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Taylor v. AIA Services Corp. Clerk's Record v. 36 Dckt. 36916

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In the
SUPREME COURT
of the
STATE OF IDAHO

Reed J. Taylor,
Plaintiff-Appellant,

v.

AIA Services Corporation, et al,
Defendants-Respondents.



CLERK'S RECORD ON APPEAL

VOLUME XXXVI

Appealed from the District Court of the
Second Judicial District of the State of Idaho,
in and for the County of Nez Perce

The Honorable Jeff M. Brudie

Supreme Court No. 36916-2009

RODERICK C. BOND
ATTORNEY FOR PLAINTIFF-APPELLANT

GARY D. BABBITT
ATTORNEY FOR DEFENDANT AIA CORP-RESPONDENTS

36916

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE STATE
OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,)
)
Plaintiff-Counterdefendant-Appellant-)
Cross Respondent,) SUPREME COURT NO. 36916-2009
)
v.)
)
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property comprised thereof, BRIAN FREEMAN,)
a single person; JOLEE DUCLOS, a single person)
and JAMES BECK and CORRINE BECK,)
)
Defendants-Counterclaimants-)
Respondents-Cross Appellants-Cross)
Respondents,)
)
and)
)
CROP USA INSURANCE AGENCY, INC.,)
an Idaho corporation;)
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Defendant-Respondent-Cross Respondent,)
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and)
)
401(k) PROFIT SHARING PLAN FOR THE)
AIA SERVICES CORPORATION,)
)
Intervenor-Cross Appellant-Cross)
Respondent.)
)

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February 26, 2009 6979-6994

Affidavit of Michael S. Bissell in Opposition to Connie
Taylor and James Beck's Motion for Partial Summary
Judgment, in Support of Reed Taylor's Motion for
Partial Summary Judgment Against the Defendants Re:
Illegality, in Support of Motion for Rule 56(f) Continuance
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IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE STATE
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Stock redemption statutes cannot be used as schemes to repurchase shares. The Defendants and Plan are not beneficiaries of I.C. § 30-1-6 or any other provision of Idaho Code.

a. Reliance upon *In re Trimble Co.* is misplaced

Defendants' citation and reliance upon *In re Trimble Co.*, 339 F.2d 838 (3rd Cir.1964) is misplaced. That case supports the plaintiff's position and is highly illustrative of the controlling principles in this case. First, *In re Trimble Co.* is an appeal from a bankruptcy case. The interests and protection of creditors are paramount in bankruptcy cases and this context should be kept in mind. The facts reveal that the issue before the bankruptcy court arose out of a stock redemption. Certain shareholders transferred their shares to the corporation in 1958 and received a *series* of promissory notes to be paid over time in annual payments. It is to be noted that the shareholders transferred *all* of their shares to the corporation. The facts recite that the time of the transfer the corporation had unrestricted and unreserved earned surplus. The corporation paid the first two installments (the first and second series of due notes) but defaulted in 1961 on the third installment (the third series of due notes). The corporation's liabilities exceeded assets in 1961. The corporation went into bankruptcy and the redeemed shareholders presented their claims as creditors along with other creditors in bankruptcy. The bankruptcy court found that the unpaid shareholder creditors' notes were not enforceable because when the third series of notes were due the corporation did not have the required surplus. The court explained that "it is against public policy under Pennsylvania law for debts arising out of purchase of its own stock by a corporation to impair the capital which should be available for bona fide creditors of the corporation, and that petitioners' [shareholder creditors] debts arising out of stock purchase were unenforceable at the expense of bona fide creditors of the corporation". 339 F.2d at 841. The

Court of Appeals makes clear that the redemption agreement itself is not illegal. The Court stated:

As of April 7, 1958, the Company had the right to purchase the 8,100 shares of its own stock for the price it agreed to pay for them, and to issue its promissory notes for the balance due on the purchase price.^{FN4} When the four individuals transferred their shares to the Company on that date and accepted cash and notes in return, they ceased to be stockholders of the Company and became creditors of the Company. . . .

FN4. Section 701, subd. A of the Pennsylvania Business Corporation Law of 1933, as it was in effect on March 31, 1958, Act July 11, 1957, P.L. 737-738 (1957), provided as follows: 'Section 701. Right of corporation to acquire its own shares. A. Unless its articles otherwise provide, a business corporation shall have the right to purchase or otherwise acquire, and to hold and own shares which are not subject to redemption.' Section 302(8) of the same Law, P.L. 721 (1957), provided in part: '* * * Every business corporation shall have power: (8) To borrow money for any and all purposes for which it is organized, and to issue its promissory notes * * * for * * * property, including shares of the corporation properly acquirable by it under this act, actually received * * *.'

339 F.2d at 841-842

The court further observed the governing principles of law:

The subsections of § 701 of the Pennsylvania Business Corporation Law of 1933, as amended in 1957, setting forth the conditions under which a corporation may acquire its own shares, did not expressly prohibit the corporation from paying for them in a situation like the one before us. There are no authoritative Pennsylvania cases in point either under § 302(7 & 8) of the 1933 Law, or under § 701 of that Law as amended in 1957 and 1959.^{FN6} Fortunately, there are a number of cases interpreting statutes of other states under fact situations similar to those in our case. Perhaps the leading case is *In re Fechheimer Fishel Co.*, 212 F. 357 (2 Cir. 1914), interpreting a New York penal statute. There, a stockholder transferred his stock and accompanying bond to the corporation in exchange for the corporation's note. Although the note was given in good faith at a time when the corporation was solvent, the Court of Appeals, in ruling that the note was unenforceable as against other creditors of the corporation if the corporation was insolvent at the time of maturity, said at page 366:

'The corporation * * * in effect promised to pay * * * out of surplus profits and if payment could be made without prejudice to creditors. To be sure the note did not so state on its face, but that was a condition which the law attached to it and

which was binding on both (parties). The fact that the corporation had a surplus when the note was given is not decisive of the case if it was insolvent when the time for payment arrived.'

The Court reasoned that if a stockholder accepts notes in payment for his stock 'he sells at his peril and assumes the risk of the consummation of the transaction without encroachment upon the funds which belong to the corporation in trust for the payment of its creditors.' (p. 363). Also see *In re Dawson Brothers Construction Co.*, 218 F.Supp. 411 (N.D.N.Y., 1963).

And in *Mountain State Steel Foundries, Inc. v. C.I.R.*, 284 F.2d 737 (C.A. 4, 1960), where a West Virginia statute governed, the Court said at page 742:

'* * * When a corporation purchases a portion of its outstanding stock with an agreement to pay for it at a subsequent time, it may not perform its promise if the use of its funds in performance will impair its capital. This is true though earlier performance at the time of consummation of the executory agreement would have occasioned no impairment of the capital.

'The promise, therefore, is conditional. The corporation's promise is to pay provided at the time of payment it has sufficient surplus that disbursement of the funds will occasion no impairment of capital. In effect, the statute is read into the agreement.' (Emphasis added).

The rationale of the *Fechheimer Fishel Co.* case has been followed by a number of Federal courts. See *Matthews Bros. v. Pullen*, 268 F. 827 (1 Cir. 1920); *In re O'Gara & Maguire, Inc.*, 259 F. 935 (N.J., 1919- New Jersey Statute); *In re Vulcan Soot Cleaner Co.*, 11 F.Supp. 388 (W.D.Pa., 1935-Delaware Statute); *Baxter v. Lancer Industries, Inc.*, 213 F.Supp. 92 (E.D.N.Y., 1963- Florida Statute); *In re Mathews Construction Co.*, 120 F.Supp. 818 (D.C.Cal., 1954-California Statute).

In re Trimble Co., 339 F.2d at 842-843 (emphasis added).

In summary, the court stated that the stock redemption agreement was itself not illegal. The court stated that the corporation "had the right to purchase the 8,100 shares of its own stock for the price it agreed to pay for them, and to issue its promissory notes for the balance due on the purchase price." The court made clear that the corporation "became liable" on the notes

“even though the Law impliedly prohibited it from paying them until such time as its financial condition permitted.” 339 F.2d at 844.

b. The Other Stock Redemption Cases Are Also Not On Point

None of the cases cited by the Defendants or the Plan involve a stock redemption being challenged over 13 year after the fact. All the cases can be distinguished in one way or the others. *The Minnulusa* declined to follow many of the cases. None of the cases involve a corporation from which millions of dollars of funds and assets have been unlawfully transferred to the detriment of the corporation and the creditors. All of the Defendants in this action have acquiesced for over 13 years and were the very parties behind the redemption. There are no innocent parties or creditors.

2. *Kunz v. Lobo Lodge, Inc.* Is an Example of an Illegal Contract Because It Violates a Criminal Ordinance and Idaho Code that Expressly Prohibits An Act.

Connie Taylor and James Beck argue that if a violation of a criminal statute constitutes an illegal contract, then doing the lawful act of redeeming shares should also be illegal.³⁰⁷ A contract that violates a criminal statute is far different that a redemption contract that is legal, but that the payments under such a contract can be restricted. *See Kunz v. Lobo Lodge, Inc.*, 133 Idaho 608, 612, 990 P.2d 1219 (Ct. App. 1999) (holding that a contract that violates a regulatory criminal ordinance is illegal and unenforceable so that “citizens will have no incentive to knowingly enter into contracts in direct contravention of regulatory criminal ordinances.”).

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³⁰⁷ See Connie Taylor and James Beck’s Supplemental Memorandum, p. 29.

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3. *Wheaton v. Ramsey* Does Not Reject the Argument that Only An Intended Beneficiary Can Assert Illegality.

Connie Taylor and James Beck argue that Idaho courts have declined to accept arguments pertaining to the intended beneficiary of a statute.³⁰⁸ But Connie Taylor and James Beck's reliance on *Wheaton v. Ramsey*, 92 Idaho 33, 436 P.2d 248 (1968), is misplaced and not analogous to the present case. In *Wheaton*, the Idaho Supreme Court held that the violation of a Montana real estate broker statute that states "[i]t is unlawful for any licensed broker to employ or compensate directly or indirectly any person...who is not licensed..." and that the contract was consequently illegal. *Id.* at 35 (emphasis added).

However, as with the other Idaho cases cited by the Defendants, the facts and applicable code are not on point. Idaho, like most states, has strong public policy in requiring contractors, real estate brokers and other professionals to be licensed in order to be compensated. *Wheaton* is simply holding to this public policy tradition. I.C. § 30-1-6 does state that it is "unlawful" or "illegal" for a corporation to redeem shares. I.C. § 30-1-6 does not state that certain acts are "prohibited" or "void" if they violate the code section. I.C. § 30-1-6 does not state that it is "unlawful" for a corporation to redeem shares and grant the selling shareholder a security interest in collateral owned by the corporation to secure payment. Rather, I.C. § 30-1-6 is a flexible code section that is intended to protect innocent creditors and innocent shareholders. *Wheaton* is not on point, not analogous, and inapplicable to the facts in this case.

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³⁰⁸ See Connie Taylor and James Beck's Supplemental Memorandum, p. 30.

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4. *Farrell v. Whiteman* Also Involves the Violation of a Criminal Ordinance, Is Inapplicable and Not On Point.

Like other cases cited by the Defendants, the Defendants disingenuously argue that *Farrell v. Whiteman*, WL 198516 (Idaho 2009), is applicable, even though it also involves a contract that violates a criminal ordinance. *Id.* Moreover, in *Farrell*, the applicable code section specifically states that it is “unlawful” to be an unlicensed architect in Idaho. Comparing the fact and Idaho Code in *Farrell* to the facts and Idaho Code in this case are not analogous. Entering into a stock redemption agreement is not an illegal contract.

O. The Defendants Have Not Pled a Violation of I.C. § 30-1-6 As An Affirmative Defense or As Authority for a Counterclaim.

1. The Defendants Have Not Pled A Violation of I.C. § 30-1-6 As an Affirmative Defense and Are Barred From Asserting It Now.

A party must plead affirmative defenses. I.R.C.P. 8(c). The failure to plead an affirmative defense is a waiver of the defense. *Nguyen v. Bui*, 146 Idaho 187, 191 P.3d 1107, 1111 (Ct. App. 2008).

In *Nguyen v. Bui*, the Idaho Court of Appeals discussed the purpose of requiring a party to plead affirmative defenses:

The purpose of this rule requiring that affirmative defenses be pleaded is to alert the parties about the issues of fact that will be tried and to afford them an opportunity to present evidence to meet those defenses.

Id. The application of the requirement to plead an affirmative defense in context of a statute was specifically addressed by the Arizona Supreme Court:

[I]f the defendants wish to base their defense on a particular statute, then that statute must be cited specifically in their answer in accordance with the rule that affirmative defenses must be pleaded specifically.

Mohave County v. Mohave-Kingman Estates, Inc., 120 Ariz. 417, 586 P.2d 978, 984 (Ariz. 1978)

(emphasis added).

Here, all of the Defendants have failed to plead a violation of I.C. § 30-1-6 as an affirmative defense or as the basis for a counterclaim.³⁰⁹ In fact, Connie Taylor and James Beck admitted in their Memorandum filed on February 12, 2009, that their prior reliance on I.C. § 30-1-46 was incorrect (they asserted a violation of I.C. § 30-1-46 as an affirmative defense and counterclaim).³¹⁰ The Defendants cannot raise a violation of I.C. § 30-1-6 because they have failed to plead the statute as a defense.

The Defendants are barred from asserting a violation of I.C. § 30-1-6 as an affirmative defense in their Motion for Partial Summary Judgment and Joinders.

2. Connie Taylor and James Beck Have Failed to Plead a Violation of 30-1-6 In Their Counterclaim Against Reed Taylor.

“A cause of action not raised in a party’s pleadings may not be considered on summary judgment.” *O’Guin v. Bingham County*, 139 Idaho 9, 15, 72 P.3d 849 (2003) (citations omitted).

Here, Connie Taylor and James Beck have failed to alleged a violation of I.C. § 30-1-6 as the basis of their counterclaim against Reed Taylor. Significantly, Connie Taylor and James Beck even freely admit that they relied upon the wrong code section in their counterclaim. They are barred from asserting a violation of I.C. § 30-1-6 in their Motion for Partial Summary Judgment. Their most must be denied on this ground alone.

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³⁰⁹ See Answer of Defendants Connie Taylor, James Beck and Corrine Beck dated April 16, 2008, pp. 10-13; Answer of R. John Taylor dated February 25, 2008, pp. 15-17; AIA Services and AIA Insurance’s First Amended Answer dated March 7, 2008, pp. 14-18; Answer of Bryan Freeman and JoLee Duclos filed on April 15, 2008, pp. 15-18 (Duclos and Freeman also incorrectly rely upon I.C. § 30-1-46 and fail to cite I.C. § 30-1-6).

³¹⁰ Connie Taylor and James Beck acknowledge that their reliance upon I.C. § 30-1-46 is misplaced, however, they failed to move to amend their Answer and Counterclaim as required by I.R.C.P. 15. Reed Taylor expressly objects to the Defendants asserting a violation of I.C. § 30-1-6 as an affirmative defense.

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P. The Court Should Strike and Exclude The Entire Expert Affidavits Submitted By Kenneth Hooper and Drew Voth.

A party has the right to object to evidence prior to such evidence being admitted by the trial court:

The time for the trial court to rule on the admissibility of evidence is after the party against whom it is offered has had an opportunity to object...[a] party must be given an opportunity specifically to object to the introduction of evidence and is entitled to a ruling thereon by the trial judge.

Theesen v. Continental Life & Acc. Co., 90 Idaho 58, 62, 408 P.2d 177 (1965) (emphasis added).

A trial court may exclude evidence offered by a party on its own authority without a motion to strike or an objection made by opposing counsel. *Hecla Mining Co. v. Star-Morning Mining Co.*, 122 Idaho 778, 782-83, 839 P.2d 1192 (1992).

1. Reed Taylor Moves To Strike and Exclude The Expert Witness Affidavit of Kenneth Hooper.

The trial court has broad discretion to exclude certain evidence as sanctions or under other legal authority. *See e.g., Clark v. Raty*, 137 Idaho 343, 48 P.3d 672 (2002)(holding that the exclusion of physicians testimony for discovery violations was proper); *Priest v. Landon*, 135 Idaho 898, 26 P.3d 1235 (2001)(holding that the exclusion of an expert witness was warranted for failure to comply with discovery deadlines). “[A]ny redundant, immaterial, impertinent, or scandalous matter” may be stricken by the court. I.R.C.P. 12(f). A party seeking to exclude evidence must object “stating specific ground.” I.R.E. 103(a)(1).

Specifically, a trial court has the authority to exclude an expert witness that a party fails to timely disclose in accordance with a pretrial order, together with any report submitted by such expert. *Priest v. Landon*, 135 Idaho 898, 900-01, 26 P.3d 1235 (2001). In *Priest v. Landon*, the trial court excluded a party’s expert witness when that party disclosed the name of the expert

witness more than two months after the court-ordered deadline. *Id.* at 901. Moreover, the party failed to timely disclose the expert in responses to interrogatories. *Id.*

Here, Reed Taylor objects to the expert witness Affidavit of Kenneth Hooper. Mr. Hooper's Affidavit and testimony should be excluded in full. Mr. Hooper's Affidavit is "scandalous." Connie Taylor and James Beck did not disclose Mr. Hooper as required by the Court's scheduling order. Moreover, Connie Taylor and James Beck have not responded to any requests for production or interrogatories submitted to them by Reed Taylor pertaining to expert witnesses, which such requests were served well over one year ago.^{311 312}

But the unfairness does not end with the above facts. James Beck specifically testified about his expert witnesses on February 4, 2009 (seven days before Mr. Hoover signed his Affidavit):

Q. (By Mr. Bond): And have you retained any expert witnesses for this case?

A. (By Mr. Beck): No.³¹³

Connie Taylor, a licensed attorney, also specifically testified about expert witnesses on February 5, 2009 (six days before Mr. Hoover signed his Affidavit):

Q. (By Mr. Bond): Can you tell me the names of your expert witnesses that you're relying upon in Reed Taylor v. AIA Services, et al.?

A. (By Ms. Taylor): No, I cannot.

Q. (By Mr. Bond): And have you hired an expert to reconstruct the value of AIA's assets and debts as of certain dates in 1995 or 1996?

³¹¹ See Affidavit of Roderick Bond dated February 26, 2009, p. 2, ¶ 3.

³¹² Reed Taylor would waive his objection to Mr. Hooper being named as an expert if he is permitted the opportunity and time to conduct full and fair discovery regarding Mr. Hooper, the documents provided to Mr. Hooper, the information provided to Mr. Hooper, communications with Mr. Hooper and, most importantly, provided the opportunity to depose Mr. Hooper.

³¹³ See Affidavit of Michael Bissell dated February 26, 2009, Ex. 33, p. 534, ll. 23-25 (emphasis added).

A. (By Ms. Taylor): Any expert?

Q. (By Mr. Bond): Yes.

A. (By Ms. Taylor): Not to my knowledge.

Q. (By Mr. Bond): And do you have any knowledge of whether [an expert] has been retained for that purpose, an expert?

A. (By Ms. Taylor): I do not.³¹⁴

2. Reed Taylor Moves to Strike and Exclude the Expert Witness Affidavit of Drew Voth.

“[A]ny...scandalous matter” may be stricken by the court. I.R.C.P. 12(f). A party seeking to exclude evidence must object “stating specific ground.” I.R.E. 103(a)(1). Idaho discovery rules require an expert witness and his opinions to be the subject of discovery. *See* I.R.C.P.

Reed Taylor objects to the Court considering any portion of the Affidavit of Drew Voth. The Plan was permitted to intervene in this action on February 12, 2009. The Court’s present discovery order has prevented Reed Taylor from propounding discovery or taking any depositions pertaining to the Plan’s evidence and witnesses, including Mr. Voth. Moreover, the Plan has not provided any of the information or documents provide to Mr. Voth.

3. Assuming the Affidavits of Hooper and Voth Were Properly Before the Court, Reed Taylor Objects to Portions of the Affidavits, and, Consequently, Moves to Strike the Objectionable Portions.

In the context of summary judgment, affidavits must comply with I.R.C.P. 56. *See* I.R.C.P. 56(e). “[A]ny redundant, immaterial, impertinent, or scandalous matter” may be stricken by the court. I.R.C.P. 12(f). A party seeking to exclude evidence must object “stating specific ground.” I.R.E. 103(a)(1). Portions of affidavits which are argumentative, speculative,

³¹⁴ *See* Affidavit of Michael Bissell dated February 26, 2009, Ex. 34, pp. 71, 74-76) (emphasis added); *see also id.*, at pp. 90, 105-106.

conclusory, inaccurate, unfounded, and/or unsupported should be stricken. *Sprinkler Irrigation Company, Inc. v. John Deere Insurance Company, Inc.*, 139 Idaho 691, 697, 85 P.3d 667 (2004).

Evidence must be relevant. I.R.E. 402. “Although relevant, evidence may be excluded if its...outweighed by the danger of unfair prejudice, confusion of the issues...or by considerations of delay, waste of time, or needless...cumulative evidence.” I.R.E. 403. Hearsay is not admissible evidence. I.R.E. 802. Legal opinions and conclusions of law contained in an affidavit may not be considered and should be stricken. *Tortes v. King County*, 119 Wn. App. 1, 12-14, 84 P.3d 252 (2003). Matters of law are the improper subject of an expert witness. *Aguilar v. Longshoreman's Union Local No. 10*, 966 F.2d 443, 447 (9th Cir. 1992).

a. Reed Taylor Objects to Portions of Kenneth Hooper's Affidavit.

Assuming the Affidavit of Kenneth Hooper was properly before the Court, Reed Taylor objects to, and requests that the Court strike, the following portions of the Affidavit of Kenneth Hooper (incorporating the legal authority cited above into every objection):

| Paragraph | Objections |
|------------------|---|
| Entire Aff. | <ul style="list-style-type: none"> Scandalous and improper to permit an affidavit based upon evidence and/or documents not provided to the other party |
| Entire Aff. | <ul style="list-style-type: none"> Mr. Hooper's testimony is not based upon the review and consideration of the supporting documents which are relied upon to draft the financial statements upon which his testimony relies |
| Entire Aff. | <ul style="list-style-type: none"> Mr. Hooper bases his opinions on inappropriate assumptions |
| Entire Aff. | <ul style="list-style-type: none"> Not based upon personal knowledge |
| Entire Aff. | <ul style="list-style-type: none"> Expresses opinions beyond the scope of the documents reviewed |
| Entire Aff. | <ul style="list-style-type: none"> Financial Statements relied upon are not properly authenticated by the auditor |
| Entire Aff. | <ul style="list-style-type: none"> Affidavit does not comply with I.R.C.P. 56(e) |

b. Reed Taylor Objects to Portions of Drew Voth's Affidavit.

Assuming the Mr. Voth's Affidavit was properly before the Court, Reed Taylor objects to, and requests that the Court strike, the following portions of the Affidavit of Drew Voth

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(incorporating the legal authority cited above into every objection):

| Paragraph | Objections |
|---------------|---|
| Entire Aff. | <ul style="list-style-type: none"> Scandalous and improper to submit an affidavit for another party and/or to allow an affidavit based upon documents and/or evidence not provided to another party |
| Entire Aff. | <ul style="list-style-type: none"> Not based upon personal knowledge |
| Entire Aff. | <ul style="list-style-type: none"> Mr. Voth's testimony is not based upon the review and consideration of the supporting documents which are relied upon to draft the financial statements upon which his testimony relies |
| Page 7, ¶ 6 | <ul style="list-style-type: none"> Opinion as to the "meaning" of terms used in the 1995 statute, including the term "Earned Surplus," is a legal opinion and as such is improper. |
| Page 8, ¶ 9 | <ul style="list-style-type: none"> Opinion that "Earned Surplus" is equivalent to "Retained Deficit" is based upon the expert's improper opinion as to the meaning of "Earned Surplus." Makes a legal opinion. |
| Page 10, ¶ 16 | <ul style="list-style-type: none"> Ultimate Opinion is predicated upon the expert's improper opinion as to the meaning of "Earned Surplus." Makes a legal opinion. |
| Entire Aff. | <ul style="list-style-type: none"> Expresses opinions beyond the scope of the documents reviewed |
| Entire Aff. | <ul style="list-style-type: none"> Financial Statements relied upon are not properly authenticated by the auditor |
| Entire Aff. | <ul style="list-style-type: none"> Affidavit does not comply with I.R.C.P. 56(e) |

Q. The Court Should Enter Partial Summary Judgment In Favor of Reed Taylor.

The court may grant summary judgment to a non-moving party even if the party has not filed its own motion with the court. *Harwood v. Talbert*, 136 Idaho 672, 677, 39 P.3d 612 (2001). It is permissible for the trial court to strike affirmative defenses on a motion for summary judgment. *Idaho Department of Labor v. Sunset Marts, Inc.*, 140 Idaho 207, 91 P.3d 1111 (2004).

Here, for all of the reasons set forth above, Reed Taylor requests that the Court enter partial summary judgment finding that all of the Defendants and the Plan are barred from attacking the redemption of his shares.

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R. The Individual Defendants and the Plan Should Be Ordered To Pay Reed Taylor's Attorneys Fees and Costs Incurred in Defending Against Their Counterclaim and Defenses Pertaining to "Illegality" and This Motion.

A court may award attorney fees to the party defending the derivative action, which includes derivative actions brought for improper purposes. *See* I.C. § 30-1-746(3).

Here, it is clear from all of the evidence submitted in support of this Motion and the evidence contained in the Court's record that the Defendants and the Plan have pursued the "illegality" defense for improper purposes and not based upon good faith arguments based upon grounded facts. Reed Taylor requests that the Court award him all attorneys' fees and costs in defending against the alleged "illegality" arguments along with those fees and costs attributable to this Motion and the Joinders, including the hearing on this Motion. Finally, the Court should order each individual Defendant and the Plan jointly and severally liable for the attorneys' fees and costs incurred by Reed Taylor and bar them from having AIA Services or AIA Insurance pay the fees and costs.

VIII. CONCLUSION

For the reasons articulated above, the Court should grant Reed Taylor's Motion for Partial Summary Judgment and dismiss the Defendants' counterclaims and defenses based upon violations of I.C. § 30-1-6 and I.C. § 30-1-46, along with any claims or defenses based upon the alleged "illegality" of the redemption of Reed Taylor's shares.³¹⁵

For the same reason stated above, the Court should also enter an order denying Connie Taylor and James Beck's Motion for Partial Summary Judgment and the Joinders to the Motion as the issues raised are moot.

³¹⁵ For any one or more of the reasons articulated above, partial summary judgment would be appropriately granted to Reed Taylor as to any party because there are no innocent shareholders and no innocent creditors who may attack the redemption of Reed Taylor's shares.

Reed Taylor should be awarded his attorneys' fees and costs incurred in dismissing the individual Defendants counterclaims and defenses pursuant to I.C. § 30-1-746(3).

DATED: This 26th day of February 2009.

