
OFFICE OF
GENERAL COUNSEL

Gary Hirschcron

2019 MAR 19 AM 7: 11

Ojai, CA 93023

MUR # 7584

March 7, 2019

Office of General Counsel

Federal Election Commission
1050 First Street, NE
Washington, DC 20463

Re: Complaint Regarding Mandatory Contributions to a Political Action Committee

Greetings:

Prior to 2002, I was affiliated and employed by the M Financial Group. M Financial is a life-insurance related business whose headquarters is located at 1125 NW Couch St., #900 Portland, Oregon 97209. Although I ended my employment with M Financial in 2002, I continue to receive annual Incentive Compensation Plan (ICP) awards. The amount of the awards are based on the size and profitability of insurance business I placed during my employment.

M Financial has formed an affiliated PAC, the M Political Advocacy Committee (MPAC.) The purpose of MPAC is to lobby for favorable federal tax legislation benefiting certain segments of the insurance industry.

Without my prior consent or knowledge, M Financial has deducted \$6,000 from my 2018 Incentive Compensation Plan award as a mandatory contribution to MPAC. My understanding is that deducting a PAC contribution from my compensation without my consent is unlawful.

I am requesting that the Federal Election Commission intervene to end this practice of mandatory PAC Contributions.

Similar mandatory deductions are also being made to hundreds of other persons with ICP accounts with M. Many of them may also object but have not complained because of fear of economic intimidation from M Financial.

As documentation of this practice, two documents are enclosed with this letter:

- A document prepared by M Financial entitled "**How to Read the 2018 Plan Year ICP Annual Statement.**" Under Item C in the document

entitled "Supplemental Adjustment" states "To fund 2019 political advocacy efforts recommended by the M Political Advocacy Committee (MPAC) and approved by the MFH Board, M will assess each ICP Member Firm Group a flat fee of \$6,000 via a deduction from the ICP Distribution this Plan Year. If an ICP Member Firm Group has multiple ICP Participants, MFH will allocate the \$6,000 assessment on a pro-rata basis among the Group's ICP Participants" For clarification, an ICP Member Firm Group is essentially a group of insurance agents placing policies together. I count as one ICP Member Firm Group.

- My "**2018 Plan Year Annual Statement**" This statement shows the detailed mechanics of how the \$6,000 PAC contribution was deducted from my account.

Thank you in advance for consideration of this complaint. Please feel free to reach out for additional information.

Sworn under the pains and penalties of perjury the 7 day of March, 2019



Gary Hirschcron

**California Notarial
LOOSE CERTIFICATE ATTACHED**

Jurat

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Ventura)

Subscribed and sworn to (or affirmed) before me on this 7th day of MARCH, 2019,
by GARY HIRSCHKRON _____,
proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.



(SEAL) SIGNATURE

OPTIONAL INFORMATION

The acknowledgment contained within this document is in accordance with California law. Any certificate of acknowledgment performed within the State of California shall use the preceding wording pursuant to Civil Code section 1189. An acknowledgment cannot be affixed to a document sent by mail or otherwise delivered to a notary public, including electronic means, whereby the signer did not personally appear before the notary public, even if the signer is known by the notary public. In addition, the correct notarial wording can only be signed and sealed by a notary public. The seal and signature cannot be affixed to a document without the correct notarial wording.

THE INFORMATION BELOW IS OPTIONAL. HOWEVER, IT MAY PROVE VALUABLE AND COULD PREVENT FRAUDULENT ATTACHMENT OF THIS FORM TO AN UNAUTHORIZED DOCUMENT.

CAPACITY CLAIMED BY THE SIGNER

- INDIVIDUAL
- CORPORATE OFFICER
- PARTNER (S)
- ATTORNEY-IN-FACT
- TRUSTEE
- OTHER _____

DESCRIPTION OF ATTACHED DOCUMENT

COMPLAINT

TITLE OR TYP OF DOCUMENT

3

NUMBER PAGES (INCLUDING ACKNOWLEDGMENT)

3/7/2019

DATE OF DOCUMENT

OTHER



M Financial Group™

Tab 1 - How to Read the 2018 Plan Year ICP Annual Statement

February 2019

SECTION 1—Total ICP Summary

The first section of the ICP Annual Statement summarizes the components of the 2018 ICP.

A. ICP Credited Before Termination Charges and Supplemental Adjustment

This is the 2018 ICP allocation prior to the Assessed Termination Charges and Supplemental Adjustment.

B. Assessed Termination Charges

A zero value means either the ICP Participant had no terminations or that a Related Participant Group's termination rate was less than or equal to the Expected Termination Rate of 4%. Negative values mean that the termination rate was greater than the Expected Termination Rate, and resulted in a decreased ICP payment. The adjustment is equal to the Assessed Termination Charges (Section 5, Part One, Q).

