefits payable by ACA (or Royal Arcanum after the assumption of your policy by Royal Arcanum) under your certificate in the event of policy surrender or a claim. You will not need to pay any additional amount to ACA or to the Rehabilitator.

2. Assumption Agreement

The assumption agreement is the second between ACA and Royal Arcanum. The first agreement related to all U.S. policies other than pre-need policies, and the current agreement effectuates the transfer of all U.S. pre-need policies. The agreement was made pursuant to the Insurance Laws of the State of New Hampshire and approved by the Rehabilitator and the Court. Effective as of [date], the liabilities under the U.S. pre-need policies and certificates issued by ACA (including your Policy or Certificate) will be assumed by Royal Arcanum under the agreement. All of the terms, conditions and obligations of your Policy or Certificate will remain the same, except that Royal Arcanum will assume all the duties, obligations and liabilities of ACA under your Policy or Certificate.

The total assessments (i.e., 40%) will remain in effect and become permanent, and Royal Arcanum will provide benefits under the assumed certificates subject to such reductions.

You will separately receive a Certificate of Assumption from Royal Arcanum, which will become part of your Policy or Certificate, evidencing the assumption of your Policy or Certificate by Royal Arcanum.

3. Lifting of Moratorium

Pursuant to the authority granted him by order of the Court on September 9, 2008, the New Hampshire Insurance Commissioner issued an order imposing an indefinite moratorium on all loan and cash surrender rights under ACA policies and certificates. Under the terms of the assumption agreement described above, the parties agreed that the moratorium on policy surrenders should be lifted temporarily with respect to the pre-need policies and certificates subject to that agreement to permit ACA policyholders to surrender their policies prior to their assumption by Royal Arcanum.

Specifically, during the period from April [], 2011 to the closing date of the assumption of your policy by Royal Arcanum (which will occur no earlier than July [], 2011), you will have the option of surrendering your Policy or Certificate prior to its transfer to Royal Arcanum. If you elect to do so, you will receive the cash surrender value of your Policy or Certificate, *reduced by the full 40% assessment* (i.e., if the cash surrender value is \$2,500 and you elected to surrender you would receive \$1,500).

If you choose not to surrender your Policy or Certificate during this period, your Policy or Certificate will be assumed by Royal Arcanum as described above. In the event that your Policy or Certificate is assumed by Royal Arcanum, it is possible that the assessment will ultimately be reduced below the current 40% level, but only if sufficient funds are available after satisfying ACA's other obligations. However, ACA cannot say for certain at this time whether such funds will be available.

If you are an agent or funeral home and you are the owner or assignee of a number of preneed policies issued by ACA, you will find enclosed with this letter a list of all policies that we have identified from our records associated with your agency or ownership. Please be advised that you should communicate the enclosed information directly with those persons whose lives are insured by these policies.

For additional information and answers please log onto our internet website at: aca-assurance.org or call our special call center at 1-800-222-8577. A copy of this letter is also being mailed to agents and producers and the appropriate funeral director.

FREQUENTLY ASKED QUESTIONS

Why are you assessing my policy?

Due to ACA's prior operating losses and legacy obligations, the outcome of a lengthy dispute with federal and provincial taxing authorities in Canada with respect to historic income tax obligations of ACA, and the expenses associated with the protracted rehabilitation, including the dispute with Canada, ACA must have additional capital and surplus in order to effectuate the assumption of the policies by Royal Arcanum, which the Rehabilitator believes is in the best interests of pre-need policyholders.

As a nonprofit fraternal benefit association, ACA's board of directors has concluded, based upon the advice and recommendation of the Rehabilitator, that the only practical source of surplus is assessments on members. This assessment is needed to ensure the protection of the policyholders. If an additional assessment had not been put in place, the Rehabilitator would have likely been forced to convert the rehabilitation proceeding into one of liquidation, which would effectively terminate the life insurance policies and convert policyholders into preferred creditors of ACA with a claim equal to the amount of their cash surrender value. Such an outcome would have halted claims payments for an indeterminate period of time and left uninsurable policyholders without insurance.

How does the current assessment relate to prior assessments?

In 2007, ACA imposed an assessment of 12% on pre-need policies. This assessment was replaced by a 25% assessment on almost all ACA policies in September 2008. The policies transferred to Royal Arcanum in the first transaction in April 2009 were transferred subject to this 25% assessment, which was made permanent.

The current assessment results in a further increase in the aggregate amounts of assessments from 25% to 40%. These assessments are cumulative, meaning that the total assessment applicable to all pre-need policies is now 40%.

What benefits are payable upon my death?

This assessment will result in a forty percent (40%) proportionate reduction in benefits payable under your policy. In other words, while the assessment is in place, ACA will pay 60% of the amount of any death claims received on or after April 1, 2011. Upon the assumption of your policy by Royal Arcanum, Royal Arcanum will likewise pay 60% of the amount of any death claims received.

Can I surrender my policy?

Yes.

A moratorium had been in place with respect to the surrender of policies and with respect to new policy loans from September 2008 until April [], 2011. This moratorium has been lifted as to surrenders, and you may surrender your policy to ACA at any time prior to the closing date

of the assumption of your policy by Royal Arcanum. If you elect to surrender your policy during this period, your payment will equal the cash surrender of your policy reduced by 40%. In other words, you will receive 60% of the cash surrender value.

If you surrender after your policy is assumed by Royal Arcanum, the cash surrender value will similarly be reduced by 40%.

Are there any alternatives to an assessment? For instance, if I turn in my policy will I get my money back?

This assessment will result in a forty percent (40%) proportionate reduction in benefits payable under your policy. In other words, if you decide to cash in your policy to claim the Cash Surrender Value (if your policy indeed has accrued a cash surrender value) you will be paid only the Cash Surrender Value, less any applicable assessment amount. Please be advised that any policy surrender would have to be elected during the surrender period referenced above.

How long will the assessment last?

This assessment is permanent.

If additional funds are available after all other obligations of ACA are resolved, certain of these remaining funds will be paid to Royal Arcanum for the benefit of ACA policyholders. However, at this time, there can be no assurance that additional funds will remain.

Will the assumption of my policy by Royal Arcanum affect my rights as a policyholder?

No. You will continue to have all of the same rights and obligations; however, Royal Arcanum and not ACA will assume the obligations to you under the policy. Your policy will remain subject to the 40% assessment upon transfer to Royal Arcanum, and this reduction will be permanent.

How will I know when my policy has been assumed by Royal Arcanum?

Assuming you do not elect to surrender your policy during the surrender period referenced above, you will receive a Certificate of Assumption from Royal Arcanum evidencing the assumption of your policy by Royal Arcanum.

What if I have questions about my policy after it has been assumed by Royal Arcanum?

Once your policy has been assumed by Royal Arcanum, all payments, notices, inquiries and other communications should be directed to Royal Arcanum by mail at Supreme Council of the Royal Arcanum, 61 Battery March Street, Boston, MA 02110, or by phone at (____) _____.

What will the dividend or interest rate on my policy be during the period of the assessment?

The board of directors of ACA set the dividend rate for pre-need policies at zero percent (0%) in 2006 until further notice.