SMITH, CANNON & BOND PLLC
CAMPBELL, BISSELL & KIRBY PLLC

By: 

Ned A. Cannon

Michael S. Bissell

Attorneys for Plaintiff Reed J. Taylor

CERTIFICATE OF SERVICE

I, Ned A. Cannon, declare that, on the date indicated below, I served a true and correct copy of the following (1) Reed Taylor's Response in Opposition to Connie Taylor and James Beck's Motion for Partial Summary Judgment Against Reed Taylor and the Defendants' Joinders and Reed Taylor's Objections/Motion to Strike and/or Exclude Expert Witness Testimony; (2) The Affidavit of Paul E. Pederson; and (3) Affidavit of Ned A. Cannon dated February 26, 2009, to the following parties via the method(s) indicated below:

David A. Gittins
Law Office of David A. Gittins
P.O. Box 191
Clarkston, WA 99403
Attorney for Defendants JoLee Duclos and
Bryan Freeman

Via:
 U.S. Mail, Postage Prepaid
 Hand Delivered
 Overnight Mail
 Facsimile
 Email (pdf attachment)

Michael E. McNichols
Clements Brown & McNichols
321 13th Street
Lewiston, ID 83501
Attorney for R. John Taylor

Via:
 U.S. Mail, Postage Prepaid
 Hand Delivered
 Overnight Mail
 Facsimile
 Email (pdf attachment)

David R. Risley
Randall, Blake & Cox
1106 Idaho St.
Lewiston, ID 83501
Attorney for Connie Taylor, James Beck and
Corrine Beck

Via:
 U.S. Mail, Postage Prepaid
 Hand Delivered
 Overnight Mail
 Facsimile
 Email (pdf attachment)

Gary D. Babbitt
D. John Ashby
Hawley Troxell Ennis & Hawley LLP
877 Main Street, Suite 1000
P.O. Box 1617
Boise, Idaho 83701-1617
Attorneys for AIA Services, AIA Insurance, and
Crop USA Insurance Agency

Via:
 U.S. Mail, Postage Prepaid
 Hand Delivered
 Overnight Mail
 Facsimile
 Email (pdf attachment)

James J. Gatziolis
Charles E. Harper
Quarles & Brady LLP
Citigroup Center, 500 West Madison Street
Suite 3700
Chicago, IL 60661-2511
Attorneys for Crop USA Insurance Agency

Charles A. Brown
Attorney at Law
324 Main Street
Lewiston, ID 83501
Attorneys for AIA Services 401(k) Plan

Via:

- U.S. Mail, Postage Prepaid
- Hand Delivered
- Overnight Mail
- Facsimile
- Email (pdf attachment)

Via:

- U.S. Mail, Postage Prepaid
- Hand Delivered – Via Messenger
- Overnight Mail
- Facsimile
- Email (pdf attachment)

Signed this 26th day of February, 2009, at Lewiston, Idaho.


Ned A. Cannon

✓

FILED

2009 FEB 26 PM 4 55

PATTY O WEEKS
CLERK OF THE DIST. COURT
DEPUTY

Patty Rogers

NED A. CANNON, ISBA No. 2331
SMITH, CANNON & BOND PLLC
508 Eighth Street
Lewiston, Idaho 83501
Telephone: (208) 743-9428
Fax: (208) 746-8421

MICHAEL S. BISSELL, ISB No. 5762
CAMPBELL, BISSELL & KIRBY PLLC
7 South Howard Street, Suite 416
Spokane, WA 99201
Tel: (509) 455-7100
Fax: (509) 455-7111

Attorneys for Plaintiff Reed J. Taylor

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE
STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,

Plaintiff,

v.

AIA SERVICES CORPORATION, an Idaho corporation; AIA INSURANCE, INC., an Idaho corporation; R. JOHN TAYLOR and CONNIE TAYLOR, individually and the community property comprised thereof; BRYAN FREEMAN, a single person; JOLEE DUCLOS, a single person; CROP USA INSURANCE AGENCY, INC., an Idaho Corporation; and JAMES BECK and CORINE BECK, individually and the community property comprised thereof;

Defendants.

Case No.: CV-07-00208

AFFIDAVIT OF MICHAEL S. BISSELL IN OPPOSITION TO CONNIE TAYLOR AND JAMES BECK'S MOTION FOR PARTIAL SUMMARY JUDGMENT, IN SUPPORT OF REED TAYLOR'S MOTION FOR PARTIAL SUMMARY JUDGMENT AGAINST THE DEFENDANTS RE: ILLEGALITY, IN SUPPORT OF MOTION FOR RULE 56(i) CONTINUANCE AND REED TAYLOR'S MOTION TO STRIKE/EXCLUDE EXPERT AFFIDAVITS OF HOOPER AND VOTH

STATE OF WASHINGTON)
) ss:
COUNTY OF SPOKANE)

AFFIDAVIT OF MICHAEL S. BISSELL - 1

ORIGINAL

6995

I, Michael S. Bissell, being first duly sworn on oath, depose and say:

1. I am over the age of eighteen years, competent to testify in court, one of the attorneys for the plaintiff Reed Taylor in this action, and make this Affidavit based upon my personal knowledge.

2. As of the date of this Affidavit, we have still not received any discovery responses from James and Corrine Beck. As of the date of this Affidavit, Connie Taylor and James Beck have not formally disclosed any expert witnesses. Until February 12, 2009 (the date Mr. Hooper and Mr. Voth's Affidavits were filed), my office had no knowledge of either person being named as an expert witness. As of the date of this Affidavit, Connie Taylor has still not provided responses to discovery requests pertaining to expert witnesses, affirmative defenses, and counterclaims.

3. The Affidavit of Kenneth Hooper and the Affidavit of Drew Voth contain references to many financial documents that do not have Bates stamp numbers. It appears that some of the documents that were provided to Mr. Hooper and Mr. Voth that were not Bates stamped may have been provided to us as well. However, we have no way to verify what documents were provided to Mr. Voth and Mr. Hooper. Also, even though Connie Taylor and James Beck's Motion for Partial Summary Judgment has been pending since April 2008, counsel for AIA Services, AIA Insurance and CropUSA has not produced documents and produced substantial documents on February 12, 2009, and several preceding days. We have been provided no information on Mr. Voth or Mr. Hooper except what is contained in their respective Affidavits. As the Court is well aware, we have not been provided the opportunity to depose either Mr. Voth or Mr. Hooper. Finally, we were not advised by any of the Defendants the names of any experts

or that they would be submitting expert affidavits. Attached as **Exhibit 32** are true and correct copies of an exchange of emails between Roderick Bond and Gary Babbitt and John Ashby, prior to the time his Pro Hac Vice Admission was rescinded by this court.

5. We have not been provided appraisals on the assets of AIA Services for 1995 and 1996. As indicated in the July 1, 1996, letter from Richard Riley to Reed Taylor's attorney (*See Exhibit 30 to the Affidavit of Roderick Bond dated February 12, 2009*), AIA Services had in fact appraised AIA Services and the appraisal indicated that the value of all of AIA Services assets exceeded all of its liabilities, including Reed Taylor's debt, by over \$2.5 Million.

6. Shortly after Connie Taylor and James Beck filed for partial summary judgment, Ned Cannon's office prepared a Preliminary Response. In Reed Taylor's Preliminary Response, we asserted that Connie Taylor and James Beck were relying on the wrong section of Idaho Code, specifically, that they were relying upon I.C. § 30-1-46 instead of 30-1-6. Nevertheless, Connie Taylor and James Beck failed to amend their Answer and Counterclaim to assert I.C. § 30-1-6. Therefore, we believed that they would continue to rely on I.C. § 30-1-46. It was not until Connie Taylor and James Beck filed their Supplemental Memorandum (on February 12, 2009) that we were advised that they would now rely upon I.C. § 30-1-6.

7. Attached as **Exhibit 33** are true and correct copies of pertinent pages of the transcript of the deposition of James Beck taken February 2 – February 4, 2009.

8. Attached as **Exhibit 34** are true and correct copies of pertinent pages of the transcript of the deposition of Connie Taylor taken February 5 – 6, 2009.

9. Unless otherwise indicated, the following exhibits are documents

produced to us in the course of discovery by Hawley Troxell, attorneys for AIA Services, AIA Insurance and CropUSA Insurance Agency, Inc. The below documents are true and correct copies to the best of my knowledge as they were produced by the foregoing parties to my firm or Ned Cannon's firm before I was an attorney for Reed Taylor.

- a. Attached as **Exhibit 35** is a copy of an Investment Agreement dated June 30, 1995.
- b. Attached as **Exhibit 36** is a copy of James Beck's Subscription Agreement to purchase his Preferred C Shares in AIA Services.
- c. Attached as **Exhibit 37** is a copy of Michael Cashman and James Beck's Special Option Issued in Exchange for Series C Warrants to Purchase Shares of Common Stock of AIA Services Corporation dated June 30, 1995.
- d. Attached as **Exhibit 38** is a copy of Michael Cashman, James Beck, John Taylor, and Richard Campanaro's Shareholder Voting Agreement dated August 16, 1995.
- e. Attached as **Exhibit 39** is a copy of James Beck's Preferred C Shares Stock Certificate of AIA Services Corporation.
- f. Attached as **Exhibit 40** is a copy of numerous correspondence and Note re: Richard Campanaro's transfer of Preferred C Shares to James Beck and Michael Cashman (he pledged the shares to Beck and Cashman).
- g. Attached as **Exhibit 41** is a copy of a Letter of Transmittal to Corrine Beck from JoLee Duclos of AIA Services Corporation

- regarding the conversion of AIA Services Preferred C Shares to common shares of CropUSA.
- h. Attached as **Exhibit 42** is a copy of Series C Preferred Shareholder Decisions to exchange for Crop USA Shares.
 - i. Attached as **Exhibit 43** is a copy of AIA Services Corporation Preferred C Stock Shareholders List dated December 31, 2002.
 - j. Attached as **Exhibit 44** is a copy of Crop USA Insurance Agency, Inc.'s Series C Preferred Stock Certificate in AIA Services Corporation.
 - k. Attached as **Exhibit 45** is a copy of Minutes of the Meeting of Board of Directors of Crop USA Insurance Agency, Inc. dated January 10, 2001.
 - l. Attached as **Exhibit 46** is a copy of an unsigned Shareholder Agreement between John Taylor and Reed Taylor.
 - m. Attached as **Exhibit 47** is a copy of Crop USA Stock Ledger with various years from 2001 forward.
 - n. Attached as **Exhibit 48** is a copy of Crop USA Stock Shares and Options Outstanding as of July 31, 2006.
 - o. Attached as **Exhibit 49** is a copy of journal entries for Crop USA Stock purportedly purchased by John Taylor and Reed Taylor for the year ended December 31, 2001.
 - p. Attached as **Exhibit 50** is a copy of Crop USA journal entries dated December 31, 2002.

- q. Attached as **Exhibit 51** is a copy of AIA Insurance/Crop USA AmericanWest Bank Statement dated August 5, 2004. The address indicated on this statement is John Taylor's home address.
- r. Attached as **Exhibit 52** is a copy of Crop USA Insurance Agency, Inc. Financial Statements for years ended December 31, 2004 and 2003.
- s. Attached as **Exhibit 53** is a copy of AIA Services Business Plan.
- t. Attached as **Exhibit 54** is a copy of AIA Insurance Accounting workpaper re: Growers National showing AIA paying the organizational fees and paying Growers National a endorsement fee.
- u. Attached as **Exhibit 55** is a copy of an email to John Taylor from Jim Beck re Summary of Conversation dated February 16, 2005.
- v. Attached as **Exhibit 56** is a copy of an email to Kent Petersen from John Taylor re Crop USA Term Sheet dated July 5, 2006, the email below this email was from James Beck to John Taylor.
- w. Attached as **Exhibit 57** is a copy of AIA Services' Shareholder Stock Ledgers for 1995 – 2007.
- x. Attached as **Exhibit 58** is a copy of payments made to Reed Taylor in various years
- y. Attached as **Exhibit 59** is a copy of an aircraft transfer value and payoff to Reed Taylor (the workpapers for the aircraft transferred to Reed Taylor) and a copy of the Cessna Finance receipt showing

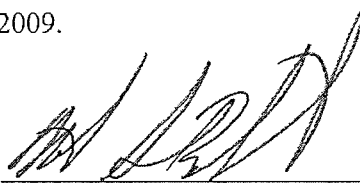
- the balance had been paid on the aircraft.
- z. Attached as **Exhibit 60** is a copy of Annual Reports for AIA Services Officers and Directors for 1995 – 2006.
 - aa. Attached as **Exhibit 61** is a copy of AIA Services Preferred C Share dividends paid for 1995-1997.
 - bb. Attached as **Exhibit 62** is are copies of various common stock redemptions for AIA Services after Reed Taylor's shares were redeemed.
 - cc. Attached as **Exhibit 63** is a copy of the Articles of Incorporation and annual reports for Pacific Empire Radio, Pacific Empire Communications, Radio Leasing, Radio Leasing II, and Pacific Empire Holdings.
 - dd. Attached as **Exhibit 64** is a copy of an Asset Purchase Agreement by and between Pacific Empire Radio Corporation and Pacific Empire Holdings Corporation and Crop USA Insurance Agency, Inc. effective November 1, 2006.
 - ee. Attached as **Exhibit 65** is a copy of AIA Services Investment in Common Stock workpapers dated June 30, 2006.
 - ff. Attached as **Exhibit 66** is a copy of a Stock Transfer Agreement between AIA Services and Pacific Empire Communications Corporation dated December 31, 1997.
 - gg. Attached as **Exhibit 67** is a copy of a Stock Ledger of Pacific Empire Communications Corporation updated February 1, 2002.

- hh. Attached as **Exhibit 68** is a copy of an email from Jerry Andersen to John Taylor re Intercompany Entry dated April 3, 2002.
- ii. Attached as **Exhibit 69** is a copy of a Notice for a special shareholders meeting of Crop USA dated August 18, 2008.
- jj. Attached as **Exhibit 70** is a copy of an John Taylor's offer to Purchase to Camas Prairie RailNet, Inc. dated November 20, 2001, together with a copy of a loan report that was in AIA Insurance's workpapers discussing how John Taylor obtained \$6,500 from AIA's line of credit to buy the parking lot.
- kk. Attached as **Exhibit 71** is a copy of an AIA Insurance account analysis of items paid by AIA for John Taylor as of December 31, 2004.
- ll. Attached as **Exhibit 72** is a copy of an AIA Insurance Interoffice Memo transaction with John Taylor dated December 15, 2004.
- mm. Attached as **Exhibit 73** is a copy of an AIA Insurance Invoice for Advantage Insurance Agency dated December 31, 1997.
- nn. Attached as **Exhibit 74** is a copy of a Litigation Management and Fee Guaranty Agreement for AIA Insurance dated October 21, 2003.
- oo. Attached as **Exhibit 75** is a copy of AIA Insurance Quarterly Workpapers dated December 31, 2004. These workpapers are significant because they detail all of the electronic files available at AIA, none which have been produced to date.

- pp. Attached as **Exhibit 76** are true and correct copies of pertinent pages of the transcript of the deposition of John Taylor taken January 28, 2008.
- qq. Attached as **Exhibit 77** are true and correct copies of pertinent pages of the transcript of the deposition of John Taylor taken January 29, 2008.
- rr. Attached as **Exhibit 78** is a copy of AIA Services' August 16, 1995, board meeting minutes.
- ss. Attached as **Exhibit 79** is a copy of the job description for JoLee Duclos.
- tt. Attached as **Exhibit 80** is a copy of the June 24, 1997, AIA Services board meeting minutes.
- uu. Attached as **Exhibit 81** is a copy of the amortization schedule for the payment of Donna Taylor's redemption payments. Although this schedule does not include semi-annual payments of \$100,000 as contemplated under the Series A Preferred Shareholder Agreement, the schedule shows Ms. Taylor should have been paid off in 2003.
- vv. The workpapers provided to us show that AIA Services submitted a \$50,000 payment to Eberle Berlin for "consulting fees" and then the accounting personnel wrote off the \$50,000.
- ww. After reviewing all records and documents provided to us, my office has been unable to locate any loans guaranteed by James

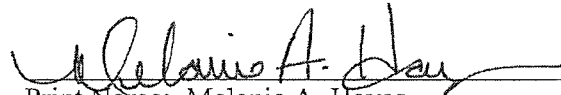
Beck or Michael Cashman for AIA Services or AIA Insurance.

DATED: This 26th day of February, 2009.



Michael S. Bissell

SUBSCRIBED AND SWORN to before me this 26th day of February, 2009.



Print Name: Melanie A. Hayes

Notary Public in and for the State of

Washington, residing at: Deer Park

My commission expires: 10/17/09

Roderick C. Bond

From: Roderick C. Bond
Sent: Monday, February 23, 2009 10:10 AM
To: 'John Ashby'
Cc: Mike Bissell; Ned A. Cannon; Gary Babbitt; JJG@quarles.com; Charles E. Harper; david@gittinslaw.com; David Risley; mmcnichols@clbrmc.com; CharlesABrown@cableone.net; 'rjt@lewistondsl.com'; James D. LaRue; 'jjj@hljlawyers.com'
Subject: RE: Taylor v. AIA Services, et al. [DMSMSG1.FID319790]

John:

I will do what I need to do and will correct any mistake that I make. If you know of any documents that have not been produced, please tell me. Likewise, if you know of documents that have been produced, please tell me. We have never been provided any documents, correspondence or communications evidencing what has been provided to Hooper and Voth.

Your ethics allegation is like the pot calling the kettle black. BTW, where are the appraisals on the value of the company for 1995??????? We know they exist, as does your very own Richard Riley. When do you believe that we will ever see all the documents????? I am making a record of everything. Over 2 years have elapsed and you are still holding back documents. Bogle and Gates is starting to sound familiar.

Rod

From: John Ashby [mailto:jashby@hawleytroxell.com]
Sent: Monday, February 23, 2009 10:04 AM
To: Roderick C. Bond
Cc: Mike Bissell; Ned A. Cannon; Gary Babbitt; JJG@quarles.com; Charles E. Harper; david@gittinslaw.com; David Risley; mmcnichols@clbrmc.com; CharlesABrown@cableone.net
Subject: RE: Taylor v. AIA Services, et al. [DMSMSG1.FID319790]

Rod,

You have filed an affidavit, under oath, affirmatively stating that certain documents reviewed by the experts have not been produced. I believe that all documents relied upon by the experts have been produced. Again, if there are documents relied upon by the experts that you believe have not been produced, please identify them. If not, you should correct your affidavit.

-- John

From: Roderick C. Bond [mailto:rod@scblegal.com]
Sent: Monday, February 23, 2009 9:54 AM
To: John Ashby
Cc: Mike Bissell; Ned A. Cannon; Gary Babbitt; JJG@quarles.com; Charles E. Harper; david@gittinslaw.com; David Risley; mmcnichols@clbrmc.com; James D. LaRue; jjj@hljlawyers.com; rjt@lewistondsl.com
Subject: RE: Taylor v. AIA Services, et al. [DMSMSG1.FID319790]

John:

I have not had time to review all of the documents that were produced on the date everyone submitted the new expert affidavits. Thus, I based my affidavit in part by the fact that there were many documents referenced in the expert affidavits that did not have bates stamped numbers on them. I would point out that even if you had

AFFIDAVIT OF MICHAEL S. BISSELL

EXHIBIT

7005

32

2/25/2009

produced all of the documents on the 12th, it was wholly inappropriate to wait until the last minute. You and your clients' failure to produce documents in this action is nothing short of shameful and has been prejudicial to Reed Taylor. I will be ready by the time the hearing to identify which ones, but obviously the experts had documents that were not bates stamped and not produced to us before they provided testimony. I will give you a further update, but you can help by telling me if you have produced all of the documents identified in the expert witness affidavits of Hooper and Voth and when you produced them. Thanks.

Rod

From: John Ashby [mailto:jashby@hawleytroxell.com]
Sent: Monday, February 23, 2009 8:44 AM
To: Roderick C. Bond
Cc: Mike Bissell; Ned A. Cannon; Gary Babbitt; JJG@quarles.com; Charles E. Harper; david@gittinslaw.com; David Risley; mmcnicols@clbrmc.com
Subject: RE: Taylor v. AIA Services, et al. [DMSMSG1.FID319790]

Rod,

Your affidavit states that you have not been provided with certain documents relied upon by the expert witnesses. Please identify the documents to which you are referring. Thanks.

-- John

D. John Ashby
 direct 208.388.4844
 fax 208.954.5200
 web hawleytroxell.com

HAWLEY TROXELL
 Attorneys and Counselors

This e-mail message from the law firm of Hawley Troxell Ennis & Hawley, LLP is intended only for named recipients. It contains information that may be confidential, privileged, attorney work product, or otherwise exempt from disclosure under applicable law. If you have received this message in error, are not a named recipient, or are not the employee or agent responsible for delivering this message to a named recipient, be advised that any review, disclosure, use, dissemination, distribution, or reproduction of this message or its contents is strictly prohibited. Please notify us immediately at 208.344.6000 if you have received this message in error, and delete the message.

From: Roderick C. Bond [mailto:rod@scblegal.com]
Sent: Thursday, February 19, 2009 4:32 PM
To: Gary Babbitt; John Ashby; JJG@quarles.com; Charles E. Harper; david@gittinslaw.com; David Risley; mmcnicols@clbrmc.com; James D. LaRue; jjj@hljlawyers.com
Cc: rjt@lewistondsl.com; Mike Bissell; Ned A. Cannon
Subject: Taylor v. AIA Services, et al.

Counsel:

Attached are the following documents filed today (or given to Judge Brudie in the case of the letter and notices of hearings);

1. Motion to Shorten Time for Various Hearings;
2. Motion to Compel, Sequence Hearings, Rule 56(f) Continuance and Request to Strike Hearings;
3. Supplemental Affidavit of Roderick C. Bond; and
4. Letter and Blank Notices of Hearings for Judge Brudie.

AFFIDAVIT OF MICHAEL S. BISSELL

7806

Hard copies will not be forthcoming. Please contact my office if you are unable to open or view the attached files.
Thank you.

Rod

By: Roderick C. Bond
Smith, Cannon & Bond PLLC
508 Eighth St.
Lewiston, ID 83501
Tel: (208) 743-9428
Fax: (208) 746-8421
rod@scblegal.com

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AFFIDAVIT OF MICHAEL S. BISSELL

7007

2/25/2009

Roderick C. Bond

From: Roderick C. Bond
Sent: Monday, February 23, 2009 10:17 AM
To: 'John Ashby'
Cc: Mike Bissell; Ned A. Cannon; Gary Babbitt; JJG@quarles.com; Charles E. Harper; david@gittinslaw.com; David Risley; mmcnichols@clbrmc.com; CharlesABrown@cableone.net; 'jjj@hljlawyers.com'; James D. LaRue
Subject: RE: Taylor v. AIA Services, et al. [DMSMSG1.FID319790]

John:

Also, unless we are provided copies of the documents provided to the experts or certification from the experts that certain documents that were not identified by bates stamp numbers were produced and that copies were later produced with bates stamp numbers, and that the documents are the one and the same, my affidavit stands true and correct without me ever needing to reviewing and compare every single document. Again, your last minute production of documents (even if proof is provided that they are the same exact documents as those provided to the experts) is shameful and violations of civil rules and procedures and the RPCs.

Rod

From: John Ashby [mailto:jashby@hawleytroxell.com]
Sent: Monday, February 23, 2009 10:04 AM
To: Roderick C. Bond
Cc: Mike Bissell; Ned A. Cannon; Gary Babbitt; JJG@quarles.com; Charles E. Harper; david@gittinslaw.com; David Risley; mmcnichols@clbrmc.com; CharlesABrown@cableone.net
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John:

I have not had time to review all of the documents that were produced on the date everyone submitted the new expert affidavits. Thus, I based my affidavit in part by the fact that there were many documents referenced in the expert affidavits that did not have bates stamped numbers on them. I would point out that even if you had produced all of the documents on the 12th, it was wholly inappropriate to wait until the last minute. You and your clients' failure to produce documents in this action is nothing short of shameful and has been prejudicial to Reed Taylor. I will be ready by the time the hearing to identify which ones, but obviously the experts had documents

AFFIDAVIT OF MICHAEL S. BISSELL

7008

that were not bates stamped and not produced to us before they provided testimony. I will give you a further update, but you can help by telling me if you have produced all of the documents identified in the expert witness affidavits of Hooper and Voth and when you produced them. Thanks.

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D. John Ashby
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 web hawleytroxell.com

HAWLEY TROXELL
Attorneys and Counselors

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Cc: rjt@lewistondsl.com; Mike Bissell; Ned A. Cannon
Subject: Taylor v. AIA Services, et al.

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2. Motion to Compel, Sequence Hearings, Rule 56(f) Continuance and Request to Strike Hearings;
3. Supplemental Affidavit of Roderick C. Bond; and
4. Letter and Blank Notices of Hearings for Judge Brudie.

Hard copies will not be forthcoming. Please contact my office if you are unable to open or view the attached files. Thank you.

Rod
 AFFIDAVIT OF MICHAEL S. BISSELL

7009

By: Roderick C. Bond
Smith, Cannon & Bond PLLC
508 Eighth St.
Lewiston, ID 83501
Tel: (208) 743-9428
Fax: (208) 746-8421
rod@scblegal.com

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Roderick C. Bond

From: Gary Babbitt [gbabbitt@hawleytroxell.com]
Sent: Tuesday, February 24, 2009 10:19 AM
To: Roderick C. Bond
Cc: Mike Bissell; David Risley; David Gittins; Michael McNichols; JJG@quarles.com; Charles E. Harper; Ned A. Cannon; rjt@lewistondsl.com; James D. LaRue; jjj@hljlawyers.com; CharlesABrown@cableone.net; Jolee Duclos
Subject: RE: Your Affidavit: Documents Not Produced [DMSMSG1.FID319790]

Rod,

1. The documents referenced in the Voth and Hooper Affidavits have been produced to you (I am sure that you checked your data base already to verify that). The issue of additional documents reviewed by Voth and Hooper are covered in their respective affidavits which speak for themselves.

2. The following valuations (ie appraisals) have been previously produced and exist in your possession ,which apparently you forgot:

| Date | Initial Page |
|---------|--------------|
| 12/2006 | AIA 0026724 |
| 12/2005 | AIA 0026753 |
| 12/2004 | AIA 0026786 |
| 12/2002 | AIA 0026852 |
| 12/2001 | AIA 0026888 |
| 12/2000 | AIA0026918 |
| 12/1999 | AIA0026936 |
| 12/1999 | AIA0026971 |
| 12/1998 | AIA0026955 |

3. There are not appraisals per se in the 1995-1996 time. There are many financial documents that have been produced to you which contain information relating to value which you or your expert can best review.

I ask again for you identify the documents referenced in your affidavit which you now claim have not been produced to you.

Gary

** Please note that as of 1/1/2009 my e-mail address has changed from GDB@hteh.com to GBabbitt@hawleytroxell.com . Please make the appropriate changes to your address directory.

GARY D. BABBITT
 AFFIDAVIT OF MICHAEL S. BISSELL

7011

2/25/2009

Attorney
 direct 208.388.
 fax 208.954.5201
 email GBabbitt@hawleytroxell.com
 web www.hawleytroxell.com

HAWLEY TROXELL
Attorneys and Counselors

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From: Roderick C. Bond [mailto:rod@scblegal.com]
Sent: Monday, February 23, 2009 2:34 PM
To: Gary Babbitt
Cc: Mike Bissell; David Risley; David Gittins; Michael McNichols; JJG@quarles.com; Charles E. Harper; Ned A. Cannon; rjt@lewistondsl.com; James D. LaRue; jjj@hljlawyers.com; CharlesABrown@cableone.net
Subject: RE: Your Affidavit: Documents Not Produced

Gary:

There are many documents referenced in the affidavits of Hooper and Voth without bates stamp numbers, which were never previously produced to us prior to being produced to the expert witnesses. Have all the documents referenced in Mr. Hooper and Mr. Voth's affidavit been produced to us? Have all documents that were provided to Mr. Hooper and Mr. Voth been produced to us (regardless of whether or not they relied upon them in their affidavit testimony)? There have been documents that have been produced and then revised ones produced later, i.e., Aimee Gordon's affidavit contains a new page in Exhibit 1 that was not previously attached to Connie Taylor's Affidavit. You provided a number of documents at the last minute when you knew that they had already been provided to expert witnesses. Tell me how that is fair play after 2 years? Tell me how waiting after 2 years to produce documents 30 days before a hearing that has been scheduled for several weeks fair?