C. Supplemental Adjustment

To fund 2019 political advocacy efforts recommended by the M Political Advocacy Committee (MPAC) and approved by the MFH Board, M will assess each ICP Member Firm Group a flat fee of \$6,000 via a deduction from the ICP Distribution this Plan Year. If an ICP Member Firm Group has multiple ICP Participants, MFH will allocate the \$6,000 assessment on a pro-rata basis among the Group's ICP Participants.

D. Total 2018 ICP Allocation

This is the amount of ICP allocated to an ICP Participant after the Assessed Termination Charges and Supplemental Adjustment have been applied.

E. Interest and Release of Terminated Policy Reserve

This shows the net release of the Terminated Policy Reserve. A negative value indicates an increase in the reserve, and a positive value signifies a decrease in the reserve. The calculation is interest (Section 5, Part One, R) plus the Terminated Policy Reserve for the prior year (Section 5, Part One, P), less the current Terminated Policy Reserve (Section 5, Part Three, Z).

F. Related Party Payment Adjustment

The adjustment, if any, to ICP due to cross collateralization with Related ICP Parties (Section 5, Part One, T). Adjustments occur when the amounts available are insufficient to offset termination charges and a loan is provided by Related ICP parties. Section 6A and 6B on page 2 of the Annual Statement details any adjustment.

G. Total ICP Distributed

This is the total ICP that will be allocated in a cash/Stock split that represents the relationship between a Member Firm Group's MFH shares and its Target Investment Level.

SECTION 2—Total ICP Distributed Summary

This section summarizes the total ICP Distributed. (Please note that in January 2020 you will receive a 2019 IRS Form 1099—MISC reflecting this compensation (the 2018 Plan Year ICP distribution made in March 2019).

H. Total ICP Distributed

See G Above.

I. Cash

The cash component will be contingent upon a Member Firm Group's Target Investment Level. See the discussion for Sections 7–8.

J. Stock

The Stock component will be contingent upon a Member Firm Group's Target Investment Level. See the discussion for Sections 7–8.

K. Number of Shares

The value of the Stock divided by the \$10.00 per share GAAP book value. Fractional share allocations are not issued, but are converted into cash.

SECTION 3—ICP Credited Before Assessed Termination Charges & Supplemental Adjustment; By Lines of Business

This section details the total ICP Credited from MFH's Profit Pools before any Assessed Termination Charges and the Supplemental Adjustment, as well as the Participant's percentage share of the ICP allocations of the Pools (note—see Section 1.C. Supplemental Adjustment for the 2018 Plan Year).

L. Total Amount of Each Profit Pool

Total net amount of ICP that is available in each MFH Profit Pool for allocation to all Participants.

M. Participant's % of Profit Pools

An ICP Participant's share of each of the Profit Pools is shown in this section. In general, the Profit Pools are allocated based on the revenue generated. The exceptions are:

- Reinsurance Mortality, which is allocated based on Adjusted Net Amount at Risk.
- Reinsurance Non-Mortality, which is allocated based on Adjusted Cash Values.
- Persistency Bonus, which is allocated based on a Participant's adjusted Net Amount at Risk and adjusted Cash Value lapse exposure basis, as well as the lapse factor for the Related ICP Participant Group (RFID).

N. Participant's Allocation of the Profit Pools

The Participant's 2018 allocation of each of the Profit Pools (L x M).

SECTION 4—NOT USED

Reserved for future use by MFH.

SECTION 5—Terminated Policy Reserve Calculation

This section shows the calculation of the 2017 calendar year Terminated Policy Reserve (*Note: the Terminated Policy Reserve is calculated based on reported terminations one calendar year in arrears of the current Plan Year*). This calculation is comprised of four parts:

PART ONE: Preliminary Terminated Policy Reserve Calculation**O. Terminated Policy Reserve—Prior Year**

This is the ending balance of the 2017 calendar year Terminated Policy Reserve, including any 2018 research adjustments.

P. Assessed Termination Charges

This represents the total termination charge for all policies that are no longer in force for reasons other than death claims. The termination charge is equal to a percentage of Cash Value charge plus a Net Amount at Risk Charge, multiplied by a Lapse Factor. (See Section 1.B.)

Q. Interest on Terminated Policy Reserve—Prior Year

The interest paid on the Terminated Policy Reserve, net of termination charges.

R. ICP Credited Before Termination Charges

This is the ICP allocation prior to the Assessed Termination Charges.

T. Related Party Payment Adjustment

This is an adjustment due to cross collateralization within Related ICP Parties. Adjustments occur when the amounts available are insufficient to offset termination charges. (See Section 1.F.)

