



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

**BY U.S. MAIL**

Gary Hirschcron

Ojal, CA 93023

RE: MUR 7584  
M Financial Holdings Incorporated, *et al.*

Dear Mr. Hirschcron:

On December 14, 2021, the Federal Election Commission reviewed the allegations in your complaint dated March 18, 2019, and found that on the basis of the information provided in your complaint, and information provided by respondents, there is no reason to believe M Financial Holdings Incorporated and M Political Advocacy Committee violated 52 U.S.C. § 30118(b)(3)(A) and 11 C.F.R. § 114.5(a)(1) by improperly deducting contributions from employees' pay. Accordingly, on December 14, 2021, the Commission closed the file in this matter.

Documents related to the case will be placed on the public record within 30 days. *See Disclosure of Certain Documents in Enforcement and Other Matters*, 81 Fed. Reg. 50,702 (Aug. 2, 2016). The Factual and Legal Analysis, which more fully explains the Commission's finding, is enclosed.

The Federal Election Campaign Act of 1971, as amended, allows a complainant to seek judicial review of the Commission's dismissal of this action. *See* 52 U.S.C. § 30109(a)(8).

If you have any questions, please contact Anne B. Robinson, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,

Lisa J. Stevenson  
Acting General Counsel

*Mark Allen*

BY: Mark Allen  
Assistant General Counsel

Enclosure  
Factual and Legal Analysis

**FEDERAL ELECTION COMMISSION****FACTUAL AND LEGAL ANALYSIS**

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5 RESPONDENT: M Financial Holdings Incorporated (d/b/a MUR 7584  
6 M Financial Group)  
7 M Political Advocacy Committee  
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**I. INTRODUCTION**

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10 The Complaint alleges that M Financial Holdings Incorporated (“M Financial”) and its  
11 purported “affiliated PAC,” M Political Advocacy Committee (“MPAC”) (collectively,  
12 “Respondents”), violated the Federal Election Campaign Act of 1971, as amended (the “Act”),  
13 by improperly deducting contributions to MPAC from the Complainant’s pay.<sup>1</sup> The Complaint  
14 further alleges that Respondents have deducted such improper contributions from “hundreds of  
15 other persons with [Incentive Compensation Plan (“ICP”)] accounts” at M Financial.<sup>2</sup>  
16 Respondents contend that MPAC is not a “Political Action Committee,” but is merely a group  
17 that advises M Financial’s Board of Directors.<sup>3</sup> According to Respondents, MPAC does not  
18 receive or accept any monetary contributions.<sup>4</sup> Based on the available information and for the  
19 reasons set forth below, the Commission finds no reason to believe that M Financial and MPAC  
20 violated 52 U.S.C. § 30118(b)(3)(A) and 11 C.F.R. § 114.5(a)(1) by improperly deducting  
21 contributions from employees’ pay.

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<sup>1</sup> Compl. at 1 (Mar. 19, 2019).

<sup>2</sup> *Id.*

<sup>3</sup> Resp. at 1-2 (Apr. 3, 2019).

<sup>4</sup> *Id.*

1     **II.     FACTUAL BACKGROUND**

2             M Financial Holdings Incorporated is a privately-held corporation registered in  
3     Delaware, doing business as M Financial Group and headquartered in Portland, Oregon.<sup>5</sup>  
4     M Financial provides marketing support services to approximately 150 independent firms in the  
5     United States — called “Member Firms” — that sell life insurance and provide other financial  
6     services.<sup>6</sup> The Member Firms own and govern M Financial; they are the stockholders of the  
7     corporation.<sup>7</sup> According to M Financial, MPAC is “an advisory body within M Financial” and  
8     not a political committee or a legal entity.<sup>8</sup> M Financial asserts that its Board of Directors has  
9     several such advisory committees.<sup>9</sup>

10            Respondents state that MPAC “does not directly engage in legislative advocacy activities,  
11     and does not make financial contributions to any candidates for political office,” nor does it  
12     “have any assets of its own, or receive or accept monetary or other contributions.”<sup>10</sup> Rather,  
13     MPAC “assist[s] the [M Financial] Board [of Directors] in making decisions about corporate  
14     contributions to industry groups that engage in legislative advocacy on matters affecting M  
15     Financial and its Member Firms.”<sup>11</sup> MPAC’s Charter states that the Board “[f]orm[ed] the M  
16     Political Advocacy Committee (MPAC) to serve as the governance liaison between M

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<sup>5</sup>     *Id.* at 1; Delaware Dept. of State: Div. of Corporations, Entity Search (last visited Mar. 16, 2020),  
<https://icis.corp.delaware.gov/Ecorp/EntitySearch/NameSearch.aspx> (search entity name: M Financial Holdings  
Incorporated).