Why have no appraisals conducted in 1995 and 1996 to value AIA Services been produced to us? We know they exist. Why have no valuations on going public been produced? We know they exist as well. We have been waiting 2 years for all appraisals going back to 1995. There are many unanswered questions and many un-produced documents. How do you propose that we proceed after 2 years of stalling, delay and lack of full and complete production?

I would also like to point out the "free access" the 401(k) Plan has received to any and all documents when the Plan has never submitted a single discovery request and has never produced all documents to us that it has obtained. The Civil Rules have meant nothing to properly and timely producing documents to Reed Taylor, yet the Plan gets free and full access before it is even a party in this action. I will reiterate what I told John Ashby...it is shameful what has transpired in this action. Frankly, I really don't care what any of you think, I am going to freely call a "spade" a "spade."

I look forward to hearing your response and seeing the immediate production of further documents. Thank you.

Rod

From: Gary Babbitt [mailto:gbabbitt@hawleytroxell.com]
Sent: Monday, February 23, 2009 1:16 PM
To: Roderick C. Bond
Cc: Mike Bissell; David Risley; David Gittins; Michael McNichols; JJG@quarles.com; Charles E. Harper; Jolee Duclos; John Taylor
Subject: Your Affidavit: Documents Not Produced
 AFFIDAVIT OF MICHAEL S. BISSELL

7012

2/25/2009

Dear Rod

In respect to the emails between you and John relating to the assertions in your affidavit concerning documents which the experts Voth and Hooper have used, we are simply trying to identify to which documents you are referring. If you can identify a document in their affidavit which has not been produced to you, we will produce that document. We are simply inquiring with you in a very civil manner to identify that which you claim not to have been produced to you.

Thank you, Gary

** Please note that as of 1/1/2009 my e-mail address has changed from GDB@hteh.com to GBabbitt@hawleytroxell.com . Please make the appropriate changes to your address directory.

GARY D. BABBITT

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HAWLEY TROXELL

Attorneys and Counselors

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AFFIDAVIT OF MICHAEL S. BISSELL

2/25/2009

7013

IN THE DISTRICT COURT OF THE SECOND
JUDICIAL DISTRICT OF THE STATE OF IDAHO,
IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single)
person,)
)
)
Plaintiff,) Case No. CV-07-00208
) VOLUME I

vs)
)
AIA SERVICES CORPORATION, an)
Idaho corporation; AIA)
INSURANCE, INC., an Idaho)
corporation; R. JOHN TAYLOR)
and CONNIE TAYLOR,)
individually and the community)
property comprised thereof;)
BRYAN FREEMAN, a single)
person; JOLEE DUCLOS, a single)
person; CROP USA INSURANCE)
AGENCY, INC., an Idaho)
corporation; and JAMES BECK)
and CORRINE BECK, individually)
and the community property)
comprised thereof,)
)
)
Defendants.)

_____)
Taken at 322 Main Street
Lewiston, Idaho
Monday, February 2, 2009 - 9:13 a.m.

D E P O S I T I O N

OF

JAMES BECK
AFFIDAVIT OF MICHAEL S. BISSELL

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EXHIBIT

33

tabbies

1 if you had a bio or anything. What would you represent?
 2 Tell me how you'd describe yourself in a bio if somebody
 3 said --
 4 **A. Okay.**
 5 Q. -- give me a couple paragraphs on James Beck?
 6 **A. I don't think I could fill two paragraphs, but**
 7 **I could fill one. And, I've primarily been an**
 8 **entrepreneur my entire business career. Primarily in**
 9 **the areas of sales, putting an organization together. I**
 10 **have raised some equity in the past, pretty limited.**
 11 Q. Taking companies public in the past?
 12 **A. No.**
 13 Q. So that's all, that's all you would represent
 14 yourself as, as far as your expertise or what you bring
 15 to the table to a company?
 16 **A. In summary, yeah.**
 17 Q. Would you, would you say that you're an exit
 18 strategy specialist in any way?
 19 **A. Specialist?**
 20 Q. Would you tell somebody, hey, I'm good at
 21 creating exit strategies?
 22 **A. Well, I've participated in that activity, but a**
 23 **specialist, no.**
 24 Q. So you wouldn't represent that in a bio or
 25 anything then?

1 **A. I don't think so, no.**
 2 Q. Okay. And, how many years have you been in the
 3 insurance industry?
 4 **A. Oh, I sold insurance for about, almost twenty**
 5 **years.**
 6 Q. What kind of insurance was that?
 7 **A. Life, health, group insurance, that sort of**
 8 **thing.**
 9 Q. And, in your experience, did you acquire any
 10 companies' books of business or any of those sorts of
 11 assets with regard to health policies?
 12 **A. No. You mean other peoples' books of business?**
 13 Q. Right.
 14 **A. No.**
 15 Q. Okay. Do you know how to value those books of
 16 business at all?
 17 **A. Well, I'd have my own impression of how much**
 18 **they were worth, but I'm not skilled at valuing them,**
 19 **no.**
 20 Q. Do you ever hear people in the industry say,
 21 you know, time and a half yearly commissions, two times
 22 commissions?
 23 **A. Oh, sure. There's some industry standards.**
 24 Q. And what's your knowledge of the industry
 25 standards for a healthcare book of business?

1 **A. A healthcare?**
 2 Q. Yeah.
 3 **A. I don't have any knowledge of that --**
 4 Q. Okay.
 5 **A. -- right now today.**
 6 Q. Okay. So, when you were in negotiations to
 7 invest in AIA Services, what methodology did you use to
 8 figure out what you thought the company was worth or,
 9 you know, why you would want to invest?
 10 **A. The -- there are a couple of things that**
 11 **interested us in that, in that business. One was the**
 12 **captive market that they had with the, with the growers'**
 13 **associations. So that was a, it was a business model**
 14 **that had some real attraction. In terms of the value of**
 15 **the book of business that they currently had, they**
 16 **always had appraisals. At AIA they always had**
 17 **appraisals every year, so there were independent parties**
 18 **that participated in that. I mean, I could estimate**
 19 **what the cash flow, what I thought the cash flow was**
 20 **worth, but that, nobody's going to rely on that.**
 21 Q. What did you think the cash flow was worth?
 22 **A. Specifically?**
 23 Q. Sure.
 24 **A. I don't remember what the numbers were as of**
 25 **right now. I mean, that was quite a few years ago.**

1 Q. Okay. And, and would -- if I told you that
 2 from 1995 through 2005, AIA Services and its
 3 subsidiaries generated over sixty-five million in
 4 commissions, what would that be worth to you for ten
 5 years?
 6 **A. What would it be worth to me?**
 7 Q. Yeah, in 1995. If somebody came to you and
 8 said --
 9 **A. I don't know. I can't possibly --**
 10 Q. -- I've got sixty-five million dollars of
 11 revenues that I'm going to guarantee --
 12 **A. It depends upon what the expenses are against**
 13 **it. It depends on your obligations to third parties.**
 14 Q. Or other businesses you might be running out of
 15 AIA Services or, you know, if they're into other --
 16 **A. Whatever the variables --**
 17 Q. -- activities?
 18 **A. -- are that encompass that. I have no idea.**
 19 Q. You have no idea the --
 20 MR. RISLEY: Mr. Beck, it's going to be
 21 impossible to transcribe this colloque if you're both
 22 talking at the same time. So it's going to be
 23 difficult, but please wait for Mr. Bond to finish before
 24 you start speaking.
 25 MR. BECK: Sorry.

7015

1 Q. (BY MR. BOND) So you have no idea what you
 2 felt AIA Services and its subsidiaries were worth prior
 3 to the time you invested in 1995 or at the time you
 4 invested in 1995?
 5 **A. No, that would not be true. At the -- in 1995,**
 6 **when we invested, given the information that we were**
 7 **provided and the business model that we were going to**
 8 **proceed under, we did have some sort of an idea what the**
 9 **value was worth then and what it could be worth in the**
 10 **future.**
 11 Q. And what do you think that value was?
 12 **A. I don't remember now.**
 13 Q. Are there any documents that you have that
 14 would inform us as to what that value was?
 15 **A. Not to my knowledge, no.**
 16 Q. None of those would be in the documents
 17 provided to Mr. Risley that you reviewed before today?
 18 **A. No.**
 19 Q. And you mentioned that you were, I'm not trying
 20 to use your words, but I'm just going to say you were
 21 intrigued by the association relationships and contracts
 22 that AIA Services had and felt there was value there, is
 23 that a fair statement?
 24 **A. Yes.**
 25 Q. And, would you subscribe any value to those

1 never been a member of the board of directors of AIA
 2 Insurance?
 3 **A. I'm a member of one of them. And if I could**
 4 **ask somebody for some help, I could maybe talk to JoLee,**
 5 **and she could tell me who it is, which one it is.**
 6 Q. So, to your recollection, there's been no board
 7 meetings of AIA Insurance that you've attended?
 8 **A. I didn't say that.**
 9 Q. Since this lawsuit was filed?
 10 **A. No. We have had board meetings.**
 11 Q. And were you a member of the board on those
 12 meetings?
 13 **A. I was in attendance at the board meetings of**
 14 **the company of which I am a board member.**
 15 Q. Okay. And to your knowledge you're not a
 16 member of the board of directors of both AIA Services
 17 Corporation and AIA Insurance, Inc.?
 18 **A. That's my recollection, yes.**
 19 Q. Besides JoLee Ducos, is there anyone else that
 20 would know that information?
 21 MR. RISLEY: Just for the record, we're getting
 22 outside the scope of what I perceive the judge's order
 23 to be. I don't think there's anything I care to object
 24 to. I just want to preserve a continuing objection to
 25 any inquiry beyond the scope of the judge's order. But

1 relationships?
 2 **A. At the time, sure.**
 3 Q. At the time?
 4 **A. Sure.**
 5 Q. And, any ideas?
 6 **A. I, I just don't remember specifically.**
 7 Q. A million dollars?
 8 **A. I just don't remember specifically.**
 9 Q. Five hundred thousand?
 10 **A. I don't know how to answer anything other than**
 11 **I can't remember specifically.**
 12 Q. And are you still presently a member of the
 13 board of directors of AIA Services and AIA Insurance?
 14 **A. No. Oh, yes, I am, excuse me. Yes, I am.**
 15 Q. And --
 16 **A. It's just one of them. It's AIA Services. I**
 17 **can't remember.**
 18 Q. Did you resign --
 19 **A. One of them.**
 20 Q. -- from AIA Insurance?
 21 **A. Yes.**
 22 Q. And when was that?
 23 **A. I don't remember, 2 -- '90 -- in the late '90s**
 24 **sometime.**
 25 Q. So since this lawsuit has been filed, you've

1 for this introductory stuff, go ahead.
 2 MR. BOND: As I said earlier, we'll get the
 3 judge on the phone early this afternoon so we can get
 4 that clarified.
 5 Q. (BY MR. BOND) And, Mr. Cash -- or, Mr. Beck,
 6 sorry, do you, do you use e-mail frequently?
 7 **A. Yes.**
 8 Q. And would it be standard practice for you to
 9 e-mail people at AIA Services or AIA Insurance?
 10 **A. If they ask for a response I would, yes.**
 11 Q. Or, the same with Crop USA?
 12 **A. Sure.**
 13 Q. Okay. And, can you tell me what your e-mail
 14 addresses are right now?
 15 **A. Jbeck@emclic.us.**
 16 Q. Is that your only e-mail account?
 17 **A. Yes.**
 18 Q. And how long has that been your e-mail account?
 19 **A. Four years.**
 20 Q. And what was your e-mail account before that?
 21 **A. I don't remember. I do remember. It was**
 22 **jbeck@intepro.us.**
 23 Q. Can you spell that for us?
 24 **A. J-B-E-C-K at I-N-T-E-P-R-O dot US.**
 25 Q. And, do you communicate with any other officers

1 Q. I'd like you to turn to page, page nine,
2 starting at nine, there's a section that says,
3 conditions to investors, obligations at closing. Do you
4 see section nine (d)?
5 **A. Yes.**
6 Q. What's your understanding of that section?
7 **A. Well, since I don't have any recollection of**
8 **it, I'll have to read it.**
9 Q. Okay. Go ahead and read the whole of nine.
10 **A. Okay.**
11 Q. So, can you tell me what your understanding of
12 section nine (d) is?
13 **A. Well, it's pretty self evident. Starting with**
14 **nine (a) through (h). I mean, it's, it's all written**
15 **right there. I'm not sure what your question is. I**
16 **don't remember the document at all.**
17 Q. Okay. So you don't recall you putting that
18 condition that Reed Taylor's shares be successfully
19 negotiated, the transaction to redeem his shares?
20 **A. I don't remember this document at all.**
21 Q. Okay. And do you remember as part of your
22 investment into AIA Services that you and Mr. Cashman
23 agreed to personally guarantee loans for AIA Services?
24 **A. No, I don't.**
25 Q. Okay. And, did you or Mr. Cashman ever

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1 personally guarantee any loans for AIA Services?
2 MR. BABBITT: Object to the compound, to the
3 compound question.
4 Q. (BY MR. BOND) Did you ever guarantee any loans
5 for AIA Services or its subsidiaries?
6 **A. I just don't remember that we did.**
7 Q. And, do you see the bottom of page six, it says
8 the company has been -- section (e), the company has
9 furnished the investors the company's private placement
10 memorandum dated January 12th, 1995. The company has
11 also furnished to the investors the December 31st, 1994,
12 and March 31st, 1995, draft financial statements. So,
13 if by signing that document, this document, do you
14 believe that to be a true statement?
15 **A. Yes, I would think so. Sure.**
16 Q. So, the fact that you became a series C
17 preferred shareholder in AIA Services, you, Campanaro
18 and Cashman would have been satisfied that the
19 conditions were met to -- which would require you to
20 purchase the shares, true?
21 **A. No, that's not true. This lays out conditions**
22 **under which we would make an investment. I don't have a**
23 **recollection of ever having done this.**
24 Q. And so this document doesn't refresh your
25 memory at all as to Mr. Campanaro pledging shares of

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1 stock to you for a loan or any of those related
2 transactions?
3 **A. No, it really doesn't.**
4 Q. And under section three of page four it says
5 the investors will personally guarantee one million
6 dollars of a loan with West One Bank. Do you know, does
7 that help refresh your memory whether that loan was
8 ever....
9 **A. It does not, no.**
10 Q. Okay. So is it a fair statement that if you
11 and Mr. Cashman, Mr. Campanaro were not satisfied with
12 the conditions laid out in this agreement then you had
13 the ability to not invest in AIA Services?
14 **A. Correct.**
15 MR. BOND: And, let's mark Exhibit No. 6.
16 EXHIBITS:
17 (Deposition Exhibit No. 6 marked for
18 identification.)
19 MR. BOND: Exhibit 6 is the first addendum to
20 the investment agreement.
21 MR. RISLEY: Gary, did you hear the
22 identification of Exhibit 6? Gary?
23 MR. BABBITT: What is it?
24 MR. RISLEY: It's the first addendum to the
25 investment agreement.

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1 MR. BABBITT: First addendum to the -- okay.
2 MR. BOND: It's the first addendum to the
3 investment agreement dated June 30th, 1995, entered into
4 effective, a blank date, says July 1995, the same
5 parties.
6 Q. (BY MR. BOND) Mr. Beck, can you tell me if
7 that's your signature -- well, I don't think your
8 signature is on it. Do you recall this agreement?
9 **A. No.**
10 Q. Now, can you turn to the last page.
11 **A. (Witness complies.)**
12 Q. It's a letter attached to that that talks about
13 the first addendum to the investment agreement with
14 revisions which Dick Riley and I spoke about. Do you
15 recall any negotiations or anything regarding this first
16 addendum?
17 **A. No.**
18 Q. And, page two, paragraph three it mentions that
19 should the investors agree to deposit the one point five
20 million into escrow, pending closing of the
21 preconditions for the closing of this transaction, that
22 they would pay interest. Do you recall that?
23 **A. I don't recall anything of this document.**
24 Q. Do you recall paying your subscription money in
25 to escrow to purchase your shares in AIA Services?

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1 **A. The one that I have in my, that I had in my**
2 **possession was correct. I'm assuming this is a copy of**
3 **one that's correct. I don't have any reason to believe**
4 **it's not correct.**
5 Q. Okay. And, according to this certificate, you
6 were issued thirty-three thousand, three hundred and
7 thirty-three shares of class C preferred stock in AIA
8 Services on the 15th day of August, 1995, is that true?
9 **A. That's what it says.**
10 Q. And again, do you have any reason to believe
11 this wouldn't be --
12 **A. No, I don't.**
13 Q. And, to your recollection, are these the same
14 shares that were later reissued into your wife's name?
15 Which, we don't know what timeframe that was but at some
16 point in time after this.
17 **A. I don't know.**
18 Q. Okay.
19 MR. BOND: Exhibit 10 is special warrant for
20 the purchase of common shares in AIA Services.
21 EXHIBITS:
22 (Deposition Exhibit No. 10 marked for
23 identification.)
24 MR. RISLEY: Gary, did you hear that
25 identification?

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1 MR. BABBITT: Yes, I heard that.
2 Q. (BY MR. BOND) Have you seen this document
3 before, Mr. Beck?
4 **A. I think so, yes.**
5 Q. Okay. Under section three, page two, does
6 that, does that paragraph three A, with subs A-1 through
7 A-3 ring a bell to you?
8 **A. Not specifically, no.**
9 Q. Let's start with one. From the date you became
10 a shareholder in 1995 through now, has AIA Services ever
11 received at least five million dollars in gross proceeds
12 being raised to any registration under the Securities
13 Act of 1933?
14 **A. I don't think so, no.**
15 Q. Subsection two, has there been an offering
16 pursuant to exemptions from registration under the 1933
17 act in which gross proceeds of at least five million are
18 raised, and again since the date you became a
19 shareholder in 1995?
20 **A. Was there ever an offering prepared?**
21 Q. With gross proceeds of at least five million
22 dollars?
23 **A. Well, there was an offering that was put**
24 **together --**
25 Q. Are raised?

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1 **A. There was --**
2 Q. Was five million ever raised by AIA Services
3 since you were a shareholder?
4 **A. Sorry, I didn't mean to interrupt.**
5 Q. That's all right. Go ahead. It's all
6 confusing.
7 **A. Please re-ask the question.**
8 Q. To your knowledge has five million dollars ever
9 been raised in an offering since you became a
10 shareholder in 1995?
11 **A. No. The money has not been raised, that's**
12 **correct.**
13 Q. And, subsection A-3 again, the sale of any
14 securities convertible into company common stock in an
15 offering that conforms to the parameters of
16 subparagraphs one and two above, that hasn't been done
17 either, has it?
18 **A. Not to my knowledge.**
19 MR. BOND: Okay. Exhibit 11 is a special
20 option issuing exchange for C warrants.
21 EXHIBITS:
22 (Deposition Exhibit No. 11 marked for
23 identification.)
24 Q. (BY MR. BOND) Does this document look familiar
25 to you at all, Mr. Beck?

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1 **A. I don't have any specific recollection of it.**
2 Q. Okay. Let's turn to page two again, paragraph
3 three, since you became a shareholder in 1995, has there
4 been an offering of five million being raised in any
5 gross proceeds?
6 **A. Yes.**
7 Q. There has?
8 **A. Yes.**
9 Q. And what offering was that?
10 **A. It was an offering in '95 or '96.**
11 Q. The offering that you invested in?
12 **A. No. I invested prior to the offering being**
13 **made.**
14 Q. The company hasn't had a single offering that's
15 raised five million or more since you've become a
16 shareholder, isn't that true?
17 **A. It has made an offering. It put together an**
18 **offering.**
19 Q. That's raised, five million raised?
20 **A. They did not raise.**
21 Q. Okay.
22 **A. But you asked me if -- well, never....**
23 Q. Sorry. I apologize if I was, my question
24 wasn't accurate. So, so, does the provision three A-1,
25 2 and 3, the similar, well, identically virtually -- I

Page 77

1 mean, I'm not comparing them, but has either 1, 2, or 3
2 been achieved since you became a shareholder?
3 **A. An offering was made. The money was not**
4 **raised.**
5 Q. Right. And both of these subsections, one and
6 two state that at least five million are raised,
7 correct?
8 **A. Yes, that's correct.**
9 Q. Okay. So, help me to understand how you became
10 an AIA Services common shareholder, because based upon
11 Exhibits 10 and 11, the conditions were never met?
12 **A. That's correct.**
13 Q. Okay. So how did you become an AIA Services
14 common shareholder?
15 **A. Eventually when the preferred shares were no**
16 **longer paying dividends or paying the distributions, we**
17 **eventually just converted to common shares.**
18 Q. Common shares in Crop USA?
19 **A. Common shares in AIA is my recollection.**
20 Q. So your series C preferred shares were all
21 converted to common shares in AIA Services?
22 **A. I think so, but I just can't remember**
23 **specifically when or the terms under which that might**
24 **have happened.**
25 Q. How did you become a shareholder in Crop USA

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1 then?
2 **A. I bought -- I spent six hundred thousand**
3 **dollars of my own money to invest in Crop USA.**
4 Q. Your original common shares in Crop USA were
5 acquired by you with six hundred, by paying the company
6 six hundred thousand?
7 **A. I had a conversion of some of my AIA stock.**
8 Q. That's what I'm referring to. Your AIA
9 preferred C shares were converted, were given to Crop
10 USA. In exchange you received common shares in Crop
11 USA, correct?
12 **A. Yes.**
13 Q. Okay. And did you get approval from Reed
14 Taylor to do that?
15 **A. I don't have any recollection of that, no.**
16 Q. Did Donna Taylor approve that, do you know?
17 **A. I have no idea.**
18 Q. Was that ever sent to a shareholder vote or the
19 minority shareholders?
20 **A. I don't remember.**
21 MR. RISLEY: Need a break?
22 MR. BECK: Yeah, I do.
23 (Whereupon, the deposition was in recess at
24 11:33 a.m. and subsequently reconvened at 12:36 p.m.;
25 and the following proceedings were had and entered of

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1 record:)
2 MR. BOND: Okay. We're back on the record.
3 Q. (BY MR. BOND) Mr. Beck, when did you first
4 meet Connie Taylor?
5 **A. Sometime after 1995 I would guess.**
6 Q. But you don't recall a year or what it was in
7 connection with?
8 **A. She was kind enough to prepare a dinner for us**
9 **one evening.**
10 Q. And that would have been around the time of
11 Reed Taylor's redemption --
12 **A. I don't remember.**
13 Q. -- that timeframe? And were you on the board
14 of directors of AIA Services when the 401k purchased
15 preferred C shares in AIA Services?
16 **A. I, I can't be, I can't be sure. I don't**
17 **remember.**
18 Q. So you don't -- do you have a recollection of
19 that ever being discussed?
20 **A. Yes, I do.**
21 Q. And can you tell me what your recollection is
22 as to that?
23 **A. I, I have a recollection that it was discussed.**
24 **I don't remember when or anything about it.**
25 MR. BOND: Let's mark Exhibit No. 12. 12 is an

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1 ancillary management team agreement. For Gary Babbitt
2 it's AIA 0002295 is the starting Bates stamp number.
3 EXHIBITS:
4 (Deposition Exhibit No. 12 marked for
5 identification.)
6 Q. (BY MR. BOND) This was a management agreement
7 entered into in February 1995. Do you recall this
8 agreement, Exhibit 12, Mr. Beck?
9 **A. No, I don't.**
10 Q. Is that your signature on page two?
11 **A. It is my signature on page two.**
12 Q. Do you remember Campanaro assigning his voting
13 rights to the shares?
14 **A. No.**
15 Q. To you guys?
16 **A. No, I don't.**
17 Q. You guys meaning yourself and Mr. Cashman. Do
18 you recall signing this agreement?
19 **A. No, I don't.**
20 MR. BOND: Okay. Exhibit 25 starts with AIA
21 0002183, and it's a shareholder voting agreement.
22 MR. RISLEY: Excuse me, Counsel, you said
23 Exhibit 25.
24 MR. BOND: I'm sorry. It's Exhibit 13.
25 EXHIBITS:

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1 MR. BOND: Are you instructing him not to
2 answer the question --
3 MR. RISLEY: Correct.
4 MR. BOND: -- in regards --
5 MR. RISLEY: There's nothing in interrogatory
6 number one that touches directly upon the four issues
7 that are identified by the judge as the scope of
8 discovery. If you want to ask questions about those
9 four things, I don't have any problems with it at all.
10 MR. BOND: Do you or do you not have a
11 counterclaim against Reed Taylor based upon the alleged
12 illegality of the agreements? Yes or no, David?
13 MR. RISLEY: I'm not going to answer your
14 questions. I will say --
15 MR. BOND: You're not going to answer, because
16 you know you're wrong. Answer the question, sir.
17 MR. RISLEY: Don't answer.
18 MR. BOND: This is ridiculous. Did you get
19 noted in record then that he's instructing him not to
20 answer?
21 THE REPORTER: (Court reporter nods head.)
22 MR. BOND: Thank you.
23 MR. BISSELL: You might want to look at page
24 fifteen, because it talks specifically about it and what
25 the financial statements, or what the total assets and

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1 all that. It's right in the counterclaim.
2 MR. RISLEY: Yeah. I think if the questions
3 are within the scope of the four areas there, then I
4 don't have any trouble with the inquiry. But a general
5 statement, you know, essentially asking for a legal
6 analysis of the basis of the claim and the facts upon
7 what that legal analysis might rest is objectionable on
8 a number of different grounds. But...
9 MR. BOND: I'm asking for him to tell me how
10 he's been damaged, what his damages are and what his
11 claim is. And he can answer that question.
12 MR. RISLEY: None of that is part of what the
13 judge has given us, leads to discovery.
14 MR. BOND: Okay. Then are you asserting right
15 that your partial summary judgment motion is not based
16 upon the counterclaim that you filed?
17 MR. RISLEY: I'm not going to answer those
18 kinds of silly questions.
19 MR. BOND: Yes or no? For the record. Are you
20 withdrawing the partial summary judgment --
21 MR. RISLEY: There is no record --
22 MR. BOND: -- based upon the counterclaim?
23 MR. RISLEY: There is no record of this
24 colloque. There's a record of the deposition. That's a
25 different thing.