U. Preliminary Terminated Policy Reserve

Represents the total amount available to fund the Terminated Policy Reserve.

PART TWO: Target Terminated Policy Reserve Calculation**V. Related Participant Group Termination Rate**

Termination charges and Terminated Policy Reserves are based on the three-year average termination rate of a Related Participant Group. The higher the termination rate, the larger the termination charge and Target Terminated Policy Reserve. The average is a sum of the years digits average, which weighs the most recent prior year's terminations the heaviest. (See **SUPPLEMENTAL INFORMATION (Page 6 of the Annual Statement)** on page 10 of this document for additional information.)

W. Preliminary Target Terminated Policy Reserve

The Target Reserve is based on termination experience in calendar years 2015 through 2017.

X. Plus Related Party Reserve Adjustment

The adjustment to the Terminated Policy Reserve due to cross collateralization with Related ICP parties.

Adjustments occur when the amounts available are sufficient to offset termination charges, but insufficient to fully fund the Target Terminated Policy Reserve. If a deficiency exists and all Related Parties have a termination rate less than 10%, then no adjustment is necessary. Section 6 details any adjustment.

Y. Target Terminated Policy Reserve

The Target Terminated Policy Reserve must be fully funded before receiving any ICP distribution.

PART THREE: Terminated Policy Reserve Calculation**Z. Terminated Policy Reserve**

The Terminated Policy Reserve is the amount of Target Terminated Policy Reserve that can be funded. If funds are sufficient, the Terminated Policy Reserve is equal to the Target Terminated Policy Reserve and the excess is distributed. If funds are deficient, the Terminated Policy Reserve is equal to the Preliminary Terminated Policy Reserve and no funds are distributed.

PART FOUR: Total ICP Distributed

The ICP Distributed from Section 1 is equivalent to the excess of the Preliminary Terminated Policy Reserve over the Terminated Policy Reserve.

SECTION 6A & 6B—Cross Collateralization (Page 2)

This section lists the details of any Related Party Payment adjustments (Section 5, Part One, T) or Related Party Reserve adjustments (Section 5, Part Two, X). Details include the impact that individual Related Parties had on results, their full Participant name, ICP Identification Number (a four-digit number that generally begins with a 7xxx), and the amount of the adjustment.

SECTIONS 7 through 9—Stock Conversion Election Form (Page 3)

Eligibility for additional ICP Stock elections is a function of the relationship between the amount of MFH Stock collectively owned by a Member Firm Group, and the Group's Target Investment Level. For those Groups already in excess of their Target Investment Level, there is no cash to Stock conversion election available. Those Member Firm Groups not yet at the Group's Target Investment Level are eligible for, and may wish to convert all or a portion of their 2018 Plan Year ICP distribution cash allocation of 50% to additional Stock. The amount of the conversion elections will be contingent upon the Member Firm Group's Target Investment Level.

SECTION 7—Member Firm Group’s 2018 Target Investment Level

This section addresses the concept of the Member Firm Group Target Investment Level, which was originally implemented in the 2007 Plan Year as part of the Liquidity Program. Section 7 shows the Member Firm Group’s shares of M Stock collectively owned before distribution of the 2018 ICP. Also reported is the Group’s Target Investment Level. The Target Investment Level is relevant in two situations: The first is if the ICP will be paid in all cash, or in a combination of cash and Stock (see Section 8). The second is to determine eligibility for Stock put rights.

If the amount of the shares owned by the Member Firm Group is greater than the Target Investment Level, Stockholders within the Group are eligible to participate in the Redemption Pools that may be periodically established when MFH has sufficient excess cash to redeem the shares. The Redemption Pools are governed by the Administrative Guidelines associated with the Restated Stockholders’ Agreement (as of October 15, 2007). Apart from the Redemption Pool, Stockholders have indicated interest in selling all or a portion of their excess shares above their Member Firm Group’s Target Investment Level. Other Stockholders below their Member Firm Group’s Target Investment Level have indicated interest in acquiring shares in addition to those received through annual ICP distribution. On behalf of Member Firms, MFH compiles a list of Stockholders (including contact information) interested in buying or selling MFH Stock, and provides this contact information to interested Stockholders (the Share Transfer Availability List). Information regarding the list is usually sent to all Stockholders in April each year.