<sup>6</sup>     Resp. at 1.

<sup>7</sup>     *Id.*

<sup>8</sup>     *Id.* at 1-2.

<sup>9</sup>     *Id.*

<sup>10</sup>    *Id.* Respondents also state that MPAC has no treasurer of. *Id.* at 1.

<sup>11</sup>    *Id.* at 2.

1 [Financial] and our advocacy partners.”<sup>12</sup> According to the Commission’s records, there is no  
 2 registered committee named M Political Advocacy Committee nor is there any registered  
 3 committee with M Financial as a connected organization.

4 The Complaint states that “[t]he purpose of MPAC is to lobby for favorable federal tax  
 5 legislation benefiting certain segments of the insurance industry.”<sup>13</sup> The Complaint alleges that,  
 6 per Complainant’s 2018 Plan Year Annual Statement (“2018 Statement”), M Financial  
 7 “deducted \$6,000 from [his] 2018 Incentive Compensation Plan award as a mandatory  
 8 contribution to MPAC” “without [his] prior consent or knowledge.”<sup>14</sup> The Complainant states  
 9 that “[his] understanding is that deducting a PAC contribution from [his] compensation without  
 10 [his] consent is unlawful.”<sup>15</sup> The instructions accompanying Complainant’s 2018 Statement  
 11 provide:

12 **C. Supplemental Adjustment**

13 To fund 2019 political advocacy efforts recommended by the M Political  
 14 Advocacy Committee (MPAC) and approved by the MFH Board, M will assess  
 15 each ICP Member Firm Group a flat fee of \$6,000 via a deduction from the ICP  
 16 Distribution this Plan Year. If an ICP Member Firm Group has multiple ICP  
 17 Participants, MFH will allocate the \$6,000 assessment on a pro-rata basis among  
 18 the Group’s ICP Participants.<sup>16</sup>

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<sup>12</sup> *Id.* at Ex. 1; *see also id.*, Ex. 2 ¶ 1 (Decl. of Kevin Kukar) (identifying Exhibit 1 as MPAC’s Charter approved by M Financial’s Board of Directors).

<sup>13</sup> Compl. at 1.

<sup>14</sup> *Id.* at 1, Attach. 2 at 1. The Complaint alleges that “[s]imilar mandatory deductions are also being made to hundreds of other persons with ICP accounts with M [Financial]” and that “[m]any of them may also object but have not complained because of fear of economic intimidation from M Financial.” *Id.* at 1.

<sup>15</sup> *Id.* at 1.

<sup>16</sup> *Id.*, Attach. 1 at 1.

1 The Complainant notes that he is “count[ed] as one ICP Member Firm group,” hence the entire  
2 \$6,000 was deducted from his ICP award.<sup>17</sup>

3 The Response describes the purpose and mechanics of the \$6,000 deduction. It states that  
4 M Financial planned to give approximately \$1.4 million to industry groups in 2019, including a  
5 membership fee of over \$1 million to the Association for Advanced Life Underwriting  
6 (“AALU”).<sup>18</sup> “M Financial distributes its net profits annually to its stockholders, in the form of  
7 dividends, and to its current and former Member Firms” by issuing ICP awards.<sup>19</sup> M Financial’s  
8 Board of Directors, which has the authority to adjust how its net profits are allocated across ICP  
9 awards,<sup>20</sup> chose to reduce the 2018 ICP awards by an amount that would account for the  
10 company’s \$1 million donation to the AALU, which resulted in the \$6,000 deduction from  
11 Complainant’s award.<sup>21</sup>

12 According to Respondents, the Complainant earned an ICP award for 2018, which was  
13 paid in February 2019,<sup>22</sup> for profits associated with insurance sales he made between 1987 and  
14 1995 when he was an owner or employee of Management Compensation Group, Northwest  
15 (“MCG”).<sup>23</sup> MCG was a Member Firm that M Financial acquired in 2000.<sup>24</sup> Respondents state  
16 that the Complainant became an employee of M Financial in 2000 after the acquisition, but he

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<sup>17</sup> *Id.* at 2.