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1 Q. (BY MR. BOND) Okay. Let's turn to page
2 twenty-eight, and interrogatory number two, state in
3 particular the details of all facts pertaining to each
4 of your defenses or affirmative defenses to all Reed
5 Taylor's claims and requested relief and identify all
6 persons having knowledge of each such defense, their
7 address, and describe the knowledge held by each such
8 person. You can look back, if you'd like to Exhibit 2,
9 which is the answer, and again, though we disagree with
10 David Risley's unilateral interpretation of the court's
11 order, you can limit your answer to your fifteenth and
12 sixteenth affirmative defenses on page thirteen.
13 **A. What is it you'd like me to do, please?**
14 Q. I'd like you to respond to that interrogatory,
15 exactly how -- provide me with --
16 **A. On page twenty-eight or page thirteen?**
17 Q. Page twenty-eight. Your counsel has instructed
18 you not to answer on the one on page thirteen.
19 **A. Okay.**
20 MR. BOND: Are you instructing him not to
21 answer this one too?
22 MR. RISLEY: Interrogatory number two is, as
23 drafted, far in excess of and outside the scope of the
24 discovery limited by the court.
25 MR. BOND: Are you instructing him not to

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1 answer?
2 MR. RISLEY: To the extent that you want to ask
3 questions about the four areas that the court has
4 identified as our scope, I'm happy to allow the question
5 to go forward. Broad questions as such as the one you
6 asked, I will not.
7 MR. BOND: Well, I think -- I think the only
8 thing we can do is I think we have to call the court
9 back and ask if there's any way to get a message to
10 Judge Brudie. I don't see what else we can do. Because
11 if he's not going to -- I mean, this is ridiculous. And
12 the order says, including the following, not only the
13 following, David. And that narrowed language is after
14 it says, he shall depend -- attend his deposition.
15 You're interpreting it the one way everyone but you is
16 interpreting it.
17 Q. (BY MR. BOND) Sir, do you have any knowledge
18 as to the, the assets and debts of AIA Services as of
19 July 22nd, 1995?
20 **A. Other than what's been provided to me? I'm....**
21 Q. I'm asking you if you can tell me what the
22 assets and debts were of AIA Services as of, on the date
23 of July 22nd, 1995?
24 **A. No.**
25 Q. Can you tell me what the assets and debts of

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1 AIA Services was as of the date of August 1st, 1995?
 2 **A. No.**
 3 Q. And can that information be ascertained from
 4 any of the financial information we've looked at today
 5 so far?
 6 **A. You'd have to answer that question yourself.**
 7 **You've looked at it.**
 8 Q. Do you know how many creditors AIA Services has
 9 right now?
 10 **A. No.**
 11 Q. Any ideas?
 12 **A. No.**
 13 Q. Do you know if there's any creditors that were
 14 creditors in 1995, July 22nd or later, that are
 15 creditors still today?
 16 **A. I don't know what -- who the creditors are**
 17 **today, so I can't answer the question.**
 18 Q. Okay. Is there any information you can go,
 19 walk across the street or ascertain for us, so that when
 20 we come back tomorrow, you can provide that, that
 21 information?
 22 **A. Can I?**
 23 Q. Yes.
 24 **A. No.**
 25 Q. Are you a director of AIA Services and AIA

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1 Insurance?
 2 **A. Yes.**
 3 Q. And you can't obtain the information on who
 4 were creditors in 1995 and who are creditors today and
 5 the amounts owed?
 6 **A. I could ask somebody to get it, but I don't**
 7 **have it myself. You asked me if I have it myself. I**
 8 **don't have it myself.**
 9 Q. No. I understand that, sir. What I'm asking
 10 is, can you get it from the corporation's offices across
 11 the street?
 12 **A. I could ask.**
 13 MR. BOND: I think we need to go off the record
 14 for a second here.
 15 (Discussion held off the record.)
 16 MR. BOND: So, David, what are you going to
 17 permit us to ask questions about?
 18 MR. RISLEY: Actually, Mr. Beck has prevailed
 19 upon me. He says he's prepared to answer your
 20 interrogatory number one and interrogatory number two.
 21 I think it was one, wasn't it?
 22 Q. (BY MR. BOND) Okay. Page thirteen. Can you
 23 respond to interrogatory number one, sir?
 24 **A. How would you like me to respond to**
 25 **interrogatory number one?**

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1 Q. Just the best that you can. I'm not asking you
 2 to make a legal -- I know this stuff is tough for even
 3 me, so I'm not -- I'm just asking for the gist of what
 4 you're asserting and what the facts are behind it and
 5 how have you been damaged. What are your damages, what
 6 are you looking for? That's....
 7 **A. All of this, including interrogatory number**
 8 **one, the responses to all of this have been prepared by**
 9 **legal counsel. In terms of what Reed Taylor --**
 10 Q. Wait, wait. Let's stop for just a second.
 11 They've been prepared by legal counsel, responses?
 12 **A. That's correct.**
 13 Q. And, do you know why we haven't been provided
 14 that information?
 15 **A. Do you talk?**
 16 Q. I'm asking you. I'm asking if you can tell me
 17 why we haven't been provided the information. I'm
 18 just -- that's all we're looking for.
 19 **A. I can't speak for my lawyer. I can speak for**
 20 **myself.**
 21 Q. So you have provided the information to your
 22 lawyer?
 23 **A. We have sat down and discussed it and gone**
 24 **through this, yes, of course.**
 25 Q. And do you know, do you have any idea when that

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1 information is going to be provided to us?
 2 **A. Answers to the interrogatories are of a legal**
 3 **nature. The lawyers have respond -- have responded to**
 4 **it and will respond to it. If you're asking me for a**
 5 **legal opinion, I can't do that. I'm not a lawyer. I**
 6 **don't know.**
 7 Q. I'm not asking for your legal opinion. How
 8 have you been damaged by Reed Taylor's shares being
 9 redeemed?
 10 **A. It was an illegal transaction in the first**
 11 **place.**
 12 Q. And how have you been damaged by that?
 13 **A. I've lost money.**
 14 Q. Are you a preferred C shareholder in AIA
 15 Services right now?
 16 **A. I don't -- I can't recall if it's common or**
 17 **preferred, but I have a half a million dollars invested.**
 18 Q. Do you, do you own preferred C shares in AIA
 19 Services, the same ones that you acquired in 1995?
 20 **A. If a conversion took place from preferred**
 21 **shares to common shares, I just can't recall whether**
 22 **that happened or not. And I've tried to answer to the**
 23 **best of my ability. I do have ownership in AIA, yes, I**
 24 **do.**
 25 Q. Common shares?

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1 Corp and Reed Taylor.
2 EXHIBITS:
3 (Deposition Exhibit No. 22 marked for
4 identification.)
5 **A. Okay.**
6 Q. (BY MR. BOND) Have you seen Exhibit 22 before,
7 sir?
8 **A. I don't know. Nothing comes to mind, but I**
9 **just don't know.**
10 Q. Okay. But if you were on the board in 1996 and
11 these documents were executed in 1996, is it fair to say
12 more than likely the board discussed them in 1996 and
13 saw the documents?
14 **A. I would think so.**
15 Q. And, do you -- you understand that Exhibit 22
16 granted Reed Taylor a security interest in all
17 commissions, again, in all of AIA Services'
18 subsidiaries?
19 **A. I did not read this.**
20 Q. In itself -- oh, if you want.
21 **A. Do you want to direct me to someplace or --**
22 Q. No. I guess if you don't recall, you know, the
23 document is what it is.
24 **A. I just don't know what it is.**
25 Q. Okay.

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1 MR. BOND: Exhibit 23 is the amended
2 restated -- and actually I misspoke on the previous one.
3 That was the pledge agreement, and so it was the shares
4 in the operating companies. Exhibit 23 is the amended
5 restated security agreement dated July 1st, 1996,
6 between AIA Services and Reed Taylor.
7 EXHIBITS:
8 (Deposition Exhibit No. 23 marked for
9 identification.)
10 Q. (BY MR. BOND) Have you seen Exhibit 23 before,
11 sir?
12 **A. I don't remember seeing it.**
13 Q. Again, like the other documents we've looked at
14 for the July 1st, 1996, restructure, this would be the
15 kind of document that you probably would have reviewed
16 on the board and seen?
17 **A. It's very likely.**
18 Q. Okay.
19 MR. BOND: Exhibit 24 is an AIA Services
20 Corporation shareholder list, and it's AIA 0002033,
21 dated December 31st, 2000.
22 EXHIBITS:
23 (Deposition Exhibit No. 24 marked for
24 identification.)
25 Q. (BY MR. BOND) Have you seen Exhibit 24 before,

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1 sir?
2 **A. Yeah, I think so.**
3 Q. Can you tell me what this document tells us
4 about the common shares held by your wife Corrine M.
5 Beck?
6 **A. Well, it speaks for itself. Preferred class C**
7 **shareholders. She has fifty thousand shares in the end**
8 **of 2 -- of 1999 and fifty thousand at the end of 2000.**
9 Q. Okay. And then down below at the bottom of the
10 page....
11 **A. Uh-huh.**
12 Q. And let's go back to Corrine M. Beck. That's
13 where we talked about before where the name was changed
14 from your name to hers for your own personal purposes,
15 correct?
16 **A. Yeah.**
17 Q. Okay. Those would be the, the shares that you
18 acquired in 1995, correct, along with the shares that
19 you probably acquired from Campanaro, I'm suspecting, to
20 make the total fifty thousand?
21 **A. I don't know that I acquired anything from**
22 **Campanaro.**
23 Q. We'll get to that.
24 **A. So don't --**
25 Q. We'll get to that. Let's go down to the

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1 bottom, and you can see there's a column, has 12-31,
2 1999 at the top as far as the shares held, and then next
3 to that, to the right is 12-31, 2000. Do you see that?
4 **A. Yes.**
5 Q. If you go all the way to the bottom, the first
6 entry, four names up is your wife's name, Corrine M.
7 Beck, and in 1999, it's showing no common shares,
8 correct?
9 **A. That's what it shows.**
10 Q. Would that be a true, this document accurately
11 depict then that you didn't own common shares in 1999?
12 **A. I don't know.**
13 Q. And then if you look over to the next column,
14 12-31, 2000, that shows Corrine M. Beck as holding one
15 hundred and one thousand, zero ninety shares, correct?
16 **A. That's correct.**
17 Q. And those shares would have been acquired
18 through the special option and the warrant documents
19 that we went through earlier, correct?
20 **A. Could be.**
21 Q. And the same ones where the five million
22 dollars was never raised, correct?
23 **A. I don't know.**
24 Q. But five million dollars was never raised since
25 you became a shareholder of --

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1 **A. That's correct.**
 2 MR. BOND: Exhibit 25 is a letter of
 3 transmittal sent to Corrine M. Beck dated June 12th,
 4 2001. AIA 0001939.
 5 EXHIBITS:
 6 (Deposition Exhibit No. 25 marked for
 7 identification.)
 8 Q. (BY MR. BOND) Have you seen that document
 9 before, sir?
 10 **A. Yeah, I think so.**
 11 Q. Would that be your wife's signature on the
 12 bottom of the second page, or not the bottom but where
 13 the signature spot is?
 14 **A. Where the signature is, yes.**
 15 Q. And what's your understanding of what, what
 16 this document did?
 17 **A. Well, it's pretty clearly stated in the**
 18 **paragraph here. It's an exchange of AIA Services**
 19 **Corporation and Crop USA Insurance Agency, comma, Inc.**
 20 **It's pretty straightforward. I mean, it's what it says.**
 21 Q. So, again this is dated by your wife June 30th,
 22 2001?
 23 **A. Yeah.**
 24 Q. So, with this document she's submitting your
 25 fifty thousand shares of preferred C shares in AIA

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1 Services to Crop USA in exchange for ten point six six
 2 common shares of Crop USA for each share, correct?
 3 **A. That's what it says.**
 4 Q. So after this transaction, you no longer owned
 5 C shares, preferred C shares, in AIA Services, correct?
 6 **A. I don't know.**
 7 Q. Let's go back to Exhibit 24. Look at the top
 8 there on, where it says, Corrine Beck preferred C
 9 shares, fifty thousand shares, correct?
 10 **A. Yes.**
 11 Q. Okay. Now let's go back. It shows certificate
 12 number nineteen for fifty thousand shares?
 13 **A. Uh-huh.**
 14 Q. By tendering those fifty thousand shares in
 15 exchange for her Crop USA common shares, she's no longer
 16 a series C preferred holder, correct? The shares are
 17 all gone?
 18 **A. It would appear that way, yes.**
 19 Q. So earlier today you testified regarding the
 20 conversion of C shares. Does this help clarify for you
 21 where those C shares went and the transaction that came
 22 out of that, as far as your being issued common shares
 23 in Crop USA?
 24 **A. I understand what the document says. It does**
 25 **not refresh my memory.**

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1 Q. Okay.
 2 **A. I do not have specific memory of that.**
 3 Q. Okay. And do you recall talking to JoLee
 4 Duclos about this at all, this transaction?
 5 **A. Not specifically, no.**
 6 Q. John Taylor, did you talk to him?
 7 **A. I don't have any specific recollection of it.**
 8 Q. Did you get a letter from anybody regarding
 9 this transaction?
 10 **A. I got this (indicating).**
 11 Q. Did you get a letter with that?
 12 **A. I don't remember.**
 13 MR. BOND: Now let's mark Exhibit No. 26 as a
 14 June 18th, 2001, letter to Daryl Verdoorn, AIA 0001935.
 15 EXHIBITS:
 16 (Deposition Exhibit No. 26 marked for
 17 identification.)
 18 Q. (BY MR. BOND) Have you seen this letter
 19 before, sir?
 20 **A. I don't know if I saw this letter. I saw one**
 21 **something like it.**
 22 Q. Did you and your wife receive one such as that,
 23 only addressed to you?
 24 **A. We may have.**
 25 Q. If you did, would you have that in your records

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1 at home?
 2 **A. I would doubt it.**
 3 Q. Is it not your policy to retain documents such
 4 as that?
 5 **A. That's correct.**
 6 Q. So the second paragraph, on page two, from the
 7 bottom, Crop USA is offering all series C preferred
 8 shareholders option to exchange their series C preferred
 9 stock for the common stock in Crop USA. For each ten
 10 dollar value, the C shares, blah, blah, blah, ten point
 11 six six shares of its common stock. Is that -- that's
 12 the same terms as what's in the letter of transmittals
 13 that we just looked at on Exhibit 25, correct?
 14 **A. It seems to be, yes.**
 15 Q. And in the second paragraph, the second, you
 16 know, that whole paragraph, can you explain that
 17 paragraph to me?
 18 **A. Can I explain it to you?**
 19 Q. Yeah. Do you have any knowledge of that?
 20 **A. It seems pretty self-explanatory. I'm not sure**
 21 **what you're asking me to explain to you.**
 22 Q. Well, you were on the board up until near this
 23 timeframe, correct?
 24 **A. I don't think so, not in 2000 -- this says**
 25 **2001.**

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1 Q. Alan Coalson?

2 **A. I've never heard that name.**

3 Q. Let's go back to Exhibit No. 4. Go ahead and

4 take all the time you need, but tell me whether Exhibit

5 4 tells us what AIA Services, the value of their assets

6 and the value of -- and the amount of their debts

7 were -- was, and its subsidiaries, as of July 22nd,

8 1995, or August 1st of 1995?

9 **A. What the value of AIA was at that time?**

10 Q. Yes. What was the fair market value -- let me

11 rephrase the question.

12 **A. I'm not equipped to tell you what the fair**

13 **market value was.**

14 Q. Okay. So, do you believe the fair market value

15 is a different number than what's in here, Exhibit 4?

16 **A. Does it state a value in here?**

17 Q. This -- this is the consolidated financial

18 statement where it values certain cash assets. Let's --

19 let's take a look at it.

20 **A. Your question makes no sense. Market value is**

21 **completely different than....**

22 Q. No. I don't -- let's just let me ask you the

23 questions, and then you can answer them.

24 **A. All right. I'm sorry. You're right.**

25 Q. Let's go to, turn to page three, under assets.

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1 **A. (Witness complies.)**

2 Q. Tell me if that's all the assets that AIA

3 Services and its subsidiaries had on a consolidated

4 basis for 1994, according to this document, presuming

5 this document is true?

6 **A. If the document is true, it's listed right**

7 **here.**

8 Q. Do you see any valuations for the contracts

9 with the various associations that you indicated earlier

10 were of value to the company?

11 **A. They're not listed here.**

12 Q. Right. Do you see any valuation for the

13 present value of a book of business of health policies?

14 **A. No.**

15 Q. Okay. This appears to be to me to be a balance

16 sheet, rather than a financial statement trying to value

17 what the asset -- all the assets were of the company at

18 this time; is that a fair statement?

19 **A. This is a balance sheet, that's correct.**

20 MR. BOND: Okay. And, let's do this. Let's

21 make an exhibit. Exhibit 34 is a 1997-1996 consolidated

22 financial statement for AIA Services labeled RJT 000065.

23 EXHIBITS:

24 (Deposition Exhibit No. 34 marked for

25 identification.)

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1 Q. (BY MR. BOND) Have you seen this document

2 before, Exhibit 34, sir?

3 **A. I think so.**

4 Q. Okay. Does it appear to be one that you could

5 have seen at the timeframe of 1996, 1997, when you were

6 on the board?

7 **A. It may have been.**

8 Q. And let's turn to page, well, actually the

9 third page where it says assets. Is there anything on

10 this page that tells us, number one, what the assets

11 were as of a certain date in 1996 or 1997?

12 **A. Yes.**

13 Q. And where is that?

14 **A. It's on the page here. It says December 31st,**

15 **1997 and 1996.**

16 Q. Okay. Other than December 31st, are there any

17 other dates indicated on there?

18 **A. Any other dates?**

19 Q. Yes. Does this tell us what the assets were?

20 **A. Well, this is a yearend financial statement.**

21 Q. Right.

22 **A. So that would depict it as of the end of the**

23 **year.**

24 Q. Exactly, sir. That's exactly my point. Is

25 there anything in here that tells us what the assets

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1 were on July 22nd or on, I should say, July 1st, 1996?

2 **A. No.**

3 Q. Okay. And nothing in here tells us what the

4 liabilities were on July 1st, 1996, either, correct?

5 **A. That's correct.**

6 Q. Okay. And let's go back to Exhibit 4 that we

7 were just looking at, and, and is it fair to say that,

8 or is it a correct statement to say that Exhibit 4 is

9 also the yearend financial statements?

10 **A. Yes.**

11 Q. Meaning, we look at the assets, we can't

12 determine, first of all, whether all of the assets are

13 really on there. From a balance sheet perspective they

14 are, right, as we agreed earlier? But, most

15 importantly, there's nothing here that tells us what the

16 assets were that are listed, what the value was as of

17 July 22nd, 1995, or August 1st, 1995, correct?

18 **A. Yes, you are correct.**

19 Q. Okay. And then can you tell me on page three,

20 four, let's see, looks like four, five -- looks like

21 page three, are -- if you look under the last entry

22 under liabilities of stockholders deficit, that first

23 paragraph.

24 **A. Page three is assets.**

25 Q. Oh, I'm sorry. I'm on Exhibit 4.

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1 **A. Okay. Page?**
2 Q. Page four, it's not numbered. You can turn to
3 page -- well, actually, it's one page before page four.
4 It's the fourth page of it, but it's actually not
5 numbered, and it's --
6 **A. I get the point.**
7 Q. Okay. Sorry. Okay. So, and again I'm going
8 to ask the same question again, because I think you were
9 on the wrong financial statement. But there's nothing
10 on page four of this Exhibit 4 that tells us what the
11 liabilities were on any specific date in 1995 other than
12 December 31st, 1995, and December 31st, 1994, correct?
13 **A. Correct.**
14 Q. Okay. And if we flip back to the assets, it's
15 the same argument there, or not the same -- same fact
16 there, excuse me, and that is that the assets here are
17 balance sheet assets only, and they're only listed for
18 December 31st of 1995 and December 31st of 1994,
19 correct?
20 **A. You are correct.**
21 Q. Okay. And, and again, the assets, not putting
22 a valuation on a health book of business or valuations
23 of whatever value there was with the relationship with
24 the co-ops and the associations, correct?
25 **A. I don't see that as an entry here, no.**

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1 Q. Okay, okay. Now, turning again to that page
2 four that's not labeled page four but the actual fourth
3 page of Exhibit 4. I apologize for that.
4 **A. You're referring to the liabilities and**
5 **stockholders deficit?**
6 Q. Right. The last entry on the first paragraph
7 says, net liabilities to be disposed of. Now, can you
8 tell me what that entry tells us?
9 **A. I can't.**
10 Q. And do you know why it wouldn't have been on
11 the previous year?
12 **A. I can't.**
13 Q. Do you think that that -- okay. So you don't
14 really know anything about that entry?
15 **A. I don't know anything about it.**
16 Q. Okay, okay. Has there been an annual
17 shareholder meeting of AIA Services since you've been on
18 the board? And when I mean since, I mean when you came
19 on in May. I believe it was April or May of '07,
20 correct?
21 **A. Something like that, yeah.**
22 Q. Has there been an annual meeting since that
23 time?
24 **A. An annual meeting, yeah. Well, yeah, I think**
25 **so. I mean, we've had more than one meeting.**

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1 Q. There was an annual shareholder meeting,
2 shareholder meeting to where the shareholders vote for
3 the officers and directors for the year?
4 **A. Good point. I can't specifically remember.**
5 Q. There was a special meeting for the vote of
6 John Taylor's and JoLee Duclos's and Bryan Freeman's
7 attorney fees?
8 **A. Yes.**
9 Q. That was in early '07.
10 **A. Okay.**
11 Q. Has there been anything since that time?
12 **A. There have been meetings, yes.**
13 Q. Shareholder meetings?
14 **A. Labeled shareholder meetings?**
15 Q. Where a notice goes out to every shareholder,
16 we're having a meeting on this day?
17 **A. Actually, I couldn't tell you. I don't know.**
18 Q. But to your knowledge, you just have no idea?
19 **A. Yeah, exactly.**
20 Q. Okay.
21 **A. Yeah.**
22 Q. And do you know, have the -- have there been
23 any notices to all the shareholders providing them
24 copies of the complaint in this action and advising them
25 of what's gone on in this action?

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1 **A. I don't know.**
2 Q. And who would know that?
3 **A. I would think the officers of AIA would know**
4 **that.**
5 Q. And are the officers who elect you to the board
6 every year?
7 **A. I don't know about every year. The ones that**
8 **elected me, yes.**
9 Q. Were you elected or appointed?
10 **A. I don't know. I think I was appointed, but I'm**
11 **not absolutely sure.**
12 Q. And since you've been appointed, you haven't
13 been elected, isn't that true?
14 **A. I don't know if that's true.**
15 Q. And have you been elected to the board of AIA
16 Insurance?
17 **A. I thought that's what we were talking about.**
18 Q. I was talking about Services.
19 **A. Oh, I'm sorry. I would probably have the same**
20 **answer for that.**
21 Q. Okay.
22 **A. As well.**
23 Q. Okay. Now did you help the corporation get
24 other preferred C investors at the time that you
25 invested?

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1 **A. Yes.**
2 Q. And, who are the names of some of those people,
3 do you recall? I can get you a list, if that's helpful.
4 **A. Gary Koch, Sid Verdoorn, and --**
5 Q. Daryl Verdoorn?
6 **A. Daryl and --**
7 Q. Charles Rapp?
8 **A. Charlie Rapp, yes.**
9 Q. Bruce Knutson (phonetic)?
10 **A. Knudson would be the pronunciation.**
11 Q. Did you help get him to --
12 **A. No.**
13 Q. To invest?
14 **A. No.**
15 Q. And Mr. Coke (phonetic) or Koche (phonetic) or
16 however you pronounce it --
17 **A. Koch.**
18 Q. Oh, sorry. He would be distribution services?
19 **A. That's correct.**
20 Q. Okay. And, what was the reason why you
21 approached those people to invest in AIA Services?
22 **A. Because we assumed it was a pretty good**
23 **opportunity.**
24 **(Discussion held off the record.)**
25 MR. BOND: For the record, it's taking me

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1 longer to do this, because I'm having to narrow my
2 scope. Exhibit 35 is going to be a March 16, 2007,
3 letter from AIA Services to shareholders of AIA Services
4 Corporation.
5 EXHIBITS:
6 (Deposition exhibit No. 35 marked for
7 identification.)
8 Q. (BY MR. BOND) We talked a little earlier about
9 a special meeting of the shareholders, and would this be
10 the letter that references that meeting that we talked
11 about, Mr. Beck?
12 **A. Could very well be.**
13 Q. Do you know of any other shareholder meetings
14 that have taken place besides this one since you've been
15 on the board?
16 **A. I don't, no.**
17 Q. And do you think that the disclosure in this
18 letter is accurate and complete?
19 **A. I can't speak to completeness. It appears to**
20 **be accurate.**
21 Q. Now, did you, yourself, receive one of these
22 letters?
23 **A. Oh, I would guess I did, yeah.**
24 Q. And how did you vote your shares?
25 **A. I voted to authorize payment of attorneys'**

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1 **fees.**
2 Q. And did you think that you had a conflict of
3 interest because of the fact that you owned shares in
4 Crop USA, or did you consider that before voting your
5 shares?
6 **A. A conflict of interest? No. I didn't think I**
7 **had a conflict of interest.**
8 Q. Has there been any shareholder meetings such as
9 this pertaining to the payment of your fees or Connie
10 Taylor's fees?
11 **A. Has there been any -- excuse me, say it again.**
12 Q. A notice such as this that went out for another
13 shareholder meeting to approve the payment of your fees
14 or Connie Taylor's fees?
15 **A. I don't know.**
16 Q. And did you discuss this letter with John
17 Taylor before it went out?
18 MR. RISLEY: I'm going to object again. We're
19 off now --
20 Q. (BY MR. BOND) I'm not asking for the
21 substance, just...
22 **A. I don't know if I did or not.**
23 Q. Is it possible that he would have e-mailed it
24 to you before it went out?
25 **A. Oh, it's possible.**

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1 MR. BOND: Okay. 36 is minutes of the meeting
2 of special shareholders held December 14th, 1995.
3 EXHIBITS:
4 (Deposition Exhibit No. 36 marked for
5 identification.)
6 Q. (BY MR. BOND) Have you seen these minutes
7 before, Mr. Beck?
8 **A. I may have. I just, I don't have any**
9 **recollection of it.**
10 Q. Down at the bottom on that page, of page one,
11 it says, the shareholders were advised that management
12 is resisting incurring new indebtedness at this time,
13 but wanted the special warrants approved in the event a
14 loan was necessary.
15 Does that -- does that jog your memory at all
16 as to whether up until this time there'd been any loans
17 guaranteed by you?
18 **A. No.**
19 Q. And, of course, the second paragraph on the
20 bottom talks about the difference between the options
21 and warrants and the value if the company goes public.
22 That was a -- going public was a topic of discussion
23 frequently during that period; is that true?
24 **A. An exit strategy was.**
25 Q. Yeah.

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IN THE DISTRICT COURT OF THE SECOND
JUDICIAL DISTRICT OF THE STATE OF IDAHO,
IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single)
person,)
)
)
Plaintiff,) Case No. CV-07-00208
) VOLUME II
vs)
)

AIA SERVICES CORPORATION, an)
Idaho corporation; AIA)
INSURANCE, INC., an Idaho)
corporation; R. JOHN TAYLOR)
and CONNIE TAYLOR,)
individually and the community)
property comprised thereof;)
BRYAN FREEMAN, a single)
person; JOLEE DUCLOS, a single)
person; CROP USA INSURANCE)
AGENCY, INC., an Idaho)
corporation; and JAMES BECK)
and CORRINE BECK, individually)
and the community property)
comprised thereof,)
)
)
Defendants.)