Target Investment Level: MFH needs Member Firms to provide its capital to be used in operations, fund surplus strain, and meet regulatory requirements. This capital is referred to as MFH’s Target Capital Level, and is needed in the form of free or surplus cash. MFH needs to have a target level of Stock investment by each Member Firm to support the capital needs associated with the business placed by the Firm. Member Firms provide this Target Capital by acquiring Stock through the ICP. This amount is defined as the Member Firm Group’s Target Investment Level. For Member Firms, the calculation of the Target Investment Level is as follows:

The formula for a Member Firm Group’s Target Investment Level is based on two concepts. The first is that every Active Member Firm needs to have a minimum amount invested in MFH. That value is considered the Minimum Investment. The second concept is that each Member Firm (Active or Inactive) is providing capital for value created through the ICP.

1. An Active Member Firm Group’s Target Investment Level is equal to the Minimum Investment plus the Production Investment, where:
 - A.) Minimum Investment is a fixed amount per Member Firm Group of \$250,000.
 - B.) Production Investment is equal to the Investment Percentage times the Combined Production.

The Investment Percentage is 20% and the Production is equal to the weighted average Combined Production using a sum of the years digits calculation. The number of years in the calculation is the lesser of three years or the number of years of Combined Production credit that was generated by the Member Firm.

New Member Firms with less than three years of history will not have their Production calculated artificially low due to a lack of data points.

The Minimum Investment, Investment Percentage and Production can be changed at any time by a two-thirds vote of the MFH Board.

Third Party Owned (TPO) active Member Firm Groups—effective for the 2018 Plan Year, the MFH Board and the ICP Committee have modified the TIL formula for active TPO Member Firm Groups to cap their TILs to be the lesser of \$1.5 million and the Risk Based Capital cash needed to support its underlying business and ICP.

2. An Inactive Member Firm Group's Target Investment Level is equal to the Risk Based Capital cash needed to support its underlying business and ICP. (An Inactive Member Firm Group is a Group with no Active Member Firm in good standing within MFH.)

The Inactive Minimum Investment and Risk Based Capital can be changed at any time by a two-thirds vote of the MFH Board both prospectively and retrospectively.

MFH can decrease or increase the required amount based on capital needs, giving consideration on how quickly Member Firms under the Target Investment Level collectively receive Stock up to their Target Investment Level, and on the number of new Member Firms.

Member Firm Group: Target Investment Level is calculated for each *Member Firm Group*. A Member Firm Group is the Member Firm, any associated entities or individuals, and familial groups of associated individuals. Member Firm Groups start with the associated ICP Participants, and include Stockholders who receive Stock from those ICP Participants, or other Related Stockholders. MFH links each Stockholder to a Member Firm Group. **A Member Firm Group's Related ICP Participants and Stockholders are shown on page 4 of the Annual Statement. Please carefully review your Member Firm Group. ICP Participants and Stockholders may appeal such determination to the MFH Board.**

For a complete definition of terms, please see Section 1 of the Restated Stockholders' Agreement dated October 15, 2007.

SECTION 8—ICP PARTICIPANT'S 2018 DISTRIBUTION BASED ON MEMBER FIRM GROUP'S TARGET INVESTMENT LEVEL

Section 8 shows the share value of the M Stock owned by the ICP Participant *before* the 2018 ICP Distribution. Also included in this section is a summary of the Participant's 2018 Plan Year ICP distribution (which is a repeat of the information shown in Section

2). The amount of the cash/Stock percentage split in the summary is based on whether the Participant's Member Firm Group already owns more or less M Stock than the Group's Target Investment Level (see Section 7 for the Group's information).

- If the shares owned by the Group are greater than the Target Investment Level, you will receive 100% cash.
- If the shares owned by the Group are below the Target Investment Level, the ICP distribution will be a combination of cash and Stock. The cash/Stock ICP split will be 50% cash and 50% Stock, *unless* the Stock Distribution will result in the amount of Stock owned by the Member Firm Group to exceed the Group's Target Investment Level. In that case, the percentage of Stock is reduced to that amount needed to equal the Group's Target Investment Level.

SECTION 9—ELECT MORE STOCK (You Will Fall Into One of Eight Categories)