<sup>18</sup> *Id.* at 2, Ex. 2 ¶ 3.

<sup>19</sup> *Id.* at 2.

<sup>20</sup> *Id.* at 2, Ex. 3 at Article III, ¶ 3.1(D).

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*, Attach. 2.

<sup>23</sup> Resp. at 2.

<sup>24</sup> *Id.*

1 did not earn compensation as an employee of M Financial; the annual ICP award is tied only to  
 2 his work at MCG between 1987 and 1995.<sup>25</sup>

### 3 **III. LEGAL ANALYSIS**

4 The Act and Commission regulations prohibit corporations from making contributions to  
 5 political committees (other than an independent expenditure-only political committee) in  
 6 connection with a federal election.<sup>26</sup> Corporations are permitted to establish and solicit  
 7 contributions to a separate segregated fund (“SSF”).<sup>27</sup> A corporation or its SSF may only solicit  
 8 contributions from its stockholders and their families and its executive or administrative  
 9 personnel and their families.<sup>28</sup> All contributions to a SSF must be voluntary and without  
 10 coercion.<sup>29</sup>

11 A corporation may use a payroll-deduction or check-off system to collect contributions to  
 12 its SSF.<sup>30</sup> A contributor, however, must affirmatively authorize such payroll deductions from the  
 13 contributor’s wages.<sup>31</sup> A reverse check-off, by which SSF contributions are deducted from  
 14 wages unless an employee opts out, is “per se violative of section 441b(b)(3)(A)’s [now  
 15 30118(b)(3)(A)’s] prohibition.”<sup>32</sup> To ensure that contributions solicited for an SSF are voluntary

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<sup>25</sup> *Id.* at 2-3.

<sup>26</sup> 52 U.S.C. § 30118(a); 11 C.F.R. § 114.2(b); Advisory Op. 2010-11 (Commonsense Ten) at 2-3.

<sup>27</sup> 52 U.S.C. § 30118(b)(2)(C); 11 C.F.R. § 114.1(a)(2)(iii).

<sup>28</sup> 52 U.S.C. § 30118(b)(4)(A)(i); 11 C.F.R. § 114.5(g)(1) (stating that corporations may also solicit the executive or administrative personnel of their subsidiaries, branches, divisions, and affiliates and their families).

<sup>29</sup> 52 U.S.C. § 30118(b)(3); 11 C.F.R. § 114.5(a); *see also* Advisory Op. 2003-14 at 3 (Home Depot).

<sup>30</sup> *See* 11 C.F.R. § 114.2(f)(4)(i) (exempting enrollment of restricted-class members in payroll-deduction or check-off system from facilitation prohibition).

<sup>31</sup> *See* 11 C.F.R. § 114.2(f)(4)(i); *see also* Statement of Policy; Recordkeeping Requirements for Payroll Deduction Authorizations, 71 Fed. Reg. 38513 (July 7, 2006).

<sup>32</sup> *FEC v. Nat’l Educ. Ass’n*, 457 F. Supp. 1102, 1110 (D.D.C. 1978); *see also* Advisory Op. 2001-04 (MSDWPAC); MUR 4351 (UMWA) (the Commission found reason to believe based on the apparent use of a

1 the Act and the Commission’s regulations make it unlawful for any person to solicit a  
2 contribution to an SSF without informing the employee of the political purpose of the SSF and of  
3 the right to refuse to contribute to the SSF without reprisal.<sup>33</sup>

4 The available information does not indicate that MPAC is an SSF or any other type of  
5 federal political committee, nor does it suggest that MPAC accepted any contributions (or any  
6 other money) from the Complainant.<sup>34</sup> Instead, the record indicates that MPAC advises M  
7 Financial’s Board of Directors regarding “corporate contributions to industry groups that engage  
8 in legislative advocacy on matters affecting M Financial,” and M Financial, not MPAC, received  
9 the \$6,000 deducted from Complainant’s ICP award.<sup>35</sup> Respondents state that MPAC “does not  
10 directly engage in legislative advocacy activities, and does not make financial contributions to  
11 any candidates for political office,” nor does it “have any assets of its own, or receive or accept  
12 monetary or other contributions,”<sup>36</sup> and we have no information to the contrary. Further, the  
13 Respondents explain that the \$6,000 deduction from Complainant’s 2018 ICP Award resulted

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reverse check-off system, but took no further action after the investigation demonstrated that the deductions were not deposited in an account used to make federal contributions).