_____)
Taken at 322 Main Street
Lewiston, Idaho
Tuesday, February 3, 2009 - 9:19 a.m.

DEPOSITION

OF

JAMES BECK
AFFIDAVIT OF MICHAEL S. BISSELL

1 Q. Okay. And, would you -- how would you compare
 2 the company's financial condition today compared to
 3 1995?
 4 **A. Depleted.**
 5 Q. And, in 1995, can you tell me, or if you recall
 6 about how much board members were paid to serve on the
 7 board of directors of AIA Services Corporation?
 8 **A. I don't remember, if anything.**
 9 Q. And, how much are you being paid now to serve
 10 on the board of directors of AIA Services?
 11 **A. Five thousand dollars a quarter.**
 12 Q. And have you been paid five thousand a quarter?
 13 **A. To my recollection, yes.**
 14 Q. Okay. And does that seem like a lot of money
 15 for a corporation that's depleted?
 16 **A. I don't have any --**
 17 MR. BABBITT: Object to the form of the
 18 question, lack of foundation.
 19 Q. (BY MR. BOND) What's AIA Services' financial
 20 condition in your opinion today?
 21 **A. Not good.**
 22 Q. In your opinion how many, how long, how much
 23 longer will AIA Services survive?
 24 **A. I can't give you an estimate of that. I don't**
 25 **know.**

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1 question, but go ahead and restate the question, please.
 2 MR. BOND: Go ahead and read it again, please.
 3 (Whereupon, the court reporter read back the
 4 previous question.)
 5 **A. That's correct.**
 6 Q. (BY MR. BOND) What do you do for getting paid
 7 twenty thousand dollars a year on the board of AIA
 8 Services and AIA Insurance?
 9 **A. Deal with this.**
 10 Q. Anything else?
 11 **A. Various subjects are brought up at the time,**
 12 **and we deal with them.**
 13 Q. But primarily the litigation?
 14 **A. That seems to be the primary activity, yes.**
 15 Q. Are you serving on the board of AIA Services to
 16 protect your investment in Crop USA?
 17 **A. Not exclusively, no.**
 18 Q. In part?
 19 **A. In part.**
 20 Q. What, what's the other reason you're serving on
 21 the board of AIA Services?
 22 **A. I have some friends that were investors, and I**
 23 **think somebody has to look after their interest.**
 24 Q. And who are those friends?
 25 **A. Gary Koch, Mike Cashman, Sid Verdoorn.**

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1 Q. AIA Services' revenues right now come from
 2 Trustmark, correct?
 3 **A. I believe --**
 4 Q. Through it's operating subsidiary, AIA
 5 Insurance?
 6 **A. I believe that's correct.**
 7 Q. And Trustmark renews every year. It's a
 8 one-year contract; is that correct?
 9 **A. You'd have to look at the contract to satisfy**
 10 **yourself on that. I don't know.**
 11 Q. So as a member of the board of AIA Insurance or
 12 AIA Services, you're not familiar with the Trustmark
 13 contract or the status of the --
 14 **A. I can't remember the terms of the Trustmark**
 15 **contract, no, I can't.**
 16 Q. Not even some of the terms?
 17 **A. I don't remember the terms of the contract, no.**
 18 Q. And so, you're being paid twenty thousand a
 19 year to serve on the board, and you don't know the terms
 20 or any of the terms of the contract?
 21 MR. RISLEY: Object to the form of the contract
 22 as argumentative.
 23 MR. BABBITT: Join in the objection.
 24 MR. BOND: Go ahead and answer the question.
 25 MR. BECK: I think I already answered the

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1 Q. Daryl?
 2 **A. Bruce Knudson.**
 3 Q. Does he go by Daryl too?
 4 **A. He goes by Sid.**
 5 Q. Okay. But Daryl is his real name?
 6 **A. That's correct.**
 7 Q. And who else, sorry?
 8 **A. Charlie Rapp.**
 9 Q. And all of those aforementioned people are
 10 shareholders of Crop USA, is that correct?
 11 **A. That's correct.**
 12 Q. And all of those individuals you just
 13 referenced are no longer owners of preferred C shares in
 14 AIA Services, correct?
 15 **A. I believe they're common shares.**
 16 Q. And those are the same common shares that would
 17 have been issued that we talked about yesterday in the
 18 warrant agreements and special option agreements?
 19 MR. RISLEY: Object to the form of the
 20 question.
 21 **A. I think so but I.... (Witness shakes head.)**
 22 Q. (BY MR. BOND) And as a member of the board of
 23 AIA Services, are you aware that AIA Services filed a
 24 joinder to Connie and Becks', yourself's, motion for
 25 partial summary judgment?

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1 I'm sorry.

2 MR. BOND: Okay. Exhibit 51 is Crop USA stock

3 ledger, and unfortunately the Bates stamp number is cut

4 through, so....

5 EXHIBITS:

6 (Deposition Exhibit No. 51 marked for

7 identification.)

8 Q. (BY MR. BOND) Have you seen Exhibit 51 before,

9 sir?

10 A. I don't know if I have or not.

11 Q. Can, can you explain to me why there would be

12 certificate number one issued to Reed Taylor of a

13 million shares and then canceled on 11-12 of '04?

14 A. No, I can't explain that to you.

15 Q. Did you have any conversations with anyone

16 regarding that transaction, or that entry I should say?

17 A. Not that I can remember, no.

18 Q. And down at the bottom there's a Century

19 Business Plaza and Maplewood Executive Partners. Are

20 you affiliated with them?

21 A. Century Business Plaza, yes.

22 Q. And are those the mortgages that were

23 contributed to Crop USA for those shares?

24 A. That's correct.

25 Q. And are those the mortgages that were then

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1 transferred to Crop USA Financial, LLC ?

2 A. I don't know if they were or not.

3 Q. And, this document lists your wife as being the

4 holder of five hundred and thirty-three thousand common

5 shares, and again would that be because your series C

6 certificate in Services was reissued in her name, and

7 when the conversion took place, common shares would be

8 issued in her name too, is that...

9 MR. RISLEY: Object to the form of the

10 question, lack of foundation.

11 Q. (BY MR. BOND) Is that how that name, why the

12 name Corine Beck is on the ledger?

13 A. Well, it shows that they were canceled.

14 Q. Right. They were canceled, and then they were

15 reissued again. If you look down below, on item thirty,

16 on the second page.

17 A. Oh, I see where it is. Thirty-eight.

18 Q. Or, I'm sorry, yeah, thirty-eight. Now,

19 were -- does item thirty list one, one hundred thousand

20 shares? Were -- how did you acquire those shares?

21 A. Well, it shows up above on item five that five

22 hundred and thirty-three thousand shares were canceled.

23 And it appears that three hundred and thirty-three

24 thousand shares were in my wife's name and a hundred

25 thousand in my name and I believe the rest of it went to

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1 Mr. Cashman.

2 Q. Why would they go to Mr. Cashman?

3 A. That was an agreement between him and me.

4 Q. Okay. And what was that, the purpose for that

5 agreement?

6 A. It was an agreement, private agreement between

7 him and me.

8 Q. And, were the hundred thousand shares issued on

9 1-12 of '05 on certificate thirty, were those because

10 you assisted in the -- issued because you assisted in

11 obtaining Century Business Plaza and Maplewood Executive

12 Partners as investors?

13 A. What line are you looking at, please?

14 Q. Thirty, for stock certificate thirty.

15 A. As I stated earlier, you have five hundred and

16 thirty-three thousand shares on line item five --

17 Q. I'm not, I'm not asking that, sir.

18 A. Canceling, you've got three thirty-three and a

19 hundred, that's four thirty-three, and my recollection

20 is a hundred thousand shares went to Mike Cashman.

21 That's my recollection.

22 Q. Sir, were you issued a hundred thousand shares

23 of stock for, in exchange for getting Century Business

24 Plaza, LLC, and Maplewood Executive Partners to invest

25 in Crop USA?

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1 A. I was issued some shares. I don't remember how

2 much it was.

3 Q. Okay. And the Century Business Plaza and

4 Maplewood Executive Partners, they purchased their

5 shares with mortgages, correct?

6 A. That's correct.

7 Q. Okay. And, those mortgages were later

8 purchased by you, John Taylor, and I believe Randall

9 Lamberjack, maybe Adrian Johnson, I forget the name. Is

10 that -- can you tell me who it was or if it was all of

11 the above?

12 A. I can tell you what happened with Century

13 Business Plaza. I can't speak to Maplewood.

14 Q. What happened with Century Business Plaza then?

15 A. The project was -- this was a second mortgage.

16 The project was sold. The second mortgage was redeemed,

17 and checks were issued in the amount of six hundred

18 thousand dollars on my behalf and four hundred thousand

19 dollars on Adrian Johnson's behalf.

20 Q. Okay.

21 A. For the purchase of shares.

22 Q. And what about Maplewood Executive Partners?

23 A. I don't know about Maplewood.

24 Q. Okay. And so, but -- so were you and Adrian

25 Johnson partners in Century Business Plaza, LLC?

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1 **A. Yes.**
2 Q. Okay. And so, the value of those mortgages
3 when they were contributed was one million dollars, is
4 that correct?
5 **A. Yes.**
6 Q. So in exchange for one million dollars, you
7 received a million shares, or Century Business Plaza
8 received a million shares in Crop USA, correct?
9 **A. Yes.**
10 Q. Okay. Now, did those mortgages stay in Crop
11 USA's name until they were paid in full, or did those
12 mortgages go somewhere else after they went to Crop USA?
13 **A. I can only attest to Century Business Plaza, as**
14 **I stated earlier.**
15 Q. Okay.
16 **A. And I don't believe that went into anybody**
17 **else's account.**
18 Q. Okay, okay. So to your knowledge, there's been
19 no mortgages transferred from Crop USA to any other
20 entity or Crop USA Financial, LLC, for the purpose of
21 whatever business arrangement there be to transfer those
22 mortgages?
23 **A. I can only attest to Century Business Plaza,**
24 **LLC. To my knowledge, that never went to anybody else.**
25 **It was redeemed as a second mortgage, and the money was**
Page 260

1 **put into Crop USA.**
2 Q. Okay. And who would know Maplewood Executive
3 Partners? Who would know what happened there?
4 **A. Either Adrian Johnson or I would guess John**
5 **Taylor.**
6 Q. And you didn't own part of Maplewood Executive
7 Partners?
8 **A. I owned only Century Business Plaza, LLC.**
9 Q. Okay. Do you recall the transaction in which
10 AIA Insurance purchased the preferred C shares in Crop
11 USA? That would have been in 2004.
12 **A. Say that again, please.**
13 Q. Do you recall in 2004 when AIA Insurance, Inc.,
14 purchased preferred C shares held by Crop USA?
15 **A. No.**
16 Q. Do you know anything about that transaction at
17 all?
18 **A. I'd need something to refresh my memory.**
19 Q. Okay. What do you believe the preferred C
20 shares are worth right now in AIA Services?
21 MR. BROWN: Rod, can I have the question one
22 more time? My fault. I just didn't hear what you said.
23 Q. (BY MR. BOND) I said, what do you believe the
24 preferred C shares are worth in AIA Services right now?
25 **A. Haven't those all been converted to common**
Page 261

1 **shares?**
2 Q. No. The 401k holds preferred C shares, and AIA
3 Insurance owns some preferred C shares in AIA Services
4 now.
5 **A. Oh.**
6 Q. Were you aware of that?
7 **A. I am now.**
8 Q. Have you seen financial statements for AIA
9 Insurance or AIA Services since you've been on the
10 board and --
11 **A. Yes.**
12 Q. But you don't remember seeing that entry,
13 investment in Services?
14 **A. I just, I did not pay any attention to that,**
15 **no.**
16 Q. Okay. And, are you and John Taylor, do you
17 have any indemnification agreements or any separate
18 agreements --
19 MR. BROWN: I just want to interrupt for a
20 second. You asked the question, but I don't know if you
21 ever got an answer. And maybe he doesn't have an
22 opinion, maybe he doesn't care, whatever, as far as the
23 value of preferred C in AIA. So, I don't know if he
24 gave you an answer as far as --
25 MR. BOND: Oh, I was going to go back to that
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1 when I got some other documents, but --
2 MR. BROWN: And if Century does, I don't have
3 an opinion. But I just need to hear the answer to the
4 question.
5 MR. BOND: Yeah, yeah.
6 **A. I don't have an opinion. I don't know what the**
7 **value is.**
8 Q. (BY MR. BOND) If Reed Taylor's debt is not
9 paid, do you, does that help you, give you an idea of
10 the value?
11 **A. No.**
12 Q. No, okay. And, do you know why the 401k
13 preferred C shares didn't convert into common shares in
14 Crop USA stock?
15 **A. No, I don't.**
16 Q. Do you know if that opportunity was provided to
17 the 401k?
18 **A. I don't.**
19 Q. Do you know who would know that?
20 **A. No.**
21 Q. Would JoLee Dudos know that?
22 **A. She may.**
23 Q. John Taylor?
24 **A. Perhaps.**
25 Q. Anyone else?
Page 263

1 security interest in all the shares of the Universe when
 2 he sold the shares in 1995?
 3 MR. BABBITT: Asked and answered, repetitious.
 4 **A. I believe that's correct.**
 5 Q. (BY MR. BOND) Okay. And, did the Lewis Clark
 6 mortgage, was that the result of litigation that
 7 involved the Universe and the estate of the Universe?
 8 **A. You'd have to ask somebody else about the**
 9 **details of that. I just don't, I don't recall.**
 10 Q. Has the board ever been concerned that the
 11 mortgage could be subject to security interests of Reed
 12 Taylor, thereby making board members personally liable
 13 for damages attributable to the mortgage losing value or
 14 being transferred?
 15 MR. RISLEY: Object to the question for lack of
 16 foundation. It's compound, calls for a legal opinion,
 17 it's badgering and is argumentative.
 18 MR. BABBITT: I join.
 19 MR. BOND: Go ahead and answer the question.
 20 MR. BECK: Would you repeat the question,
 21 please.
 22 MR. BOND: Go ahead and read it back.
 23 (Whereupon, the court reporter read back the
 24 previous question.)
 25 **A. I think the board has been concerned about all**

1 **A. I don't recall if there was or not.**
 2 Q. Who would have originated the call or do you
 3 know?
 4 **A. I believe JoLee did.**
 5 Q. Okay. And, in the paragraph two it states that
 6 you are appointed to be a member of the board of AIA
 7 Services and AIA Insurance until the next annual
 8 meeting?
 9 **A. Correct.**
 10 Q. And has there, there hasn't been a meeting of
 11 either corporation since these April 30th, 2007,
 12 minutes, correct?
 13 **A. Well, we've had other meetings, yeah.**
 14 Q. An annual shareholder meeting?
 15 **A. Annual shareholder meeting I can't be certain,**
 16 **no.**
 17 Q. And, paragraph three talks about a joint
 18 defense agreement.
 19 **A. Yes.**
 20 Q. And, why did you believe a joint defense was
 21 appropriate in this case?
 22 MR. RISLEY: I'm going to interpose the
 23 objection that this question calls for information
 24 within both the litigation privilege and the
 25 attorney/client privilege.

1 **aspects of the suit, whether it concerns the building or**
 2 **anything else.**
 3 Q. (BY MR. BOND) And in, July of 19 --
 4 MR. BECK: I need to make a telephone call,
 5 please.
 6 MR. BOND: Sure.
 7 (Whereupon, the deposition was in recess at
 8 3:00 p.m. and subsequently reconvened at 3:13 p.m.; and
 9 the following proceedings were had and entered of
 10 record:)
 11 MR. BOND: Let's mark for Exhibit No. 58 an
 12 April 30th, 2007, joint minutes of a special meeting of
 13 directors of AIA Services Corporation and AIA Insurance.
 14 EXHIBITS:
 15 (Deposition Exhibit No. 58 marked for
 16 identification.)
 17 Q. (BY MR. BOND) Have you seen these minutes
 18 before, Mr. Beck?
 19 **A. I think so.**
 20 Q. And do these minutes appear to be true and
 21 correct, to the best of your knowledge?
 22 **A. Yes.**
 23 Q. And was anyone else on the call for these
 24 meetings besides John Taylor, Connie Taylor, yourself
 25 and JoLee Duclos?

1 MR. BOND: Go ahead and answer the question.
 2 MR. BABBITT: Join in the objection.
 3 **A. I believe it falls into that category of**
 4 **client/lawyer privilege.**
 5 Q. (BY MR. BOND) Are you asserting that you
 6 entered into the joint defense upon advice from counsel?
 7 **A. Yes.**
 8 Q. Okay. And would that counsel have been Gary
 9 Babbitt?
 10 **A. I don't remember if it was Gary Babbitt.**
 11 Q. Do you remember who it was?
 12 **A. I don't remember if it was Gary Babbitt or who**
 13 **it was.**
 14 Q. And, was the joint defense agreement in part so
 15 that your interest in Crop USA could be protected?
 16 MR. RISLEY: Same objection.
 17 **A. I don't think it had anything to do with Crop**
 18 **USA.**
 19 Q. (BY MR. BOND) So you have no -- do you have
 20 any idea yourself why a joint defense was appropriate?
 21 **A. That was the recommendation.**
 22 Q. And do you believe that a joint defense is in
 23 compliance with the bylaws of AIA Services Corporation?
 24 MR. RISLEY: I'm going to interpose the
 25 objection of lacking foundation and also calling for a

IN THE DISTRICT COURT OF THE SECOND
JUDICIAL DISTRICT OF THE STATE OF IDAHO,
IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single)
person,)
)
)
Plaintiff,) Case No. CV-07-00208
) VOLUME III
vs)
)

AIA SERVICES CORPORATION, an)
Idaho corporation; AIA)
INSURANCE, INC., an Idaho)
corporation; R. JOHN TAYLOR)
and CONNIE TAYLOR,)
individually and the community)
property comprised thereof;)
BRYAN FREEMAN, a single)
person; JOLEE DUCLOS, a single)
person; CROP USA INSURANCE)
AGENCY, INC., an Idaho)
corporation; and JAMES BECK)
and CORRINE BECK, individually)
and the community property)
comprised thereof,)
)
)
Defendants.)

_____)
Taken at 322 Main Street
Lewiston, Idaho
Wednesday, February 4, 2009 - 9:22 a.m.

D E P O S I T I O N

OF

JAMES BECK

1 Q. And why did you buy in?
2 **A. I bought in because I felt strongly that there**
3 **was a, a good marketing concept. It was a, a niche**
4 **market that could be filled. It was not easily entered**
5 **by anyone else. There were associations with growers**
6 **around the country that made it unique, and there was**
7 **the potential to continue to increase the amount of**
8 **revenue if a, if a sales force were put together that**
9 **would allow you to really go out and talk to all these**
10 **farmers and ranchers. Anytime you can grow a niche**
11 **market with a proprietary product, you have an**
12 **opportunity of capturing not only the market but also a**
13 **significant revenue stream and therefore a value.**
14 Q. Okay. And if in any of my questions I misstate
15 something, you just correct me. I'm not trying to be
16 cute or clever, because I'm new on the job on this case.
17 It's my understanding that in March of 1995 and maybe a
18 little bit before, some preferred B, B as in "boy",
19 stock had, was going to be issued, actually was issued.
20 Were you aware of that scenario occurring in the early
21 part of 1995?
22 **A. I may have been, but I don't have any**
23 **recollection of it now.**
24 Q. Okay. And then my follow-up question to that
25 and you might have already answered it, is, it was my

1 understanding that that preferred B series was going to
2 be offered to others, maybe to the public, and that that
3 didn't really work out so well --
4 **A. That's --**
5 Q. -- are -- go ahead.
6 **A. That's correct.**
7 Q. Okay. So you're aware of it to that extent
8 that something was going to occur, and then that didn't
9 go, the sales of preferred B didn't go well. So when
10 you bought your preferred C, was it your understanding
11 that the preferred B had -- buying had been shelved?
12 Say it in your words that you're comfortable with.
13 **A. Well, you raise a very good point, because I**
14 **can't remember if what we were talking to John Kinard**
15 **and Company about was actually a preferred B. I think**
16 **you're probably right, but I'm not absolutely sure.**
17 Q. Okay.
18 **A. There were many conversations with Kinard over**
19 **this period of time, and the focus and the description**
20 **of the shares that we were going to sell changed. And**
21 **it changed because they went out in the market, they**
22 **talked to people, determined what the market was willing**
23 **to accept and what would be favorably viewed in the**
24 **marketplace, that sort of thing. So, I can't say that**
25 **it was shelved necessarily for anything other than**

1 **market condition reasons.**
2 Q. Okay. And Kinard is who? Just describe for
3 the judge real quick what that is.
4 **A. John G. Kinard and Company was a Minneapolis**
5 **based broker, dealer, and they had offices throughout**
6 **the midwest. They eventually merged with someone. I**
7 **believe it was called Stock Walk, and then it morphed**
8 **into something else. But John G. Kinard and Company is**
9 **no longer in existence as John G. Kinard and Company.**
10 Q. And prior to July 22nd, 1995, and I'm using
11 that as the 1995 stock redemption date. Prior to July
12 22nd, 1995, describe in your own words John Taylor's
13 knowledge and understanding of the financial dealings
14 and -- of AIA Services and AIA Insurance prior to July
15 22nd, 1995.
16 **A. As far as I can recall, John, first of all, was**
17 **trained in accounting, and my recollection is he has a**
18 **law degree. Doesn't make him anything special -- I**
19 **don't mean to step on anybody's toes -- it's just that**
20 **he has a fair amount of education and understood**
21 **financial statements and the implication of properly**
22 **reporting financial statements. In dealing with**
23 **auditors and others, reporting to somebody like a John**
24 **G. Kinard, for example, who would have SEC and NASD**
25 **requirements. In offering any kind of a security, you**

1 **had to make sure that everything was, was correct. So,**
2 **from a personal knowledge standpoint, I felt comfortable**
3 **that he had a good grasp of the numbers, and if he did**
4 **not have them himself, he could access those numbers.**
5 Q. Same questions for Mr. Reed Taylor.
6 **A. My understanding of Reed Taylor was one of**
7 **working with brokers, generally in the sales aspect. He**
8 **was more of what would be classically called Mr.**
9 **Outside, as opposed to John being more of Mr. Inside.**
10 Q. Was Mr. Reed Taylor and John, and I'm a little
11 uncertain on this, was Mr. Reed Taylor the founder of
12 AIA Services?
13 **A. That's my understanding, yes.**
14 Q. And, and was Mr. John Taylor either if not a
15 founder, soon associated with AIA Services early on?
16 **A. Yes, that's my understanding. I don't know**
17 **what years those things took place. As I recall, AIA**
18 **was started in the late '60s sometime, but I can't be**
19 **absolutely sure.**
20 Q. Okay.
21 **A. And then I think John after he, whatever series**
22 **of degrees he chased down and eventually got, he joined**
23 **AIA.**
24 Q. Okay. Was Mr. Reed Taylor knowledgeable, when
25 you guys had board meetings and stuff, was he

1 knowledgeable about the financial dealings of AIA
2 Services or not?
3 **A. I don't remember him talking a whole lot about**
4 **finances. My recollection is that he spent most of his**
5 **time talking about activities in the field, sales**
6 **opportunities, brokers, that sort of thing.**
7 Q. Okay. When you bought in, who -- what kind of
8 financial information had been provided to you
9 concerning AIA Services? What was your knowledge? What
10 had been provided to you, to the best of your
11 recollection here today?
12 **A. My recollection is that we got the most recent**
13 **audited financial statements, and I don't remember what**
14 **dates those would have been. But we got, we got those**
15 **and we had some interim financial statements and some**
16 **unaudited financial statements, to the point at which we**
17 **signed our documents which was in the middle of 1995.**
18 Q. Okay. Sitting here today, I'm assuming there's
19 uncertainty on your part which years you had audited and
20 which years you had unaudited in July of 1995, fair
21 comment?
22 **A. Yes. I know that we did not get financial**
23 **audited statements for '94 and '95, until sometime in**
24 **'96 is my recollection.**
25 Q. And that was, you're answering my next question

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1 so --
2 **A. Oh.**
3 Q. When you bought in, did you have audited 1993
4 financials?
5 **A. I believe so, yes.**
6 Q. Okay. One of the other areas of inquiry that
7 the court directed us on was the source of funds
8 received by Reed Taylor in 1995 and 1996 pursuant to the
9 1995 and 1996 stock redemption agreement between Reed
10 Taylor and the AIA corporations. Can you give us any
11 knowledge or information concerning that? It's a little
12 bit vague, but can you give us any information or
13 knowledge concerning the source of funds received by
14 Reed Taylor in regards to the 1995 and 1996 stock
15 redemption agreements?
16 **A. The private placement money that came in**
17 **totaled somewhere in the neighborhood of two million**
18 **dollars. I don't know exactly what that number is.**
19 **And, I'm assuming that part of that was used to pay**
20 **Reed.**
21 Q. Okay. Do you know that or is that an
22 assumption you're making?
23 **A. That's an assumption I'm making.**
24 Q. Okay. That's fine. This is my understanding,
25 and correct me if I'm wrong, in regards to the 1996

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1 stock redemption agreement, it's my understanding that
2 was never brought to the shareholders for a shareholder
3 approval. Do you know if that's correct or not?
4 **A. I don't, that I don't recall.**
5 Q. Okay. Same question but for the 1996 stock
6 redemption agreement, it's my understanding that that
7 wasn't brought to the board of directors for board
8 approval. Do you know if that's correct or not?
9 **A. Again, I -- I don't recall.**
10 Q. Okay. And, in regards to the 1995 stock
11 redemption agreement, now do you have a recollection as
12 to if it was brought for a shareholder approval and/or
13 board of director approval? And I understand that this
14 is predating your purchase of your shares, so I'm just
15 asking what you know and what you don't know, not being
16 presumptuous.
17 **A. I can't answer that one hundred percent. I**
18 **just -- I don't know. I would presume that it was, but**
19 **that would not be an accurate....**
20 Q. Okay. That's all I'm asking is that.
21 **A. Okay.**
22 Q. In regards to the audited 1995 financial
23 statement, it's my understanding that the retained
24 deficit exceeded eighteen million dollars, in other
25 words a negative eighteen million dollars. Have you

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1 reviewed the 1995 audited financial statement?
2 **A. Not recently, no.**
3 Q. Okay. What's your general understanding of, of
4 the 1995 audited financial statements --
5 **A. My --**
6 **Q. -- for AIA?**
7 **A. Excuse me.**
8 **Q. Go ahead.**
9 **A. My understanding is that there was a deficit.**
10 **Q. And, use your words to describe your**
11 **recollection of the size of that deficit?**
12 **A. I didn't recognize it as eighteen million. My**
13 **recollection was it was somewhere between twelve and**
14 **sixteen million dollars, but I can't be absolutely sure.**
15 **I do know that it was more substantial certainly than**
16 **what, what I knew when I signed my --**
17 **Q. Sure.**
18 **A. -- subscription documents.**
19 **Q. Well, I'm not asking for a specific dollar**
20 **figure from you, but what was it in your mind revealed**
21 **by the 1995 audited financial statements versus what you**
22 **thought you were buying into?**
23 **A. I can't, I can't give you a specific number. I**
24 **had no -- my recollection is I had no reason to believe**
25 **that it was a negative net worth. But I can't, I**

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1 yet been considered by the court.
 2 Do you believe the last sentence, that motion
 3 has been fully briefed and is yet to be considered by
 4 the court to be true?
 5 **A. I don't have any way of knowing that.**
 6 Q. And this also talks about a derivative demand
 7 made by Reed upon the corporations, and meaning AIA
 8 Services and AIA Insurance. Are you aware of that
 9 derivative demand?
 10 **A. Well, I've heard the term. I'm, I'm not a**
 11 **lawyer, so therefore I don't really understand what**
 12 **the....**
 13 Q. Have the boards --
 14 **A. Or understand --**
 15 Q. -- undertaken to appoint any independent
 16 parties or special committee or persons to investigate
 17 the claims or allegations asserted in the derivative
 18 demand letter sent by Reed and Donna Taylor?
 19 MR. RISLEY: I'm going to object to the form of
 20 the motion [sic], in part because it assumes facts not
 21 in evidence and ignores the court file and also asks for
 22 a legal conclusion that this witness is not capable of
 23 answering.
 24 MR. BOND: Go ahead and answer.
 25 MR. BECK: I don't remember what your question

1 was.
 2 Q. (BY MR. BOND) Has the board appointed any
 3 independent person or a committee or any other person
 4 not presently involved in this litigation, not a part of
 5 the corporation, to investigate the claims asserted by
 6 Reed and Donna Taylor in the derivative demand letter
 7 that was sent back in July of 2007?
 8 **A. I don't know what the board --**
 9 Q. Or 2008, excuse me.
 10 **A. I don't know what the board has done. I'm not**
 11 **on the board.**
 12 Q. Of AIA Services and AIA Insurance?
 13 **A. Oh, of AIA? I don't believe any independent**
 14 **counsel or investigator or anything has been hired, no.**
 15 Q. So the corporation hasn't done anything with
 16 regard to that demand by Reed and Donna Taylor, correct?
 17 MR. RISLEY: Object to the motion [sic]. It's
 18 misstating the record, ignoring the court record and
 19 asking this witness for information he obviously doesn't
 20 have.
 21 **A. I don't know.**
 22 Q. (BY MR. BOND) And the last sentence on the
 23 next page says, AIA Services and AIA Insurance will
 24 request that the court stay the suit until the special
 25 master's review is made and this report has been

1 tendered to the court for its consideration. Has there
 2 been any special master appointed or a special master's
 3 report?
 4 **A. Not to my knowledge.**
 5 Q. Now, how did you learn of the March 2003 oral
 6 modification with Reed Taylor?
 7 MR. RISLEY: Asked and answered.
 8 **A. I believe John Taylor told me.**
 9 Q. (BY MR. BOND) And would have that been on
 10 your, on the phone or in person by yourself, or would
 11 that have been with Mr. Cashman or any others involved
 12 or can you remember?
 13 **A. I don't remember.**
 14 Q. And, did you approach John Taylor about being
 15 on the board of AIA Services prior to 2007 when you
 16 became a member again or did John Taylor approach you?
 17 **A. John Taylor approached me.**
 18 Q. And do you know how many employees AIA
 19 Insurance has presently?
 20 **A. No, I don't.**
 21 Q. Approximately?
 22 **A. Then I'd be speculating.**
 23 Q. And have you retained any expert witnesses for
 24 this case?
 25 **A. No.**

1 Q. Does Crop USA have any kind of an arrangement
 2 to repurchase the business that was sold to them, or is
 3 that business free for Crop USA to try to get back again
 4 in another year, or can you explain what really
 5 transpired in that sale?
 6 **A. Well, it's pretty much laid out in this, this**
 7 **document here.**
 8 Q. Do you have a general understanding of it, a
 9 brief understanding or no?
 10 **A. No.**
 11 Q. Do you remember discussing at a board meeting
 12 in 1996 to repurchase common shares from a Mary Frost?
 13 **A. I don't remember the name.**
 14 Q. Do you remember authorizing the repurchase of
 15 any common shares from Mary Frost?
 16 **A. I don't remember the name.**
 17 Q. Do you recall Mary Frost or any other common
 18 shareholders voicing opinions as to what had gone on at
 19 AIA after you became an investor?
 20 **A. No.**
 21 Q. Do you recall Alton Woodsworth expressing any
 22 concern over what had transpired?
 23 **A. Say the name again.**
 24 Q. Alton Woodsworth.
 25 **A. I don't recall that name at all.**

1 tendered to the court for its consideration. Has there
2 been any special master appointed or a special master's
3 report?