1. Some ICP Participants are a part of a Member Firm Group that owns MFH shares in excess of their Group's Target Investment Level. These Participants will receive their ICP in 100% cash and **will not** have the ability to elect Stock in lieu of cash. *(A. shown in the lower-left corner of page 3 of the Annual Statement.)*
2. Other ICP Participants are a part of a Member Firm Group that owns existing M shares, and combined with the default 50% Stock for the 2018 Plan Year, exceed their Group's Target Investment Level. These Participants will receive their ICP in the Stock proportion that takes the Member Firm Group's shares to the Target Investment Level, and **will not** have the ability to elect more Stock in lieu of cash. *(B. shown in the lower-left corner of page 3 of the Annual Statement.)*
3. Another group of ICP Participants can be part of a Member Firm Group whose existing MFH shares, along with 100% Stock for the 2018 distribution, do not meet their Group's Target Investment Level. Each ICP Participant within that Member Firm Group will receive an ICP Annual statement that depicts the default 50% Stock/50% cash ICP distribution, and **will** have the ability to elect more Stock in lieu of cash. *(C. shown in the lower-left corner of page 3 of the Annual Statement.)*
4. A few ICP Participants are in a situation where the Member Firm Group's existing MFH shares, along with 100% Stock for the 2018 distribution, exceeds their Target Investment Level. For this situation, the ICP Participants within a Member Firm Group will have the ability to elect additional Stock in lieu of cash, but will need to work together to determine their optimal Stock/cash split (with applicable limitations) for each Participant. Once all Participants within the Member Firm Group agree, a Participant's Stock Election can be up to the amount of the Participant's 2018 ICP cash (Section 8), but cannot result in the total Stock owned by the Member Firm Group exceeding the Group's Target Investment Level. *(D. shown in the lower-left corner of page 3 of the Annual Statement.)*
5. Because on various circumstances, some ICP Participants will not receive an ICP distribution for the 2018 Plan Year. Accordingly, these Participants **will not** have an

election to take more Stock in lieu of cash. *(E. shown in lower-left corner of page 3 of the Annual Statement.)*

6. Some ICP Participants are part of a related Group of Participants that have opted for a “Waterfall Method” for the Group’s ICP distribution (see below for the section on the Waterfall Election (Page 4) of the Annual Statement). Participants in the Group can unanimously agree to convert ICP cash to ICP MFH stock that is different than their standard “Waterfall” distribution. *(F. shown in the lower-left corner of page 3 of the Annual Statement.)*
7. MFH periodically offers a Redemption Pool to those Stockholders in Member Firm Groups whose MFH shares are greater than their Group’s Target Investment Level. Due to tax regulations, ICP Participants in a Member Firm Group that had a Stockholder redeem MFH shares cannot receive additional MFH shares for three years. These Participants will receive their ICP in 100% cash and **will not** have the ability to elect Stock in lieu of cash. *(G. shown in the lower-left corner of page 3 of the Annual Statement.)*
8. ICP Participants in the final group consist of related Stockholders in inactive Member Firm Groups whose MFH shares had been called by the MFH Board in a prior year. These Participants will receive their ICP in 100% cash and **will not** have the ability to elect Stock in lieu of cash. *(H. shown in the lower-left corner of page 3 of the Annual Statement.)*

NOTE – Only Participants eligible for the Stock conversion option need to return the completed optional Conversion Election Form (page 3) to MFH by the March 1, 2019 deadline.

MEMBER FIRM GROUP ICP PARTICIPANTS & STOCKHOLDERS—Including Waterfall Election (Page 4)

Member Firm Group: The left-hand side of Page 4 of the Annual Statement lists the ICP Participants and Stockholders that are part of the Member Firm Group.

As discussed previously (see Sections 7 through 9), MFH needs Member Firms to provide its capital to be used in operations, fund surplus strain and meet regulatory requirements. In the current structure, Member Firms provide capital by acquiring Stock through the ICP. MFH needs to have a target level of Stock investment by each Member Firm Group to support the capital needs associated with the business placed by the Firm. This amount is defined as the Member Firm Group’s Target Investment Level.

Waterfall Information: The right-hand side of page 4 of the Annual Statement lists the “Waterfall” information that MFH has on file for Participants in the Member Firm Group (either “Waterfall” or “Pro Rata”).

The “Waterfall” Stock allocation methodology only impacts Member Firm Groups whose MFH shares are less than their corresponding Target Investment Level, but with the Group’s current year ICP distribution, is enough to satisfy the Target Investment Level.

For Member Firm Groups in this situation, the treatment in ICP Plan Years before the Waterfall method was available was to pay all Participants within the Group in the same proportion of Stock and cash (“Pro Rata” methodology). Electing the Waterfall approach would maximize the cash payout to the older generation of Participants within the Group. Member Firm Groups will be given the opportunity to make or change an election each year that will become effective for the *next* Plan Year (2019). As an example to illustrate:

Assume the following:

- *Member Firm Group made up of two ICP Participants; one which represents the pre-1996 business (“pre-1996”) and one which represents the post-1995 business (“post-1995”).*
- *The Group holds MFH Shares with a value of \$80,000*
- *Target Investment Level of \$100,000*
- *2019 Plan Year ICP Distribution of:*
 - *Pre-1996: \$40,000*
 - *Post-1995: \$40,000*

The “Pro Rata” methodology would yield the following distribution:

- *Pre-1996: \$10,000 Stock/\$30,000 cash*
- *Post-1995: \$10,000 Stock/\$30,000 cash*

The “Waterfall” methodology would yield the following distribution:

- *Pre-1996: \$40,000 cash*
- *Post-1995: \$20,000 Stock/\$20,000 cash*

NOTE – Only Participants wishing to change their Waterfall election for the **2019 Plan Year** need to return the completed election Form (page 4) to MFH by the March 1, 2019 deadline. If no form is returned, the election will remain as currently on file.