<sup>33</sup> 52 U.S.C. § 30118(b)(3)(B)-(C); 11 C.F.R. § 114.5(a)(3)-(4).

<sup>34</sup> The Act and Commission regulations define a “political committee” as “any committee, club, association, or other group of persons which receives contributions aggregating in excess of \$1,000 during a calendar year or which makes expenditures aggregating in excess of \$1,000 during a calendar year.” 52 U.S.C. § 30101(4)(A); 11 C.F.R. § 100.5. In *Buckley v. Valeo*, the Supreme Court held that defining political committee status “only in terms of [the] amount of annual ‘contributions’ and ‘expenditures’” might be overbroad, reaching “groups engaged purely in issue discussion.” 424 U.S. 1, 79 (1976) (per curiam). To cure that infirmity, the Court concluded that the term “political committee” “need only encompass organizations that are under the control of a candidate or the *major purpose of which is the nomination or election of a candidate.*” *Id.* (emphasis added). Accordingly, under the statute as thus construed, an organization that is not controlled by a candidate must register as a political committee only if (1) it crosses the \$1,000 threshold and (2) it has as its “major purpose” the nomination or election of federal candidates. The Complaint does not allege that MPAC is a political committee or that its primary purpose is the nomination or election of federal candidates, and the available record does not support a finding that MPAC is a political committee.

<sup>35</sup> Resp. at 2.

<sup>36</sup> *Id.*

1 from a decision by M Financial’s Board of Directors to “allocate the reduction” of the amount of  
2 the 2018 ICP awards by an amount that would cover the costs of the company’s \$1 million  
3 donation to the AALU and divide the donation “equally among all [ICP] participants.”<sup>37</sup> Thus,  
4 M Financial, not MPAC, assessed the \$6,000 deduction.<sup>38</sup>

5 Although MPAC’s very name suggested that a “PAC” (*i.e.*, political committee) was the  
6 recipient here, MPAC is not a registered SSF, and the available information does not suggest that  
7 it is one. Accordingly, the Commission finds no reason to believe that M Financial and MPAC  
8 violated 52 U.S.C. § 30118(b)(3)(A) and 11 C.F.R. § 114.5(a)(1) by improperly deducting  
9 contributions from employees’ pay.<sup>39</sup>

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<sup>37</sup> *Id.* at 2, Ex. 3 at Article III, ¶ 3.1(D) (stating that the Board of Directors has the authority to adjust how net profits are allocated across the annual ICP awards). Further, AALU is not itself a political committee registered with the Commission. Respondents note that the Complainant “did not earn compensation under the M Financial Incentive Compensation Plan as an employee of M Financial.” *Id.* at 2. Instead, Respondents state, the Complainant “earned” the ICP award “solely based on his insurance sales made during 1987-1995 while an owner and/or employee of MCG, prior to the acquisition of MCG by M Financial.” *Id.* at 2-3.

<sup>38</sup> *See id.*, Attach. 1 at 1 (“M [Financial] will assess each ICP Member Firm Group a flat fee of \$6,000 via a deduction from the ICP Distribution this Plan Year” “[t]o fund 2019 political advocacy efforts recommended by the M Political Advocacy Committee (MPAC) and approved by the [M Financial] Board.”). In addition, there is information supporting Respondents’ assertions that they seek to influence legislative issues, not elections. The Commission’s records show that MPAC, M Financial, and AALU did not disclose making independent expenditures, electioneering communications, or other communications to the public, and no federal political committee disclosed receiving contributions from MPAC, M Financial, or AALU. Further, the Commission’s records show that AALU’s SSF, AALU PAC, did not disclose receiving contributions MPAC or M Financial.

<sup>39</sup> *See* Factual & Legal Analysis at 5-6, MUR 6520 (National Ass’n of Realtors) (dismissing allegations that the National Association of Realtors “forc[ed]” complainant to provide funds to the organization for purposes of making independent expenditures where the Commission determined that complainant was paying “standard dues to a voluntary membership organization in exchange for services that the member perceives as a benefit to her business”); Certification, MUR 6520 (June 12, 2014).