4 **A. Not to my knowledge.**

5 Q. Now, how did you learn of the March 2003 oral
6 modification with Reed Taylor?

7 MR. RISLEY: Asked and answered.

8 **A. I believe John Taylor told me.**

9 Q. (BY MR. BOND) And would have that been on
10 your, on the phone or in person by yourself, or would
11 that have been with Mr. Cashman or any others involved
12 or can you remember?

13 **A. I don't remember.**

14 Q. And, did you approach John Taylor about being
15 on the board of AIA Services prior to 2007 when you
16 became a member again or did John Taylor approach you?

17 **A. John Taylor approached me.**

18 Q. And do you know how many employees AIA
19 Insurance has presently?

20 **A. No, I don't.**

21 Q. Approximately?

22 **A. Then I'd be speculating.**

23 Q. And have you retained any expert witnesses for
24 this case?

25 **A. No.**

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1 Q. Does Crop USA have any kind of an arrangement
2 to repurchase the business that was sold to them, or is
3 that business free for Crop USA to try to get back again
4 in another year, or can you explain what really
5 transpired in that sale?

6 **A. Well, it's pretty much laid out in this, this
7 document here.**

8 Q. Do you have a general understanding of it, a
9 brief understanding or no?

10 **A. No.**

11 Q. Do you remember discussing at a board meeting
12 in 1996 to repurchase common shares from a Mary Frost?

13 **A. I don't remember the name.**

14 Q. Do you remember authorizing the repurchase of
15 any common shares from Mary Frost?

16 **A. I don't remember the name.**

17 Q. Do you recall Mary Frost or any other common
18 shareholders voicing opinions as to what had gone on at
19 AIA after you became an investor?

20 **A. No.**

21 Q. Do you recall Alton Woodsworth expressing any
22 concern over what had transpired?

23 **A. Say the name again.**

24 Q. Alton Woodsworth.

25 **A. I don't recall that name at all.**

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THURSDAY, FEBRUARY 5, 2009 - 9:00 A.M.

Thereupon,

CONNIE TAYLOR,

a witness of lawful age, having first been duly sworn upon her oath to tell the truth, the whole truth and nothing but the truth, testified as follows:

EXAMINATION

BY MR. BOND:

Q. Can you spell your name, Ms. Taylor, please?

A. **C-O-N-N-I-E, T-A-Y-L-O-R.**

Q. And what is your present home address?

A. **3845 Lakeview Drive in Lewiston, Idaho.**

Q. And is that the same property that was owned by you and John prior to your divorce?

A. **It is.**

Q. Can you tell me what your educational background is, please?

A. **I have a degree in business administration, an emphasis in economics from Lewis Clark State College and a Juris Doctorate from the University of Idaho.**

MR. BABBITT: Would it be possible to move the speaker closer to Connie?

MS. TAYLOR: I'm sorry. I'll try to speak up.

Q. (BY MR. BOND) And what are some of the recent

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EXHIBIT

34

tabbles

1 lawsuit to collect on his promissory note and in
 2 addition is trying to take all of the personal assets of
 3 me, John, JoLee Duclos, Brian Freeman, Jim Beck, and
 4 anybody else he can get to.
 5 Q. And is that -- do you have any understanding
 6 besides that?
 7 **A. That's my basic understanding.**
 8 Q. And as a director of AIA Services and AIA
 9 Insurance, have you reviewed any documents at board
 10 meetings?
 11 **A. Yes.**
 12 Q. And tell me what documents you have reviewed at
 13 board meetings?
 14 **A. That would be --**
 15 MR. BABBITT: Objection, this question invades
 16 attorney-client privilege and communication.
 17 **A. The only documents I have reviewed at board**
 18 **meetings were provided by counsel, so I can't discuss**
 19 **them.**
 20 Q. (BY MR. BOND) And so, other than what's been
 21 provided to you by counsel or the corporation, you have
 22 never inquired from the corporation or obtained
 23 documents or information directly from the corporation?
 24 **A. No. That's not true. You said "reviewed at**
 25 **board meetings."**

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1 Q. Yeah. So, tell me what documents you have
 2 obtained directly from the corporation?
 3 **A. I obtained a copy of the most recent financial**
 4 **statements. I think that's all.**
 5 Q. And what financial statements would those be?
 6 What year?
 7 **A. I would have to go back and look at them. It**
 8 **was -- it was just within the last few months that I**
 9 **requested them. They were the most recent ones**
 10 **available at that time.**
 11 Q. Let's turn to Exhibit 4.
 12 **A. Oh, these upside down.**
 13 MS. TAYLOR: Give me my ones that are right
 14 side up.
 15 MR. BOND: Actually, I would prefer to use
 16 these ones (indicating). Can you take a minute to sort
 17 these out? I would prefer that you use the ones that
 18 are marked.
 19 MS. TAYLOR: Well, it's a lot earlier for me to
 20 use the ones that are actually in numerical order. They
 21 are the same, aren't they?
 22 MR. BOND: And do you have markings or
 23 highlighting on those documents?
 24 MS. TAYLOR: Oh, yeah, I might.
 25 MR. BOND: Okay. Let's use those documents

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1 (indicating).
 2 MS. TAYLOR: You get Exhibit 4 for me, and I
 3 will.
 4 MR. BOND: (Counsel complies.) There you go.
 5 There's 1 through 4 (indicating).
 6 Q. (BY MR. BOND) Have you seen Exhibit 4 before,
 7 Ms. Taylor?
 8 **A. Yes.**
 9 Q. And when did you first see that document?
 10 **A. On April 3rd, 2008.**
 11 Q. And where did you obtain that document?
 12 **A. It was faxed from AIA Insurance to my office.**
 13 Q. And how did you come to obtain that document?
 14 **A. My attorney at the time requested it.**
 15 Q. So you -- you, yourself, did not contact AIA
 16 offices and instruct them to fax the document to your
 17 attorney?
 18 **A. (Witness shakes head.) No, I did not.**
 19 Q. And is there some reason why your attorney
 20 wouldn't contact the offices of AIA Services directly.
 21 **A. That's privilege information. I can't answer**
 22 **that.**
 23 Q. Your attorney isn't counsel for the
 24 corporations, correct?
 25 **A. Correct.**

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1 Q. And this Exhibit 4, this is an exhibit that you
 2 rely upon in your motion for partial summary judgment,
 3 correct?
 4 **A. Correct.**
 5 Q. And can you point me to the page in Exhibit 4
 6 that tells us what the fair market value of AIA Services
 7 assets and liabilities were on July 22nd, 1995?
 8 MR. RISLEY: Object to a form of the question.
 9 **A. This is a financial statement. It wouldn't**
 10 **contain fair market value. That information isn't**
 11 **included in financial statements.**
 12 Q. (BY MR. BOND) Can you tell me where in Exhibit
 13 4 it tells us what any values were of any assets as of
 14 July 22nd, 1995?
 15 **A. No. This is a year-end statement.**
 16 Q. And do you understand or do you have knowledge
 17 of how many revenues -- how much revenues have been
 18 generated by AIA Services since 1995, from '95 through
 19 2005?
 20 MR. RISLEY: Again, object to the question to
 21 the extent it invades the spousal privilege.
 22 **A. I do not. Other than I heard you ask Jim Beck**
 23 **a question along those lines. I have no idea whether**
 24 **it's accurate.**
 25 Q. (BY MR. BOND) So, is it possible that AIA

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1 **A. I believe so, but let me just double-check.**
2 **Yeah. It looks like it.**
3 Q. Okay. And you have no personal knowledge of
4 the information contained in Exhibit 4 other than what's
5 printed on those pages correct?
6 **A. Correct.**
7 Q. And have you conducted any kind of an
8 independent investigation or retained any experts to
9 ascertain the information on Exhibit 4, whether it's
10 correct or not?
11 **A. Well, it's an audited financial statement.**
12 Q. That wasn't my question. Move to strike for a
13 nonresponsive answer.
14 MR. BOND: Go ahead and read that question back
15 to her.
16 MS. TAYLOR: No. You don't need to read it
17 back.
18 **A. No. I would not do a subsequent investigation**
19 **of an audited financial statement.**
20 Q. (BY MR. BOND) And you haven't hired any
21 experts to analyze the financial statements or financial
22 condition of AIA Services in the 1995-1996 time frame?
23 **A. I have not personally, no.**
24 Q. Has your attorney?
25 **A. I'm not going to answer about what my attorney**

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1 **has done.**
2 Q. Have we -- have we requested in interrogatories
3 to receive your expert witnesses -- excuse me.
4 **A. You may have.**
5 Q. Okay. And so whatever information was provided
6 in that, would that be true today?
7 MR. RISLEY: Object to the form of the
8 question. Again, you're asking questions that are not
9 based in fact and impinge upon work product being done
10 by counsel.
11 Q. (BY MR. BOND) Can you tell me the names of your
12 expert witnesses that you're in relying upon in Reed
13 Taylor V AIA Services, et al.?
14 **A. No, I cannot.**
15 Q. Do you know who can tell me that information?
16 **A. Not without invading the attorney-client**
17 **privilege.**
18 Q. So, the only other person that would know would
19 be your attorney?
20 **A. I believe so.**
21 Q. And you have not spoken with any expert
22 witnesses?
23 **A. Huh-uh.**
24 Q. And going back, again, to page seven at the
25 bottom of Exhibit 3 you say, As of December 31st, 1994,

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1 AIA had a total assets of six million fifty-two thousand
2 four sixty-five, and total liabilities of five millions
3 one thousand seventy -- seven hundred thirty-eight
4 dollars, correct?
5 **A. We already went over that, yes.**
6 Q. And, as we went over earlier, those numbers do
7 not give us the numbers of what the financial assets and
8 liabilities were on the financial statements as of July
9 22nd, 1995, or August 1st, 1995?
10 MR. RISLEY: Object to your question as
11 argumentative and assuming facts not and evidence and
12 asking for this witness to give expert opinions that are
13 outside her expertise.
14 Q. (BY MR. BOND) Go ahead and answer.
15 **A. Was your question whether the year-end**
16 **statement contains interim numbers?**
17 Q. Right.
18 **A. No. It's a year-end statement.**
19 Q. And the numbers -- all the numbers relied upon
20 in your Motion for Partial Summary Judgment are year-end
21 numbers; is that correct?
22 **A. Those are the ones cited.**
23 Q. Does your motion rely upon any uncited numbers?
24 MR. RISLEY: Objection, argumentative.
25 **A. No.**

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1 THE REPORTER: Pardon me, objection....
2 MR. RISLEY: Argumentative.
3 **A. No.**
4 Q. (BY MR. BOND) And the numbers or the dollar
5 amounts cited as the total assets for AIA in your Motion
6 for Partial Summary Judgment, Exhibit 3, do not include
7 any analysis of what the fair market value of the assets
8 were on any day, correct?
9 MR. RISLEY: Asked and answered and
10 argumentative, object.
11 **A. On any individual date?**
12 Q. (BY MR. BOND) On any day?
13 **A. I guess I don't think I can answer that**
14 **question. I don't know.... I mean I see numbers. I**
15 **see assets. I don't -- I don't know if it's book value.**
16 **I don't know what the value is. I know there are**
17 **different values. I don't know what that is.**
18 Q. Okay. So, you can't tell me what the -- what
19 the value is that you're relying upon for your Motion
20 for Partial Summary Judgment?
21 **A. Just the number for the assets in the financial**
22 **-- audited financial statements.**
23 Q. And you have not undertaken to do any
24 investigation as to integrity of those numbers or what
25 they include or do not include, correct?

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1 **A. I just rely on the auditors.**
2 Q. And have you hired an expert to reconstruct the
3 value of AIA's assets and debts as of certain dates in
4 1995 or 1996?
5 **A. An expert?**
6 Q. Yes.
7 **A. Not to my knowledge. I'm not sure it would**
8 **take an expert to do that, though. You would be able to**
9 **look at the books and see what the numbers were. Look**
10 **at month-end statements maybe or....**
11 Q. Would a month-end statement tell you what the
12 assets and liabilities were for July -- the month-end
13 of July 1995 tell you what the numbers were for July
14 22nd, 1995?
15 **A. Pretty close.**
16 Q. But they wouldn't tell you the exact numbers,
17 would they.
18 MR. RISLEY: Objection, argumentative.
19 **A. They might be able to do that. I don't know.**
20 Q. (BY MR. BOND) And, again, if it's the
21 information that's the same information provided in
22 Exhibit 4, that wouldn't necessarily give us a valuation
23 of the fair market value of AIA Services and its
24 subsidiary as of any date contained in Exhibit 4,
25 correct?

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1 **A. It --**
2 MR. RISLEY: Objection argumentive.
3 **A. You would have to ask an accountant about how**
4 **to interpret the numbers.**
5 Q. (BY MR. BOND) Right. And You're not relying
6 upon an accountant to interpret those numbers for your
7 Motion for Partial Summary Judgment, are you?
8 MR. RISLEY: Objection to the question. You're
9 getting into work product of the attorneys, and this
10 client doesn't know about it. And whether she's relying
11 upon it or not requires a legal opinion that this client
12 -- that this witness is not able to make.
13 Q. (BY MR. BOND) Go ahead and answer the
14 question.
15 **A. I assert the attorney-client work-product**
16 **privilege.**
17 Q. Have you filed an affidavit from an expert
18 supporting your Motion for Partial Summary Judgment
19 regarding the value of the assets and debts of AIA
20 Services as it pertains to the redemption of Reed
21 Taylor's shares?
22 **A. I don't believe so.**
23 Q. Are you going to file an affidavit from an
24 expert?
25 **A. I will not personally be filing anything.**

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1 Q. I know you will not personally. Will you have
2 an expert on your behalf file an affidavit as to the
3 value of the assets and debts of the AIA Services as it
4 pertains to the redemption of Reed Taylor shares in
5 support of your Motion for Partial Summary Judgment?
6 **A. That is a decision that is being left to the**
7 **attorneys.**
8 Q. And do you have any knowledge of whether one
9 has been retained for that purpose, an expert?
10 **A. I do not.**
11 Q. And if you did, would you provide the name of
12 that expert to us?
13 MR. RISLEY: I will.
14 MR. BOND: That question was to her.
15 MR. RISLEY: I know. I'm telling you I will.
16 Q. (BY MR. BOND) Go ahead and answer Ms. Taylor.
17 **A. I understand that my attorney will provide it**
18 **to you.**
19 Q. And if we look on page eight, again, and we
20 have referenced all of the questions -- the assets
21 supporting this motion as referenced in here, there are
22 some debts as well or liabilities. And, again, for
23 those liabilities you're relying on what's contained in
24 the financial statements, correct?
25 **A. My answers on those will be the same as they**

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1 **were on the assets across the board.**
2 Q. Okay. And if there was accounting adjustments
3 or special accounting treatment that created liabilities
4 for accounting treatment, you would have no knowledge of
5 that, correct? It's whatever is in the financial
6 statements?
7 MR. BABBITT: Object to the form of the
8 question, lack of definition.
9 **A. I don't understand the question.**
10 Q. (BY MR. BOND) So, isn't it true, Ms. Taylor,
11 that it's possible that the numbers you rely upon in
12 your Motion for Partial Summary Judgment for the
13 liabilities of AIA Services and its subsidiaries as of
14 the dates you indicate in here, may not be accurate from
15 a standpoint that these are the true liabilities?
16 MR. BABBITT: Objection, calls speculation and
17 is a hypothetical question.
18 MR. RISLEY: I'll join in that objection.
19 **A. I am not going speculate on any possibilities.**
20 Q. (BY MR. BOND) Are you one hundred percent
21 certain that the -- that the liabilities that are listed
22 and upon which you rely upon in your Motion for Partial
23 Summary Judgment are accurate.
24 **A. To the best of my.**
25 Q. But you have no personal knowledge of that

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1 Q. Do you see any valuation for -- to account for
2 the value of the policies issued by AIA Services or it's
3 subsidiaries?
4 **A. No. I don't believe that would be included in**
5 **a financial statement.**
6 Q. Okay. And that would be the whole truth for
7 Exhibit 4 as well, true?
8 **A. I believe we went through that, yes.**
9 Q. And if we -- if we turn to.... Okay. Let's go
10 back to Exhibit 4?
11 **A. I have it.**
12 Q. Okay. And if you look at page seven on the
13 top, it shows -- the fax stamped from AIA, it says OO
14 seven?
15 **A. Okay.**
16 Q. Do you have an understanding of the entry under
17 1995 that says net liabilities to be disposed?
18 **A. I do not.**
19 Q. So, do you know whether that's an actual
20 liability, or whether that could be just appear
21 accounting entry?
22 **A. I have no knowledge of that entry.**
23 Q. And, in fact, you don't have any knowledge of
24 any of the entries on Exhibit 4 or Exhibit 34, do you?
25 **A. No. We rely on the auditors.**

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1 **(Whereupon, Mr. Wagner enters the room.)**
2 Q. (BY MR. BOND) And were you aware -- I'll
3 rephrase the question.
4 Were ever involved in making the decisions on
5 how the community shares in AIA Services were voted from
6 1995 through to the present day?
7 MR. RISLEY: Object to the question to the
8 extent it invades the spousal privilege for that time
9 period.
10 Q. (BY MR. BOND) And, again, I'm not asking what
11 you would have talked about.
12 **A. Are you saying did John and I ever talk about**
13 **how the shares should be voted?**
14 Q. Yes.
15 **A. No.**
16 MR. RISLEY: Same objection. The only way she
17 could have known that is from John telling her. That's
18 privileged.
19
20 **A. I am going to rely on the marital privilege.**
21 Q. (BY MR. BOND) But you weren't voting the
22 shares, right?
23 **A. I don't -- I don't think so. You know, a lot**
24 **of times there was paperwork that would come through**
25 **that would require my signature. I this long after the**

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1 **fact, I can't tell you whether any of them would be a**
2 **vote on something.**
3 Q. The shares are held in John's name only on the
4 books of the corporation, correct?
5 **A. Yes, they are.**
6 Q. So....and from 1995 through today's date, you,
7 yourself, have not attended a shareholder meeting or
8 taken any other action to vote those shares held in
9 John's name, have you?
10 **A. I haven't attended any shareholder meetings, I**
11 **don't think. And I have no recollection specifically of**
12 **voting those shares unless it was done in signing off on**
13 **a proxy or.... I just don't remember.**
14 Q. And do you have any reason to believe that
15 anyone else would vote your and John Taylor's shares
16 besides John Taylor?
17 **A. Unless he gave a proxy to someone.**
18 Q. Unless he gave a proxy to somebody. Besides
19 that, do you have any reason to believe that anyone
20 besides John Taylor would have voted the shares listed
21 in John Taylor's name on the books of AIA Services?
22 **A. I don't think they could without a proxy, could**
23 **they?**
24 Q. I'm just asking if you have any knowledge of
25 anyone else?

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1 **A. No.**
2 Q. Okay. So, it's a fair statement to say that
3 you knew John Taylor was voting the shares in AIA
4 Services that are held in his name but through which you
5 have a community interest, correct?
6 MR. RISLEY: Assumes a fact not in evidence,
7 that he voted the shares. And, again, it is a back door
8 attempt to invade the spousal privilege.
9 MR. BOND: No. I'm not asking -- I'm not
10 asking for any information regarding what you talked to
11 John about, and that applies to anything I ask unless
12 third parties are present.
13 **A. Okay.**
14 MR. BOND: So, can you read the question back
15 to me?
16 THE REPORTER: (Whereupon, the court reporter
17 reads back the question.)
18 MR. RISLEY: I'll add to the objection. It's
19 speculation. Don't know. I was never at shareholders
20 meetings.
21 Q. (BY MR. BOND) Okay. And did you believe you
22 had a community interest in those shares in 1995?
23 **A. Yeah.**
24 Q. So, if you wanted to assert rights or you were
25 concerned about how those shares voted, you knew that

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1 counterclaim after providing this.
2 MR. WAGNER: Okay.
3 MR. BOND: She's never supplemented it, that's
4 why the answer is what it is.
5 MR. WAGNER: Okay.
6 Q. (BY MR. BOND) And so, you're stating that
7 you're motion for partial summary is a legal issue only,
8 is that true?
9 MR. WAGNER: I'd say the motion speaks for
10 itself. It says what it says.
11 MR. BOND: Is that an objection?
12 MR. WAGNER: Yeah. That's an objection.
13 MR. BOND: And what's the basis?
14 MR. WAGNER: It's -- the legal documents speak
15 for themselves, the motion's filed, and it says what it
16 says.
17 MR. BOND: And I'm asking for Ms. Taylor's
18 knowledge as to that information.
19 Q. (BY MR. BOND) Is it a legal -- strictly a
20 legal issue or does it involve facts?
21 **A. Well, of course it involves facts.**
22 Q. Okay. So it's not just a legal issue, is it?
23 **A. The issue is the illegality.**
24 Q. But the issue -- for you to prevail on the
25 illegality or to have an argument on the illegality is

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1 you have to show what the assets and debts are, correct?
2 **A. Correct.**
3 Q. And that will be a factual issue, correct?
4 **A. Correct.**
5 Q. Okay. So, what we're looking for are the names
6 and everyone that you know of that would have knowledge
7 as to what those values of the assets were at the time,
8 what the debts were, people that have knowledge of the
9 transaction, who knew about the transaction, who
10 approved the transaction to redeem his shares, who had
11 knowledge of it? I mean, that's what we're asking for.
12 So, to your knowledge --
13 **A. Okay. I understand your question. I was not
14 involved in the corporation at all in '94, '95, '96, in
15 that time frame, so I'm not able to give you the names
16 of any of those people.**
17 Q. Okay. Would John Taylor be one?
18 **A. I would certainly think so.**
19 Q. Would JoLee Duclos be a person that would have
20 knowledge?
21 **A. She very well may. Oh, Reed Taylor, he would
22 have knowledge.**
23 Q. Sure. Reed Taylor would have knowledge.
24 **A. Uh-huh.**
25 Q. Anyone else?

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1 **A. I would be speculating.**
2 Q. Would Jim Beck have knowledge?
3 **A. Oh, he seemed to have quite a bit of knowledge,
4 didn't he?**
5 Q. Would Mike Cashman have knowledge?
6 **A. I don't know.**
7 Q. Have you met Mike Cashman before?
8 **A. I don't think I've ever met Mike Cashman.**
9 Q. Was he at the dinner at your house shortly
10 after the redemption of Reed Taylor's shares?
11 **A. If he was, I don't remember. I didn't even
12 remember doing a dinner until Jim mentioned it.**
13 Q. And what would the knowledge -- what do you --
14 and what's John Taylor's knowledge as to your
15 Counterclaim?
16 **A. You would have to ask him.**
17 Q. And you don't know anything that he would know?
18 **A. Not to the point that I could say it better
19 than he does.**
20 Q. Okay. And do you know, is there a reason why
21 you have filed for partial summary judgment and your
22 ex-husband, John Taylor, hasn't?
23 **A. I think they joined in it, I believe.**
24 Q. AIA Services and AIA Insurance recently joined
25 in, do you recall that?