SUPPLEMENTAL INFORMATION (Page 5)

Supplemental Section 1—Column C: Supplemental Adjustment

MPAC Assessment

Supplemental Section 3—ICP Credited Before Termination Charges & Supplemental Adjustment; by Lines of Business

This supplemental section breaks out the Participant’s share of each pool, as well as the year in which the underlying business was first written.

SUPPLEMENTAL INFORMATION (Page 6)

Related Participant Group Persistency Report Card: This supplemental section lists the ICP Participants that are part of a Related Participant Group (RFID #) as well as the Related Participant Termination Rate and the M Community Termination Rate. Both rates are important in determining if either a termination charge is assessed or a Persistency Bonus is allocated to Participants within a Related Participant Group.

If the Related Participant Termination Rate is greater than or equal to the Unacceptable Termination Rate (8%), then each Participant in the Related Participant Group will receive 100% of its termination charges. (As stated previously, the Related Participant Termination Rate is a three-year average calculated on a sum-of-years digits approach, which weighs the most recent prior year's terminations the heaviest.)

If the rate is less than or equal to the Expected Termination Rate (4%), each Participant in the Related Participant Group will have its termination charges reduced to \$0. A Related Participant Termination Rate between 4% and 8% will have its termination charges linearly interpolated between 0% and 100%.

If the Related Participant Termination Rate is less than the Expected Termination Rate (4%) **and** the M Community Termination Rate is less than the M Community Unacceptable Termination Rate (5%), an ICP Participant is eligible to participate in the Persistency Bonus Pool. If the M Community Unacceptable Termination Rate is greater than or equal to 5%, the Persistency Bonus Pool is retained by MFH to increase reserves. If the M Community Termination Rate is between 4% and 5%, the Persistency Bonus Pool is linearly interpolated between 100% and 0%.



M Financial Group™

Tab 2 - 2018 Plan Year Annual Statement(s)

February 2019

GARY W. HIRSCHKRON

ICP PARTICIPANT – CASH ONLY (ACTIVE MEMBER FIRM GROUP)
M FINANCIAL HOLDINGS INCORPORATED: 2018 PLAN YEAR ANNUAL STATEMENT

ICP Contact: Gary W. Hirschcron

SECTION 1: TOTAL ICP SUMMARY

A (H)	B (I)	C	D (A+B+C)	E (R+P-Z)	F (T)	G (D+E+F)
ICP Credited Before Term Charges & Supplemental Adjustment	Assessed Termination Charges	Supplemental Adjustment [1]	Total 2018 ICP Allocation	Interest and Release of Terminated Policy Reserve	Related Party Payment Adjustment [2]	Total ICP Distributed
\$12,849	\$0	(\$6,000)	\$6,049	\$800	\$0	\$6,849

SECTION 2: TOTAL ICP DISTRIBUTED SUMMARY

H	I	J	K (J+I)
Total ICP Distributed	ICP Distributed		
	Cash (100.0%)	Stock (00.0%)	Number of Shares
\$6,849	\$6,849	\$0	0

SECTION 3: ICP CREDITED BEFORE ASSESSED TERMINATION CHARGES & SUPPLEMENTAL ALLOCATION BY LINES OF BUSINESS [3]

	L Total Amount of Pool	M Participant's % of Pool	N Participant's Allocation (L * M)
Reinsurance:			
Mortality	\$0	0.00%	\$0
Non-Mortality	\$16,706,705	0.07%	\$11,671
Overrides	\$13,405,443	0.00%	\$324
M Securities	\$300,000	0.00%	\$0
MFIA	\$315,155	0.00%	\$0
M Wealth	\$0	0.00%	\$0
Persistency Bonus	\$809,890	0.01%	\$54
Total	\$31,537,193		\$12,049

SECTION 4: NOT USED

O. Reserved for future use by MFH

SECTION 5: TERMINATED POLICY RESERVE CALCULATION

PART ONE: Preliminary Terminated Policy Reserve Calculation

P Terminated Policy Reserve - Prior Year	\$10,000
Q Assessed Termination Charges	\$0
R Interest on Terminated Policy Reserve - Prior Year	\$800
S Total ICP Credited Before Term Charges (N+C)	\$6,049
T Related Party Payment Adjustment [2]	\$0
U Preliminary Terminated Policy Reserve (P+Q+R+S+T)	\$16,849

PART TWO: Target Terminated Policy Reserve Calculation

V Related Participant Group Termination Rate [4]	0.9%
W Preliminary Target Terminated Policy Reserve	\$10,000
X Plus: Related Party Reserve Adjustment [2]	\$0
Y Target Terminated Policy Reserve (W+X)	\$10,000

PART THREE: Terminated Policy Reserve Calculation

Minimum of:	
or: Preliminary Terminated Policy Reserve (U)	\$16,849
Target Terminated Policy Reserve (Y)	\$10,000
Z Terminated Policy Reserve	\$10,000

PART FOUR: Total ICP Distributed

Preliminary Terminated Policy Reserve (U)	\$16,849
Less: Terminated Policy Reserve (Z)	\$10,000
Total ICP Distributed (U-Z)	\$6,849

FOOTNOTES:

- [1] Supplemental Adjustment: MPAC Assessment.
- [2] See details on page 2.
- [3] See page 5 for Supplemental Detail of break-out by Year Business Written.
- [4] See page 6 for Supplemental Detail for Related Participant Group Persistency Report Card.

All ICP calculations are exact. However, the numbers in the Annual Statement are rounded and therefore some sections may not foot or cross-foot.

GARY W. HIRSCHKRON ICP PARTICIPANT – CASH ONLY (ACTIVE MEMBER FIRM GROUP) M FINANCIAL HOLDINGS INCORPORATED: 2018 PLAN YEAR ANNUAL STATEMENT ICP Contact: Gary W. Hirschcron			
SECTION 6A: CROSS COLLATERALIZATION LOANS			
Related Party Payment Adjustment(s) as shown on Page 1, Item T			
Impact	Related Party ICP Participant Name	Participant ICPID	Adjustment to Available Funds
n/a			\$0
TOTAL (as shown on Page 1, Item T)			\$0
SECTION 6B: CROSS COLLATERALIZATION RESERVES			
Final Target Terminated Policy Reserve reflects the following Related Party Reserve Adjustment(s) as shown on Page 1, Item X			
Impact	Related Party Participant Name	Participant ICPID	Adjustment to Available Funds
n/a			\$0
TOTAL (as shown on Page 1, Item X)			\$0
Footnotes			
(1) Where there is not a sufficient amount of ICP within your Related Parties to offset the participant's termination charges, a loan from the ICP Pool is necessary.			

GARY W. HIRSCHKRON ICP PARTICIPANT – CASH ONLY (ACTIVE MEMBER FIRM GROUP) 2018 PLAN YEAR ICP STOCK CONVERSION ELECTION FORM ICP Contact: Gary W. Hirschkron				
SECTION 7: MEMBER FIRM GROUP'S 2018 TARGET INVESTMENT LEVEL ("TIL") *				
Share Value Before 2018 ICP \$ _____ (@ \$10 per share)	2018 TIL \$ 44,393 (@ \$10 per share)	Cash Distribution 100.0%	Stock Distribution 0.0%	
SECTION 8: SUMMARY OF ICP PARTICIPANT'S 2018 DISTRIBUTION BASED ON MEMBER FIRM GROUP'S TARGET INVESTMENT LEVEL				
Share Value Before 2018 ICP \$ _____ (@ \$10 per share)	Total ICP Distribution \$ 6,849	Cash (100%) \$ 6,849	Stock (0%) \$ _____ (@ \$10 per share)	Stock (0%) => 0
SECTION 9: ELECT MORE STOCK NOT ELIGIBLE FOR ELECTION: THE ICP PARTICIPANTS IN YOUR RELATED MEMBER FIRM GROUP ARE NOT ELIGIBLE TO RECEIVE ADDITIONAL SHARES OF M STOCK DUE TO YOUR MEMBER FIRM GROUP'S INACTIVE STATUS AND HAVING SHARES CALLED IN A PRIOR YEAR. NO STOCK ELECTION IS AVAILABLE.				
Footnotes *Target Investment Level: MFH needs Member Firms to provide its capital to be used in operations, fund surplus strain and meet regulatory requirements. Member Firms provide capital by acquiring stock through the ICP. MFH needs to have a target level of stock investment by each Member Firm to support the capital needs associated with the business placed by the Firm. This amount is defined as the Member Firm Group's Target Investment Level. For Active Member Firms (Member Firms in good standing with MFH), this is based on production credit. For Inactive Member Firms, the level is related to the Cash needed to support their ICP. For further details, please refer to "How to Read the 2018 ICP Annual Statement".				