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1 **A. Yes.**
2 Q. Okay. Do you know of anyone else that's joined
3 in it?
4 **A. Actually I thought Mike McNichols had joined in
5 it as well. I could be wrong with that.**
6 Q. So, you don't recall any discussions with John
7 about not having him join in the motion?
8 **A. No.**
9 Q. And there's no other persons that you can think
10 of that have knowledge to the transaction in question as
11 requested in Interrogatory No. 3?
12 **A. You know, I -- no. I just wasn't involved
13 enough to know who all might be -- have knowledge of it.**
14 Q. And Mr. Risley indicated that if you did in
15 fact hire an expert witness, that you would provide that
16 person's name to us, correct?
17 **A. That he would.**
18 Q. Yes, sorry. Excuse me. That he would provide
19 that person's name to us?
20 **A. Yes.**
21 Q. And since we've had a break, were you able to
22 find out whether you are in fact in contact with
23 possible expert witnesses?
24 **A. No.**
25 Q. Okay. So, at this point in time, you have no

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1 expert witness for ascertaining what the assets and
 2 debts were as of the date of the redemption of Reed
 3 Taylor's shares, correct?
 4 **A. I don't know that. That's knowledge that is**
 5 **Mr. Risley's.**
 6 Q. Okay. And that hasn't been disclosed to us
 7 here, correct, in Interrogatory No. 3?
 8 **A. No. Because we didn't even have a counterclaim**
 9 **then.**
 10 Q. Right. But this was over a year -- almost a
 11 year ago, right?
 12 **A. Right.**
 13 Q. And your counterclaim was filed -- do you
 14 recall when? April?
 15 **A. I think in April.**
 16 Q. Yeah. So, we're ten months, right?
 17 **A. Roughly, yeah.**
 18 Q. And can you tell me, have there been any board
 19 meetings for AIA Services and AIA Insurance in which
 20 there has not been meeting minutes drafted for since you
 21 have been on the board?
 22 **A. Not that I know of, but I don't get a copy of**
 23 **the minutes after the meetings.**
 24 Q. Have there been any board meetings of AIA
 25 Services or AIA Insurance in which JoLee Duclos wasn't

1 **A. Yes.**
 2 Q. And that's the one that you were just referring
 3 to that JoLee was present at?
 4 **A. Yes.**
 5 Q. And who else was present at that meeting?
 6 **A. John Taylor and Jim Beck.**
 7 Q. Were there any -- was anybody else present at
 8 that meeting?
 9 **A. I think there might have been attorneys in the**
 10 **room.**
 11 Q. Do you recall which attorneys were present?
 12 **A. Actually, I might have to back up on that. I**
 13 **don't know if the attorneys stayed in the room for the**
 14 **board meeting. We'd had a meeting before, and then we**
 15 **took a break and had a board meeting. I can't tell you**
 16 **what attorneys were in the room at the time of the board**
 17 **meeting.**
 18 Q. So, is it typical for the board meetings that
 19 you're involved with to have counsel present before or
 20 after the board meetings?
 21 **A. That's the only one I recall that counsel was**
 22 **present before. And I'm not sure if they were there for**
 23 **the phone call. It was a phone call.**
 24 Q. And if you look on page sixty-four.
 25 **A. (Witness complies.) Yes.**

1 present?
 2 **A. No.**
 3 Q. So, if there were any meetings, she would have
 4 been present, she would have either drafted minutes or
 5 not drafted minutes, correct?
 6 **A. Well, I guess those are the options, yes.**
 7 Q. Okay. And was there a board meeting held prior
 8 to the AIA Services and AIA Insurance filing a join
 9 during this action -- on your Motion for Partial Summary
 10 Judgement?
 11 **A. There was.**
 12 Q. And was JoLee present for that meeting?
 13 **A. She was.**
 14 Q. And when was that meeting held?
 15 **A. Late March, early April 2008. I don't know the**
 16 **date.**
 17 Q. And that was pertaining to -- that was before
 18 you filed for summary judgment, correct?
 19 **A. I thought that's what we were talking about.**
 20 Q. No. I was talking about the joiner, but let's
 21 back up and talk about that time.
 22 **A. Oh, I'm sorry. I misunderstood. Start over.**
 23 Q. That's okay. Let's talk about -- we know there
 24 was a board meeting prior to the time you filed for
 25 partial summary judgment, correct?

1 Q. Is there some reason why we haven't been
 2 provided information as to Interrogatory No. 12 and the
 3 corresponding information requested and request for
 4 Production 115 fifteen?
 5 **A. I need a minute to read it.**
 6 Q. Okay.
 7 **A. Well, my guess is it requires me to express an**
 8 **opinion on what a fiduciary duty is and I'm not**
 9 **comfortable doing that. Also, as the answer says,**
 10 **Overly broad, burdensome, vague, and ambiguous.**
 11 Q. Again, how long have you practiced law, Ms.
 12 Taylor, about?
 13 **A. About sixteen years.**
 14 Q. And upon your review of the answers and
 15 responses you provided to Reed Taylor in these
 16 interrogatories and requests for production, would you
 17 -- is it your opinion that these are adequate responses
 18 and answers?
 19 MR. WAGNER: Again, I'll object. She's not an
 20 expert witness in this case, she's a lay witness. If
 21 you're asking for a legal opinion.
 22 **A. I am not going to second-guess my attorneys.**
 23 Q. (BY MR. BOND) But you provided the information
 24 for this, correct?
 25 **A. Uh-huh.**

1 **A. I believe so, but let me just double-check.**
2 **Yeah. It looks like it.**
3 Q. Okay. And you have no personal knowledge of
4 the information contained in Exhibit 4 other than what's
5 printed on those pages correct?
6 **A. Correct.**
7 Q. And have you conducted any kind of an
8 independent investigation or retained any experts to
9 ascertain the information on Exhibit 4, whether it's
10 correct or not?
11 **A. Well, it's an audited financial statement.**
12 Q. That wasn't my question. Move to strike for a
13 nonresponsive answer.
14 MR. BOND: Go ahead and read that question back
15 to her.
16 MS. TAYLOR: No. You don't need to read it
17 back.
18 **A. No. I would not do a subsequent investigation**
19 **of an audited financial statement.**
20 Q. (BY MR. BOND) And you haven't hired any
21 experts to analyze the financial statements or financial
22 condition of AIA Services in the 1995-1996 time frame?
23 **A. I have not personally, no.**
24 Q. Has your attorney?
25 **A. I'm not going to answer about what my attorney**

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1 **has done.**
2 Q. Have we -- have we requested in interrogatories
3 to receive your expert witnesses -- excuse me.
4 **A. You may have.**
5 Q. Okay. And so whatever information was provided
6 in that, would that be true today?
7 MR. RISLEY: Object to the form of the
8 question. Again, you're asking questions that are not
9 based in fact and impinge upon work product being done
10 by counsel.
11 Q. (BY MR. BOND) Can you tell me the names of your
12 expert witnesses that you're in relying upon in Reed
13 Taylor V AIA Services, et al.?
14 **A. No, I cannot.**
15 Q. Do you know who can tell me that information?
16 **A. Not without invading the attorney-client**
17 **privilege.**
18 Q. So, the only other person that would know would
19 be your attorney?
20 **A. I believe so.**
21 Q. And you have not spoken with any expert
22 witnesses?
23 **A. Huh-uh.**
24 Q. And going back, again, to page seven at the
25 bottom of Exhibit 3 you say, As of December 31st, 1994,

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1 **A. I just rely on the auditors.**
2 Q. And have you hired an expert to reconstruct the
3 value of AIA's assets and debts as of certain dates in
4 1995 or 1996?
5 **A. An expert?**
6 Q. Yes.
7 **A. Not to my knowledge. I'm not sure it would**
8 **take an expert to do that, though. You would be able to**
9 **look at the books and see what the numbers were. Look**
10 **at month-end statements maybe or....**
11 Q. Would a month-end statement tell you what the
12 assets and liabilities were for July -- the month-end
13 of July 1995 tell you what the numbers were for July
14 22nd, 1995?
15 **A. Pretty close.**
16 Q. But they wouldn't tell you the exact numbers,
17 would they.
18 MR. RISLEY: Objection, argumentative.
19 **A. They might be able to do that. I don't know.**
20 Q. (BY MR. BOND) And, again, if it's the
21 information that's the same information provided in
22 Exhibit 4, that wouldn't necessarily give us a valuation
23 of the fair market value of AIA Services and its
24 subsidiary as of any date contained in Exhibit 4,
25 correct?

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1 **A. It --**
2 MR. RISLEY: Objection argumentative.
3 **A. You would have to ask an accountant about how**
4 **to interpret the numbers.**
5 Q. (BY MR. BOND) Right. And You're not relying
6 upon an accountant to interpret those numbers for your
7 Motion for Partial Summary Judgment, are you?
8 MR. RISLEY: Objection to the question. You're
9 getting into work product of the attorneys, and this
10 client doesn't know about it. And whether she's relying
11 upon it or not requires a legal opinion that this client
12 -- that this witness is not able to make.
13 Q. (BY MR. BOND) Go ahead and answer the
14 question.
15 **A. I assert the attorney-client work-product**
16 **privilege.**
17 Q. Have you filed an affidavit from an expert
18 supporting your Motion for Partial Summary Judgment
19 regarding the value of the assets and debts of AIA
20 Services as it pertains to the redemption of Reed
21 Taylor's shares?
22 **A. I don't believe so.**
23 Q. Are you going to file an affidavit from an
24 expert?
25 **A. I will not personally be filing anything.**

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1 Q. I know you will not personally. Will you have
2 an expert on your behalf file an affidavit as to the
3 value of the assets and debts of the AIA Services as it
4 pertains to the redemption of Reed Taylor shares in
5 support of your Motion for Partial Summary Judgment?
6 **A. That is a decision that is being left to the**
7 **attorneys.**
8 Q. And do you have any knowledge of whether one
9 has been retained for that purpose, an expert?
10 **A. I do not.**
11 Q. And if you did, would you provide the name of
12 that expert to us?
13 MR. RISLEY: I will.
14 MR. BOND: That question was to her.
15 MR. RISLEY: I know. I'm telling you I will.
16 Q. (BY MR. BOND) Go ahead and answer Ms. Taylor.
17 **A. I understand that my attorney will provide it**
18 **to you.**
19 Q. And if we look on page eight, again, and we
20 have referenced all of the questions -- the assets
21 supporting this motion as referenced in here, there are
22 some debts as well or liabilities. And, again, for
23 those liabilities you're relying on what's contained in
24 the financial statements, correct?
25 **A. My answers on those will be the same as they**
Page 76

1 **were on the assets across the board.**
2 Q. Okay. And if there was accounting adjustments
3 or special accounting treatment that created liabilities
4 for accounting treatment, you would have no knowledge of
5 that, correct? It's whatever is in the financial
6 statements?
7 MR. BABBITT: Object to the form of the
8 question, lack of definition.
9 **A. I don't understand the question.**
10 Q. (BY MR. BOND) So, isn't it true, Ms. Taylor,
11 that it's possible that the numbers you rely upon in
12 your Motion for Partial Summary Judgment for the
13 liabilities of AIA Services and its subsidiaries as of
14 the dates you indicate in here, may not be accurate from
15 a standpoint that these are the true liabilities?
16 MR. BABBITT: Objection, calls speculation and
17 is a hypothetical question.
18 MR. RISLEY: I'll join in that objection.
19 **A. I am not going speculate on any possibilities.**
20 Q. (BY MR. BOND) Are you one hundred percent
21 certain that the -- that the liabilities that are listed
22 and upon which you rely upon in your Motion for Partial
23 Summary Judgment are accurate.
24 **A. To the best of my.**
25 Q. But you have no personal knowledge of that
Page 77

1 expense.
 2 Q. (BY MR. BOND) Answer the question, please.
 3 **A. As a director I do not oversee those**
 4 **allocations.**
 5 Q. And have you done anything at all regarding the
 6 allegations of expenses between Crop USA and AIA
 7 Insurance or AIA Services since you've been on the board
 8 of directors?
 9 **A. No. I have not.**
 10 Q. Have you done anything, as a member of the
 11 board of directors of AIA Services or AIA Insurance, to
 12 investigate past allocations of expenses between AIA
 13 companies and Crop USA?
 14 **A. Now, that -- that is a management function.**
 15 Q. And who do the management report to?
 16 **A. To the directors.**
 17 Q. And who do the directors report to?
 18 **A. The chairman of the board.**
 19 Q. Would the director report -- are the directors
 20 elected or supposed to be elected by the shareholders?
 21 **A. Sometimes.**
 22 Q. When wouldn't they be elected by the
 23 shareholders?
 24 **A. When they have been appointed.**
 25 Q. As in the case of you being appointed?

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1 **A. Uh-huh.**
 2 Q. And since the time you have been appointed in
 3 April 2007 there hasn't been an annual shareholder
 4 meeting of either corporation to reelect you to the
 5 board has there?
 6 **A. No. There has not.**
 7 Q. And is there the reason for that?
 8 **A. I don't know.**
 9 Q. So, are you properly seated on the board of
 10 directors right now since there hasn't been an annual
 11 shareholder meeting since the time you've been on the
 12 board?
 13 **A. I believe so.**
 14 Q. And why do you believe so?
 15 **A. Because I believe the bylaws says that the**
 16 **shareholders meeting shall be held annually or as**
 17 **called. I don't think that they are required to hold**
 18 **annual shareholders' meetings. That's just my**
 19 **interpretation.**
 20 Q. And with the claims and what's involved in this
 21 litigation, do you think it's in the best interest of
 22 the shareholders to not have annual shareholder
 23 meetings?
 24 MR. BABBITT: Objection. Calls for
 25 speculation.

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1 MR. WAGNER: I'll join.
 2 MR. BABBITT: Argumentative.
 3 Q. (BY MR. BOND) Go ahead and answer.
 4 **A. I don't have an opinion on that.**
 5 **(Discussion held off the record.)**
 6 Q. Now, we talked earlier about a board meeting
 7 prior to the time you filed for partial summary
 8 judgment. Do you recall that meeting?
 9 **A. Yes, I do.**
 10 Q. And is it true at that meeting the board
 11 unanimously voted to have John Hawley file a Motion for
 12 Partial Summary Judgement regarding the illegality of
 13 Reed Taylor's redemption, that same motion that's now
 14 pending of yours?
 15 **A. Yes.**
 16 Q. And can you tell me why the board would vote on
 17 a motion filed by you?
 18 **A. I beg your pardon?**
 19 Q. Why would the board of AIA Services and AIA
 20 Insurance vote to decide whether you file a motion or
 21 not?
 22 **A. We voted to file the motion, and then it was**
 23 **decided that someone had to do it, so John Hawley was**
 24 **assigned to do it.**
 25 Q. And why did the board believe that John Hawley

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1 should be assigned to do it?
 2 **A. A function of who had the time and who was**
 3 **closest.**
 4 Q. And was that the only function?
 5 **A. To my knowledge.**
 6 Q. And why didn't the corporation file the motion?
 7 **A. I can't answer that question.**
 8 Q. And have you been issued shares of stock in AIA
 9 Service since you've been on the board of AIA Services
 10 and AIA Insurance?
 11 **A. I think so. I have not seen certificates. I**
 12 **believe they would just be book entries.**
 13 Q. And can you tell me about how much time you
 14 spend a year for your board duties for AIA Services and
 15 AIA Insurance?
 16 **A. Well, it varies. Actually, I kept track of the**
 17 **hours for a long time just out of interest. I sort of**
 18 **fell off on that. But I would say I spend at least ten**
 19 **to fifteen hours a week on this.**
 20 Q. And, as part of that, are you actively in touch
 21 with the lawyers for AIA Services and AIA Insurance?
 22 **A. I would have to say no. I'm in the loop on all**
 23 **the emails.**
 24 Q. And what -- what would your fifteen to twenty
 25 hours a week entail?

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1 **A. I would be speculating.**
2 Q. Would Jim Beck have knowledge?
3 **A. Oh, he seemed to have quite a bit of knowledge;**
4 **didn't he?**
5 Q. Would Mike Cashman have knowledge?
6 **A. I don't know.**
7 Q. Have you met Mike Cashman before?
8 **A. I don't think I've ever met Mike Cashman.**
9 Q. Was he at the dinner at your house shortly
10 after the redemption of Reed Taylor's shares?
11 **A. If he was, I don't remember. I didn't even**
12 **remember doing a dinner until Jim mentioned it.**
13 Q. And what would the knowledge -- what do you --
14 and what's John Taylor's knowledge as to your
15 Counterclaim?
16 **A. You would have to ask him.**
17 Q. And you don't know anything that he would know?
18 **A. Not to the point that I could say it better**
19 **than he does.**
20 Q. Okay. And do you know, is there a reason why
21 you have filed for partial summary judgment and your
22 ex-husband, John Taylor, hasn't?
23 **A. I think they joined in it, I believe.**
24 Q. AIA Services and AIA Insurance recently joined
25 in, do you recall that?

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1 **A. Yes.**
2 Q. Okay. Do you know of anyone else that's joined
3 in it?
4 **A. Actually I thought Mike McNichols had joined in**
5 **it as well. I could be wrong with that.**
6 Q. So, you don't recall any discussions with John
7 about not having him join in the motion?
8 **A. No.**
9 Q. And there's no other persons that you can think
10 of that have knowledge to the transaction in question as
11 requested in Interrogatory No. 3?
12 **A. You know, I -- no. I just wasn't involved**
13 **enough to know who all might be -- have knowledge of it.**
14 Q. And Mr. Risley indicated that if you did in
15 fact hire an expert witness, that you would provide that
16 person's name to us, correct?
17 **A. That he would.**
18 Q. Yes, sorry. Excuse me. That he would provide
19 that person's name to us?
20 **A. Yes.**
21 Q. And since we've had a break, were you able to
22 find out whether you are in fact in contact with
23 possible expert witnesses?
24 **A. No.**
25 Q. Okay. So, at this point in time, you have no

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1 expert witness for ascertaining what the assets and
2 debts were as of the date of the redemption of Reed
3 Taylor's shares, correct?
4 **A. I don't know that. That's knowledge that is**
5 **Mr. Risley's.**
6 Q. Okay. And that hasn't been disclosed to us
7 here, correct, in Interrogatory No. 3?
8 **A. No. Because we didn't even have a counterclaim**
9 **then.**
10 Q. Right. But this was over a year -- almost a
11 year ago, right?
12 **A. Right.**
13 Q. And your counterclaim was filed -- do you
14 recall when? April?
15 **A. I think in April.**
16 Q. Yeah. So, we're ten months, right?
17 **A. Roughly, yeah.**
18 Q. And can you tell me, have there been any board
19 meetings for AIA Services and AIA Insurance in which
20 there has not been meeting minutes drafted for since you
21 have been on the board?
22 **A. Not that I know of, but I don't get a copy of**
23 **the minutes after the meetings.**
24 Q. Have there been any board meetings of AIA
25 Services or AIA Insurance in which JoLee Duclos wasn't

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1 present?
2 **A. No.**
3 Q. So, if there were any meetings, she would have
4 been present, she would have either drafted minutes or
5 not drafted minutes, correct?
6 **A. Well, I guess those are the options, yes.**
7 Q. Okay. And was there a board meeting held prior
8 to the AIA Services and AIA Insurance filing a join
9 during this action -- on your Motion for Partial Summary
10 Judgement?
11 **A. There was.**
12 Q. And was JoLee present for that meeting?
13 **A. She was.**
14 Q. And when was that meeting held?
15 **A. Late March, early April 2008. I don't know the**
16 **date.**
17 Q. And that was pertaining to -- that was before
18 you filed for summary judgment, correct?
19 **A. I thought that's what we were talking about.**
20 Q. No. I was talking about the joiner, but let's
21 back up and talk about that time.
22 **A. Oh, I'm sorry. I misunderstood. Start over.**
23 Q. That's okay. Let's talk about -- we know there
24 was a board meeting prior to the time you filed for
25 partial summary judgment, correct?

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1 Q. So, okay. So, is there any information that --
2 that you provided as answers or responses that --
3 including documents, that were ultimately not included
4 in here, in these responses, or not produced to us?

5 **A. I believe that falls within the attorney client
6 and litigation privileges.**

7 Q. And can you turn to page fifty-three, please?

8 **A. (Witness complies.) I'm there.**

9 Q. And now, has anything changed in interrogatory
10 No. 7 since the answer provided on March 7th, 2008?

11 **A. No.**

12 Q. And so, then that would also apply to Request
13 for Production No. 93, correct?

14 **A. Correct. Because they refer to expert
15 witnesses at trial.**

16 Q. Okay. And so, are there documents that you
17 have for Request for Production No. 93 that would be
18 experts that you're not going to call at trial?

19 **A. I have no documents at all.**

20 Q. And can you turn to page thirty-nine?

21 **A. Yes, I'm there.**

22 Q. And do you have anything that you can provide
23 us as to the Interrogatory No. 6?

24 **A. I would have to go through the defenses and
25 affirmative defenses, but in general, I can tell you**

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1 **that the answer to this is being left to counsel.**

2 Q. And what's the factual basis that you have for
3 your assertions of a violation of 30-1-46, as alleged in
4 your Motion for Partial Summary Judgment?

5 **A. The factual would be as is set forth in the
6 memorandum and affidavits that have been submitted.**

7 Q. So, that would be the same as the answer you
8 gave me to your counterclaim on an interrogatory we
9 talked before break?

10 **A. Yeah.**

11 Q. Or not before break, but earlier?

12 **A. (Witness nods head.)**

13 Q. Okay. And you have nothing else to add for
14 that?

15 **A. I don't at this time, no.**

16 Q. Okay. Mrs. Taylor, do you understand that as
17 an officer or -- let's see.... let me back up. Are you
18 an officer -- you're not an officer of AIA Services or
19 AIA Insurance, correct?

20 **A. No, I'm not.**

21 Q. And do you understand, as a director of AIA
22 Services and AIA Insurance, that you owe fiduciary
23 duties to the shareholders?

24 **A. Yes.**

25 Q. And what -- would fiduciary duties owed to

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FRIDAY, FEBRUARY 6, 2009 - 9:06 A.M.

CONNIE TAYLOR,

a witness of lawful age, having previously been duly sworn upon her oath, testified as follows:

MR. BOND: Back on the record for the deposition of Connie Taylor.

(Whereupon, Mr. Mike Bissell is not present.)

EXAMINATION (CTD)

BY MR BOND:

Q. Ms. Taylor, could you turn to Exhibit 96, again, please.

MR. RISLEY: While she's doing that, two things. I need to do a conference call at 10:00 a.m. this morning. It's been set with prior involvement with the court. And the second thing is, I think yesterday's testimony made it clear that until April of 2007 this witness knew almost nothing about the corporation or its affairs. And since April of 2007 when she joined the board, she has relied upon expert advisors in performing her duties as a board member.

MR. BOND: Excuse me.

MR. RISLEY: No. The questions that invade that repetitively, that are improper and oppressive, are going to stop.

1 Q. Okay. Have you seen this email before?
 2 **A. I have if it's been filed.**
 3 Q. And --
 4 **A. And I recall seeing it during the depositions.**
 5 Q. Okay. And is it possible that you've seen this
 6 email before it was filed?
 7 **A. I have no recollection of seeing it before it**
 8 **was filed.**
 9 Q. Do you know whether there's an advisory board
 10 that makes decisions on behalf of Crop USA and AIA?
 11 **A. I don't know that there's one that makes**
 12 **decision behalf of AIA, I know there's one for Crop USA**
 13 **by sitting through Jim Beck's deposition.**
 14 Q. So, your only understanding of the advisory
 15 board would be what you learned through Jim Beck's
 16 deposition?
 17 **A. Uh-huh. Yeah. The only detail. You know, I**
 18 **was vaguely aware of the fact they would go to board**
 19 **meetings.**
 20 Q. And, just so that I have an understanding, when
 21 you say you reviewed things that have been filed, would
 22 that include deposition transcripts, exhibits to
 23 depositions, whether they've been filed or not?
 24 **A. I've read some of the depositions, I don't**
 25 **think I have read all of them. And, as I recall, the**

1 week?
 2 **A. Only if it was an attachment to a filing with**
 3 **the court.**
 4 Q. And have you -- and if I asked this yesterday,
 5 I apologize, I'm just on this line of questioning, but
 6 have you -- and you have reviewed some documents in
 7 addition to documents that have been filed, like you're
 8 aware of the documents on the discs and whatnot that
 9 have been filed or have been derived as discovery?
 10 **A. I have not reviewed any documents on discs.**
 11 Q. Okay. So --
 12 **A. Or the hard copies of discovery responses.**
 13 Q. Okay. Other than discovery responses that you
 14 might have produced personally, correct?
 15 **A. Correct.**
 16 Q. Can you turn to Exhibit 60, please?
 17 **A. (Witness complies.)**
 18 Q. Have you seen Exhibit 60 prior to this week?
 19 **A. Only if it was attached to something submitted**
 20 **to the court.**
 21 Q. Do you have any understanding of what Exhibit
 22 60 is?
 23 **A. No.**
 24 Q. And did you ever discuss Exhibit 60 with John
 25 Taylor?

1 **transcripts I had did not have exhibits attached.**
 2 Q. So, do you know whether you've looked at the
 3 exhibits that are attached to the depositions of John
 4 Taylor?
 5 **A. I'm pretty sure that my copy did not have**
 6 **exhibits attached.**
 7 Q. Were there any depositions that you reviewed
 8 that you did have the exhibits, to your knowledge?
 9 **A. You know, I don't think so. I think I was just**
 10 **reviewing the e-transcripts.**
 11 Q. Is it important to have exhibits to look at
 12 when you're reviewing transcripts, in your opinion?
 13 **A. I have no opinion on that.**
 14 Q. Do you believe it's important to have exhibits
 15 when you're looking at transcripts of depositions?
 16 **A. I have no beliefs on that either.**
 17 Q. Do you have an understanding of anything on
 18 exhibits, as they pertain to deposition transcripts?
 19 MR. RISLEY: Object to the last of questioning,
 20 as harassing and argumentative. There's certainly no
 21 possible purpose to try to cause harm to my client.
 22 Q. (BY MR. BOND) And would you turn to Exhibit
 23 59, please?
 24 **A. (Witness complies.)**
 25 Q. Have you seen Exhibit 59 before -- before this

1 **A. No.**
 2 Q. And that would include the time period after
 3 your divorce?
 4 **A. Yes.**
 5 MR. BOND: What time did you guys want to break
 6 for lunch today, just so I know. Do you have a
 7 preference?
 8 MR. RISLEY: Do you intend to just run this out
 9 until 5:00 o'clock just because you can, or do you have
 10 any --
 11 MR. BOND: I have more exhibits I'm going to
 12 bring back after lunch, so I don't know what time we
 13 will be done. I would presume we'll go to five.
 14 MS. TAYLOR: Well, then, let's take lunch now.
 15 (Whereupon, the deposition was in recess at
 16 11:20 a.m. and subsequently reconvened at 12:45 p.m.;
 17 and the following proceedings were had and entered of
 18 record.)
 19 (Mr. Brown is not present for this portion of
 20 the deposition.
 21 MR. BOND: Okay. Ms. Taylor, we are back on
 22 the record.
 23 Q. (BY MR. BOND) Now, over the last day-and-a-
 24 half we've talked a little bit about a deal that was
 25 either offered -- or that AIA actually went by Crop USA

1 for a while in the 2001 timeframe for a few years,
2 correct?
3 **A. Correct.**
4 Q. And then, after that there was an oral
5 modification that John Taylor advised about that
6 occurred in March of 2003; is that correct?
7 MR. RISLEY: Object to the invasion of the
8 spousal privilege.
9 **A. I have no knowledge of it, other than anything**
10 **John may have told me.**
11 Q. (BY MR. BOND) So, whatever John alleged in the
12 pleadings in his affidavits regarding that, would that,
13 to the best of your knowledge, be true?
14 MR. RISLEY: Object to the form of the
15 question.
16 **A. As far as I know, yeah.**
17 Q. (BY MR. BOND) Okay. And let's just....and
18 other than the -- in fact, let's just make this a lot
19 simpler. Let's go to your Exhibit No. 2.
20 **A. (Witness complies.)**
21 Q. And on Exhibit 2, let's go to the -- on page
22 twelve, the twelfth affirmative defense, you assert
23 plaintiff Reed J. Taylor voluntarily relinquished the
24 payment provision of this 1996 promissory -- promissory
25 and accepted a modified monthly interest payment of

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1 twenty-five dollars and future payment of principal upon
2 placement of sixty million in new business, evidenced by
3 his conduct words and acquiesce. Now, is that -- are
4 you referring to the oral modification or is that
5 different than the oral modification?
6 **A. It's my understanding that this is a thumbnail**
7 **sketch of the oral modification.**
8 Q. Okay. And you're only personal knowledge of
9 the information contained in your twelfth affirmative
10 defense would come from what's told to you by John
11 Taylor, correct?
12 **A. During that time frame, yes.**
13 Q. And what time frame are you referring to?
14 **A. The time frame that it happened.**
15 Q. Okay. And do you recall when that time frame
16 was?
17 **A. Well, I think you just said it was 2003. I**
18 **don't know that I could have put an exact date on it.**
19 Q. So, you don't recall the date?
20 **A. Huh-uh.**
21 Q. Okay. And so, if we turn back to page eleven
22 and you have -- you look at the third affirmative
23 defense on Exhibit 2, which is your answer, can you tell
24 me what your understanding is of the third affirmative
25 defense, the facts behind that?