GARY W. HIRSCHKRON
 ICP PARTICIPANT – CASH ONLY (ACTIVE MEMBER FIRM GROUP)
 2018 PLAN YEAR MEMBER FIRM GROUP INFORMATION

ICP Contact: Gary W. Hirschcron

MEMBER FIRM GROUP'S ICP PARTICIPANTS & STOCKHOLDERS¹

Member Firm Group #: 5102

Member Firm Group Name: _____

ICP Participants In This Member Firm Group:

ICPID #	ICP Participant Name	Waterfall Method Currently on File ²	"Waterfall Tier" ²	ICP Contact
7111	Gary W. Hirschcron	Pro Rata		Gary W. Hirschcron

MFH Stockholders In This Member Firm Group:

Account # **Stockholder of Record**

CHANGE TO "WATERFALL" ELECTION FOR THE 2018 PLAN YEAR ICP DISTRIBUTION

Elect the Waterfall Option for 2019 Plan Year

_____ Print Name _____ Signature
 _____ Date

Footnotes

¹**Member Firm Group:** MFH needs Member Firms to provide its capital to be used in operations, fund surplus strain and meet regulatory requirements. Member Firms provide capital by acquiring Stock through the ICP. MFH needs to have a target level of Stock investment by each Member Firm to support the capital needs associated with the business placed by the Firm. This amount is defined as the Member Firm Group's Target Investment Level. For Active Member Firms (Firms with a Member Firm in good standing with MFH), this is based on production credit. For Inactive Member Firms, the level is related to the cash needed to support their ICP. For further details please refer to "How To Read the 2018 ICP Plan Year Annual Statement"

²**Waterfall Tier:** For Member Firm Groups in this situation, the treatment in earlier ICP Plan Years was to pay all Member Firms in the same proportion of stock and cash ("Pro Rata" methodology). Electing the Waterfall approach would maximize the cash payout to the older generation. Member Firm Groups will be given the opportunity to make an election for the next plan year.

Only those Member Firm Groups wishing to change their election should return this form to MFH by:

Friday, March 1, 2019

If MFH does not receive your election form by the deadline, or your Member Firm Group does not reach consensus, the Group's election will remain as is currently on file for the 2019 Plan Year.

GARY W. HIRSCHKRON
 ICP PARTICIPANT – CASH ONLY (ACTIVE MEMBER FIRM GROUP)
 M FINANCIAL HOLDINGS INCORPORATED: 2018 PLAN YEAR ANNUAL STATEMENT - SUPPLEMENTAL INFORMATION
 ICP Contact: Gary W. Hirschcron

SUPPLEMENTAL SECTION 1-COLUMN C:
 Supplemental Adjustment: MPAC Assessment.

SUPPLEMENTAL SECTION 3:
 Reported below is the ICP Credited before Assessed Termination Charges and Supplemental Allocation, allocated by issue year Cash Values, Net Amount at Risk, and revenues, as appropriate.

SUPPLEMENTAL SECTION 1-COLUMN C: SUPPLEMENTAL ADJUSTMENT

C
 Supplemental Adjustment : (\$8,000)

SUPPLEMENTAL SECTION 3: ICP CREDITED BEFORE ASSESSED TERMINATION CHARGES AND SUPPLEMENTAL ADJUSTMENT
 BY LINE OF BUSINESS

	N1	N2	N3	N4	N5	N6	N7	
	Reinsurance		Overrides	M Securities	MFIA	M Wealth	Persistence Bonus	N1 through N6 Total
	Mortality	Non-Mortality						
Participant's Allocation	0.00%	0.07%	0.00%	0.00%	0.00%	0.00%	0.01%	
Business Written:	\$0	\$11,671	\$324	\$0	\$0	\$0	\$54	\$12,049
1995 & Prior	\$0	\$11,671	\$324	\$0	\$0	\$0	\$54	\$12,049
Total	\$0	\$11,671	\$324	\$0	\$0	\$0	\$54	\$12,049

All ICP calculations are exact. However, the numbers in the Annual Statement are rounded and therefore some sections may not foot or cross-foot.

GARY W. HIRSCHKRON
 ICP PARTICIPANT – CASH ONLY (ACTIVE MEMBER FIRM GROUP)
 2018 PLAN YEAR ANNUAL STATEMENT - SUPPLEMENTAL INFORMATION - RELATED PARTICIPANT GROUP PERSISTENCY REPORT CARD
 ICP Contact: Gary W. Hirschcron

RELATED PARTICIPANT GROUP (RFID) : 8102

ICP Participants In This Related Participant Group:

ICPID #	ICP Participant Name
7111	Gary W. Hirschcron

SUPPLEMENTAL SECTION 5 - PART TWO
RELATED PARTICIPANT TERMINATION RATE