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1 **A. I think this also relates to the oral**
2 **modification.**
3 Q. Okay. And so, where on the third affirmative
4 defense it talks about instalments to Reed Taylor of
5 fifteen thousand a month with other expenses or other
6 sums of -- or other agreed upon expenses and, to your
7 recollection, are those other agreed upon expenses the
8 payment of the salary for two of Mr. Taylor's workers?
9 **A. Yes. To my understanding.**
10 Q. Okay. So, if we turn back to page twelve,
11 would that be why that says twenty-five thousand,
12 because you're adding the fifteen thousand that's
13 referenced in the first affirmative defense and then
14 approximately ten thousand for the payment of the wages
15 of Bob Cline and his ranch hand?
16 **A. Yeah. That's my understanding.**
17 THE REPORTER: And who?
18 MR. BOND: Reed's ranch hand.
19 Q. (BY MR. BOND) Okay. And do you know if --
20 since March 2003, if twenty-five thousand per month has
21 been paid to Mr. Taylor?
22 **A. No, I don't.**
23 Q. Okay. And do you know since the 2003 -- March
24 2003 modification -- oral modification, to be exact,
25 have there been any other oral modifications, to your

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1 knowledge?
2 **A. I don't know.**
3 Q. And again, do you recall the time frame about
4 when you learned of the March 2003 oral modification?
5 **A. I would have had a very general understanding**
6 **that an agreement had been reached around the time frame**
7 **of 2003. I would not have known any of the details.**
8 Q. Okay. And so, at that point in time, you would
9 have also had knowledge of the 2001 agreements that were
10 never signed by Reed Taylor, correct?
11 **A. I knew that a deal had been struck and he would**
12 **never sign it.**
13 Q. Okay. And so, when you -- when you heard of
14 the March 2003 oral modification, were you concerned at
15 all that the agreement wasn't condensed in writing?
16 **A. I didn't know whether it was put into writing**
17 **or not.**
18 Q. But it's an oral modification, correct?
19 **A. Maybe I wasn't clear. I understood that there**
20 **was an agreement, I knew the general terms, I didn't**
21 **know any details, including whether it was in writing or**
22 **not.**
23 Q. And did you ask John whether it was in writing
24 or not?
25 MR. RISLEY: Objection to the invasion of the

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INVESTMENT AGREEMENT

This Investment Agreement (the "Agreement") is made and entered into as of this 30th day of June, 1995 by and among AIA Services Corporation, an Idaho corporation based in Lewiston, Idaho ("Company"), Richard W. Campanaro, presently of Jacksonville, Florida ("Campanaro"), and James W. Beck and Michael W. Cashman, individuals residing in Minneapolis, Minnesota (collectively "Investors").

W I T N E S E T H

WHEREAS, the Company is an insurance holding company based in Lewiston, Idaho, with its principal business in marketing insurance products and services to captive markets;

WHEREAS, Campanaro has been recruited to lead a management team in developing the business of the Company;

WHEREAS, Campanaro has recruited the Investors, both as independent consultants and potential directors for the Company and to form part of his management team; and

WHEREAS, Investors are willing to loan Campanaro certain funds so that he and the Investors can invest in a certain convertible preferred series of stock of the Company ("Series C Preferred").

NOW THEREFORE, the Company, Campanaro and the Investors in consideration of the mutual representations, warranties, covenants and agreements and upon the terms and subject to the conditions hereinafter set forth do hereby agree as follows:

1. Campanaro Loan. The Investors shall lend Campanaro \$500,000.00 (the "Loan") the proceeds of which shall only be utilized to allow Campanaro to participate in the subscription for 50,000 shares of the Series C Preferred. The Loan will be made upon the following terms:

a. Generally. The Loan will be evidenced by a promissory note (the "Note") which will be due and payable on demand and pay interest at 10% per annum which interest shall be payable quarterly on the Note. The Note shall be in form substantially identical to the note attached hereto as Exhibit A.

b. Commitment Fee. As and for a commitment fee for the Loan, Campanaro shall immediately upon closing assign and transfer his rights in and to any and all warrants which he shall receive from the Company, in conjunction with his investment in the Series C Preferred shares.

c. Pledge and Security Agreement: Campanaro shall execute a Pledge and Security Agreement in form and substance identical to the Pledge and Security Agreement attached hereto as Exhibit B. To perfect the security interest granted to the Investors, Campanaro agrees to execute an appropriate Assignment Separate From Certificate in their favor. The Company also agrees to place an appropriate notation on the Series C Preferred shares issued to Campanaro evidencing this Pledge and Security Agreement.

d. Security for Payment of Interest. Campanaro agrees to immediately forward and assign his rights in dividends which will be payable on the Series C Preferred owned by him for security for payment of interest on the Note.

e. Payment. Campanaro agrees that upon demand by the Investors for repayment of the Note, he shall be obligated to either repay the Investors in cash, or by transferring assignment of his 50,000 Series C Preferred shares. Such option for repayment shall be at the sole discretion of the Investors.

2. Preferred Shares. The Investors and Campanaro will invest \$1,500,000.00 for 150,000 shares of the 500,000 Series C Preferred to be authorized and issued by the Company with the following characteristics:

a. Generally. The holders of the Series C Preferred shall be entitled to receive dividends at the rate of ten percent (10%) per annum. Dividends shall be on a cumulative basis from the date of issuance and shall be paid prior to redemption or conversion at the discretion of the Company. All accrued and unpaid dividends on the Series C Preferred are due at any time any other dividends are paid on any other class or series of stock or upon redemption or conversion of the Series C Preferred.

b. Partial Dividends. In the event that sufficient funds are not legally available to pay dividends on the Series C Preferred, the Company shall use funds as are legally available to pay a partial dividend on a pro-rata basis on the Series C Preferred.

c. Preference. No dividends or distributions shall be made on nor any repurchase made of any of the common stock or other preferred stock of the Company, directly or indirectly, except for payments to Donna Taylor for her preferred shares and Reed Taylor for his common shares (jointly referred to herein as the "Taylors' Shares") as are evidenced in detail in Exhibit C between the parties and until all accrued and unpaid dividends of the Series C Preferred shall be paid in full.

d. Redemption. By the terms of the Series C Preferred and subject to the conversion rights of the Investors, the Company shall be required to redeem the Series C Preferred at the earlier of: (i) any sale of stock or the sale of substantially all assets of The Great Fidelity Life Insurance Company occurring after two years following the issuance of the Series C Preferred ; (ii) the closing of the sale of a public or private offering where at least \$5,000,000 worth of the Company's common stock or securities convertible or exercisable into common stock are placed and which is defined as an "Equity Offering" in the Company's Amended Articles of Incorporation in § 4.3.5 as filed in the Secretary of State's office in Idaho on April 11, 1995; ("Equity Offering") or; (iii) as soon as the Company determines it is able and willing to execute such redemption.

The redemption price shall be 100% or \$10.00 through the second anniversary of the issuance of the Series C Preferred. If the redemption occurs thereafter, the redemption price shall increase immediately to 105% and increase by 5% for each 180 day period or any portion thereof outstanding.

e. Liquidation. Upon the liquidation (whether complete or partial), dissolution or winding up of the Company, whether voluntary or involuntary, the holders of Series C Preferred shall be entitled to payment before any dividend, distribution or any other payment is made to any other holders of any other class or series of common or preferred stock to be paid except the Taylors' Shares, of the par value of each share, Ten Dollars (\$10.00), subject to equitable adjustment in the event of any stock split, distribution or combination and all accrued but unpaid dividends to the date of liquidation.

f. Voting Rights. Holders of the Series C Preferred shall be entitled to voting rights allowing them to elect one member of the Board of Directors of the Company.

g. Convertibility. The Series C Preferred shall be convertible, at the option of the Investors, into 10.4% of the voting common stock of the Company on a fully diluted basis, just prior to the closing of an Equity Offering and such conversion shall be in conjunction with the agreement between Richard Campanaro and the Company. Such conversion option shall become exercisable immediately and it shall expire if not exercised prior to the successful completion and closing of an Equity Offering.

3. Loan Guaranty. The Investors will personally guaranty \$1,000,000 of a loan with West One Bank (Cashman \$666,666.66 and Beck \$333,333.33) for a maximum period of two years. For each month, or any part thereof, the Guaranty is in place, the Company shall grant them .75% of the total outstanding common stock of the Company on a fully diluted basis, as shall exist just prior to the closing of its intended Equity Offering. The maximum percentage of common stock which the Investors shall receive for such Guaranty shall be 9% of the Company's Common Stock, which amount shall have accrued after the Guaranty has been in place for twelve months. The form of such Guaranty shall be attached hereto as Exhibit G.

4. Warrants. The Company shall issue contemporaneously with the Series C Preferred, warrants for 4.6%, on a fully diluted basis, of the total outstanding common stock of the Company just prior to the closing of its intended Equity Offering. The terms and form of such warrants shall be as detailed in the Exhibit D Warrant form attached. The strike price for these warrants shall be fifty percent (50%) of the per share Equity Offering price of the common stock if the Company completes an Equity Offering within two years of issuance of the Series C Preferred. Thereafter, the maximum price for each share of Common Stock shall be the lesser of: (i) 75% of the Company's book value per share on the second anniversary date; or (ii) the conversion price of the Series C Preferred Shares which shall equal \$1.5 million dollars divided by the number of shares issued for such consideration. Further, the number of shares represented by the Investors' warrants shall increase by 2.5% (from 4.6% to 4.72%) in the first 90 day period following the second anniversary and increase an additional 2.5% for each successive 90 day period following the second anniversary that the Company does not complete an Equity Offering.

5. Consulting. The Investors will be available, at such times and in such manner as will not interfere with their other working opportunities, to consult with the Company. Mr. Cashman agrees to sit on the Board of Directors immediately and shall receive warrants in the form of Exhibit H, with a \$.01 per share exercise price for 4% of the outstanding common stock on a fully diluted basis just prior to the closing of the Company's intended Equity Offering. Mr. Beck shall agree to sit on the Board, if so requested and shall have the right to sit on the Board, if he so requests. For such consulting and agreement he shall receive

warrants in the form of Exhibit H, with a \$.01 per share exercise price for 2% of the outstanding common stock on a fully diluted basis just prior to the closing of the Company's intended Equity Offering.

6. Security. The Company and Campanaro will do whatever is legally permissible and possible to offer the greatest possible security to the Investors for payment of dividends and redemption of the Series C Preferred including, but not limited to, requiring the affirmative vote of the Investors' representative on the board prior to any sale, transfer or reorganization of Great Fidelity Life Insurance Company.

7. Representations and Warranties. Except as set forth in Schedule 7, the Company and Campanaro, jointly and severally, represent and warrant to Investors as follows:

a. Organization: Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Idaho, and has all requisite power and authority to execute, deliver and, as of Closing, will have all requisite authority to perform its obligations under this Agreement, incorporate and otherwise and to consummate the transactions contemplated hereby. The Company has full corporate power and authority to carry on the business as it is now being conducted. The Company and each of its subsidiaries and affiliates (the "Group") is duly qualified to do business and is in good standing as a foreign corporation in each state or country where such qualification is necessary because of the assets owned by it therein or because of the nature of the business conducted by it therein.

b. Due Authorization and Execution: Effect Of Agreement. The Company has full corporate power and authority to execute, deliver and, as of Closing, will have full authority to perform this Agreement issue securities and carry out the transactions contemplated hereby. The Board of Directors has taken, and as of Closing, the Board of Directors and Shareholders will have taken, all action required by law, its Articles of Incorporation, its Bylaws or otherwise to authorize the execution and delivery of this Agreement and the securities and transactions contemplated hereby and no other corporate action will be necessary to authorize the execution and delivery hereof or the consummation of the issuance of the securities or other transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company and Campanaro and will constitute the valid and binding obligation of the Company and Campanaro, enforceable in accordance with its terms. The execution, delivery and performance by the Company and Campanaro of this Agreement and the consummation by the Company and Campanaro of the

transactions contemplated hereby will not, with or without the giving of notice or the lapse of time, or both:

(i) violate any provision of any law, rule or regulation to which the Company, Campanaro or the business is subject;

(ii) violate any order, judgment or decree applicable to the Company, Campanaro or the business; or

(iii) conflict with or result in a breach of or a default under any term or condition of the Group's Articles of Incorporation or Bylaws or any agreement or other instrument to which any member of the Group or Campanaro is a party or by which the Group or Campanaro are bound.

c. Litigation Involving the Group or Campanaro. There is no action, suit, proceeding or investigation pending (including, without limitation, any action, suit, proceeding or investigation with respect to any federal, state or local laws, rules or regulations, or threatened against or affecting any member of the Group or Campanaro, which could materially and adversely affect the business and no governmental entity has served upon any member of the Group or Campanaro, any notice claiming any violation of any statute, ordinance, or regulation or noting the need for any repair or remediation with respect to the business, requesting data or access or requiring any change in the Group's means or method of conducting business.

d. Consents. No consent, approval or authorization of, exemption by, or filing with, any governmental or regulatory authority or any third party is required in connection with the execution, delivery or performance by the Company or Campanaro of this Agreement and the consummation of the transactions contemplated hereby.

e. Financial Information and Private Placement Memo. The Company has furnished to the Investors the Company's Private Placement Memorandum dated January 12, 1995. The Company has also furnished to the Investors the December 31, 1994, and March 31, 1995 draft financial statements (GAAP-based) of AIA Services Corporation, AIA Insurance, Inc., The Universal Life Insurance Company and The Great Fidelity Life Insurance, and the statutory annual statements (statutory) of ULIC and GLF as of 12/31/94 (collectively, "Financial Statements"). All information in such Confidential Placement Memorandum and Financial Statements, including, but not limited to the financial statements contained in the Memorandum present fairly, and in all material respects, the financial position of the Company and the results of its

operation as of and for the respective dates and periods therein and in conformity with generally accepted accounting principles (or statements as the case may be) or such other means and methods of description as are appropriate and applicable for the business. The Company has no liabilities or obligations with respect to the business of any nature (absolute, accrued, contingent or otherwise) which are not reflected or reserved against on the Financial Statements except for obligations incurred in the ordinary course of business and consistent with the past practice since the date hereof. All non-financial information within the Private Placement Memorandum (as updated by the Schedule 7 disclosures) is presented to the Investors as a full and complete disclosure for their investment in the Series C Preferred and their respective warrants. The terms of the Private Placement Memorandum are hereby incorporated herein as if set forth in detail.

f. No Material Adverse Change. Since March 31, 1995, there has not occurred any material adverse change in the condition (financial or otherwise) of the business or any damage, destruction or loss, whether or not covered by insurance, which has materially affected the business, and since such date the Company has, with respect to the business: (a) not incurred any material liabilities, and not sold any material assets or entered into any agreements which relate to the business, except in the ordinary course of business and except as set forth in this Agreement, and (b) conducted the business only in the ordinary course.

g. Compliance With Applicable Laws. The Group is in compliance with all federal, state and local and foreign laws, statutes, rules and regulations applicable to the Group. The Group has conducted the business in compliance with all federal, state, local and foreign laws, statutes, rules and regulations applicable to it and the business. The Group has conducted all of its past activities and operations in compliance with all federal, state, local and foreign laws, statutes, rules and regulations, as the same existed from time to time. The Group has not received any notification that it is in violation of any laws, regulations or orders and no such violation exists. All permits and licenses required by any federal, state, local or foreign law, rule or regulation and necessary for the operation of the Business as currently being conducted have been obtained and are currently in effect.

h. Brokers, Finders, etc. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the intervention of any person acting on behalf of the Company in such manner as to give rise to any valid claim against the Company or Investors for any brokerage or finder's commission, fee or similar compensation.

i. Full Disclosure. None of the information supplied by the Company herein or in the exhibits or in the schedules hereto contain any untrue statement of a material fact or omits to state a material fact required to be stated herein or necessary in order to make the statements, in light of the circumstances under which they are made, not misleading.

8. Closing. The closing of the transactions contemplated hereby (the "Closing") shall take place at the offices of AIA Services Corporation, One Lewis Clark Plaza, Lewiston, Idaho 83501, on July 19, 1995 at 10:00 a.m. or at such other place or on such other date which the parties may mutually agree in writing (the "Closing Date"). All transfers and other proceedings required to be made or taken at the Closing shall be deemed to have taken place simultaneously and no delivery shall be considered to have been made until all of such proceedings have been completed.

a. Company and Campanaro Deliverables. The Company and Campanaro shall deliver to the Investors the following:

(i) Note;

(ii) Security and Pledge Agreement;

(iii) Campanaro's Series C Preferred shares, together with Assignment Separate from Certificate completed in blank;

(iv) 150,000 shares of Series C Preferred Stock issued as follows:

| | |
|-----------|---------------|
| Cashman | 66,667 shares |
| Beck | 33,333 shares |
| Campanaro | 50,000 shares |

(v) a sufficient number of warrants to equal 4.6% of the Company's total outstanding common stock just prior to its Equity Offering issued to Cashman, Beck and Campanaro in the same proportions as provided in Section 8.a.iv. above;

(vi) a sufficient number of warrants to equal 6% of the Company's total outstanding common stock just prior to its Equity Offer for issuance to Beck (2%) and Cashman (4%);

(vii) a certificate executed by the Secretary of the Company in form satisfactory to the Investors and their counsel, setting forth the resolutions adopted by the Board of Directors and Shareholders of the Company authorizing the execution of the Agreement, the issuance of the Series C Preferred shares; the Warrants and the

taking of any and all actions deemed necessary or advisable to consummate the transactions contemplated hereby;

(viii) an Officer's Certificate from a duly authorized officer of the Company that:

(A) the warranties and representations made by the Company and Campanaro in this Agreement were true, complete and correct at the time of execution and upon the Closing Date; and

(B) all obligations of the Company under this Agreement and the documents and agreements related hereto required to have been performed at or prior to the Closing have been satisfied or appropriately waived; and

(C) a favorable opinion of the Company counsel, Eberle, Berlin, Kading, Turnbow & McKlveen, Chartered, dated as of the Closing and addressed to the Investors in form and substance reasonably satisfactory to the Investors and covering the opinions set out in Exhibit E.

b. Investors Deliverables. Beck and Cashman shall deliver to Campanaro and the Company the following:

(i) the \$500,000.00 loan amount to Mr. Campanaro;

(ii) the \$1,000,000.00 investment for the Company;

(iii) the Subscription Agreement for the Series C Preferred Shares and Warrants in the form of Exhibit F; and

(iv) their individual personal guaranty's for \$666,666.67 and \$333,333.33 in the form of Guaranty in Exhibit G.

9. Conditions To Investors Obligations at the Closing. The obligations of Investors are subject to the fulfillment, prior to or on the Closing Date, as indicated below, of each of the following conditions, all or any of which may be waived in whole or in part by Investors pursuant to Section 12f hereof, except as otherwise provided by law:

a. Richard Campanaro Transaction. Richard Campanaro shall successfully conclude his transaction with the Company in such a way that he is provided shares or rights to the shares with essentially a zero strike price representing at least 15% of the common stock, on a fully diluted basis of the Company.

b. Loan. The Company shall have secured a loan with West One Bank for \$2,800,000 with a minimum of two years on terms and conditions satisfactory to the Investors.

c. Share Issuance. The Company and Campanaro will obtain all approvals and agree to issue the Series C Preferred Shares and Warrants on terms that are satisfactory to the Investors and consistent with this Agreement.

d. Reed Taylor Buyout. The Company shall successfully negotiate and conclude its transaction with Reed Taylor for the purchase of all of his stock and stock rights in and to Company stock, in form and substance satisfactory to the Investors.

e. Donna Taylor Waiver and Buyout. The Company and Reed Taylor shall obtain a waiver in form and substance satisfactory to the Investors: (i) waiving any and all defaults, breaches and/or rights to acceleration of the payments that Donna Taylor may have been due to her under any of her agreements with the Company; and (ii) stating that she has reviewed the Reed Taylor Buyout Agreement and that it is acceptable in its present form and she will not make any claim for acceleration for her payments based on any term contained in the Reed Taylor Buyout Agreement or from the consummation of any of the transactions contemplated therein.

f. The Investors shall have entered into a valid Shareholder Voting Agreement with John Taylor and Campanaro assuring the Investors that Cashman and, if requested, Beck will be elected to the Board of Directors of the Company as detailed in Section 7.

g. Representations and Warranties of Company and Campanaro to be True.

(i) The representations and warranties of Company and Campanaro contained in this Agreement shall be true and correct in all material respects on the date hereof and as of the Closing Date with the same effect as though such representations and warranties had been made or given again at and as of the Closing Date, except for any representation or warranty expressly stated to have been made or given as of a specified date, which, at the

Closing Date, shall be true and correct in all material respects as of the date expressly stated. Without limitation of the foregoing, Investors shall be reasonably satisfied that the warranties and representations of the Company and Campanaro set forth in Section 7 shall be true and correct as of the Closing Date.

(ii) Investors and Campanaro shall have performed and complied with all of their agreements, covenants and conditions required by this Agreement to be performed or complied with by them prior to or at the Closing Date.

h. Consents. All notices to, and declarations, filings and registrations with, and consents, approvals and waivers for, governmental and regulatory agencies required to consummate the transactions contemplated hereby and all consents, approvals and waivers from third parties required under this Agreement required to have been obtained prior to Closing, shall have been obtained.

i. No Proceeding or Litigation.

(i) No preliminary or permanent injunction or other order shall have been issued by any court, whether federal, state, local or foreign, or by any governmental or regulatory body, whether federal, state, local or foreign, nor shall any statute, rule, regulation or executive order be promulgated or enacted by any governmental authority, whether federal, state, local or foreign, which prevents the consummation of the transactions contemplated in this Agreement.

(ii) No suit, action, claim, proceeding or investigation before any court, arbitrator or administrative, governmental, or regulatory body, whether federal, state, local or foreign, shall have been commenced and be pending against the Company or Investors or any of their affiliates, associates, officers or directors seeking to prevent the issuance of the Series C Preferred asserting that the sale of the Series C Preferred would be illegal.

(iii) On or prior to the Closing Date, no party to the transactions contemplated hereby or any of the affiliates shall have received any notice of any threatened litigation or regulatory proceeding being instituted or contemplated which could have a material adverse effect on the transaction contemplated hereby or the Company's business.

j. Documents. The Company shall have authorized, executed and delivered the Series C Preferred, the associated warrants and all other documents issuing such securities to Investors free and clear of all liens, claims, encumbrances.

k. Rights Of Inspection. Prior to the Closing, Investors shall have the right to review all aspects of the operation of the business, which shall include, without limitation, the right, at Investors' sole cost and expense, to have its legal counsel, accountants and other representatives review the books and records of Investors with respect to the business; provided, however, that Investors shall undertake such study, review, inspection, examination and audit so as not to unreasonably interfere with or disrupt the operations of the business. Investors shall be satisfied with the results of all such examinations.

l. Charter Documents, etc. The Company shall have delivered such certificates or other documents as may be reasonably requested by Investors or its counsel, including without limitation certificates of legal existence, good standing and certified charter documents on file with the Secretary of State of the State of Idaho and any other relevant state for any of its subsidiaries or affiliates, certificates of the Secretary or Assistant Secretary of the Company with respect to directors' resolutions, bylaws and any other relevant matters.

m. Completion Of Due Diligence. Until the Closing Date, Investors and their counsel, accountants and other authorized representatives shall have the right to make or cause to be made such investigation of the business (and its financial and legal condition) as Investors deem necessary or advisable and shall be reasonably satisfied with the results of such investigation.

n. No Prohibition. No statute, law, rule, regulation or order of any court or administrative agency shall be in effect which enjoins, restrains or prohibits the Company or Investors from consummating the transactions contemplated hereby.

o. Approval Of Exhibits And Schedules. Investors shall have approved the form and content of the exhibits and schedules delivered by the Company pursuant to this Agreement. Such approval shall be given within ten (10) days of the delivery of each such exhibits and schedules by the Company.

p. Other Obligations. The Company and Campanaro shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by them at or prior to the Closing Date.

q. General. All instruments and legal and corporate proceedings in connection with the transaction contemplated by this Agreement shall be reasonably satisfactory in form and substance to Investors, and Investors shall have received counterpart original, or certified or other copies, of all documents, including records of corporate proceedings, that it may reasonably request in connection therewith.

10. Covenants of the Company. The Company hereby covenants and agrees with Investors as follows:

a. Access To Information: Records. From the date hereof through the Closing Date, the Company shall, subject to applicable fiduciary, privacy and other legal obligations, afford to Investors and Investors's accountants, counsel and other representatives reasonable access, upon reasonable notice to all properties, books, contracts, commitments and records:

b. Cooperation By The Company. From the date hereof, the Company will use its best efforts to secure all necessary consents, approvals, authorizations, exemptions and waivers from third parties as shall be required in order to enable the Company to effect the transactions contemplated hereby, and will otherwise use its best efforts to cause the consummation of the transactions contemplated hereby in accordance with the terms and conditions hereof.

c. Conduct Of Business. Prior to Closing, the Company shall conduct business only in the normal and ordinary course and use its best efforts to preserve its business organization intact, to retain the services of its present employees and to preserve the goodwill of its customers and suppliers.

d. Preferred Share Redemption. If requested to do so by the Investors at any time after the second anniversary date of the issuance of the Series C Preferred, the Company will do all that is possible to attempt to liquidate The Great Fidelity Life Insurance Company and use the proceeds to redeem the Series C Preferred.

e. Investors Approval. Company shall obtain the approval of the Investors should there be any investment in the Company which (i) is equal or above \$1,000,000 or (ii) grants rights in any fashion or form for the potential granting or purchase of 10% or more of the Common Stock of the Company. Should the Investors not grant the written approval for any such offering, the Company shall have the right to accept such investment if and only if it redeems for cash the Series C Preferred Stock or Common Shares, if previously converted, purchased by the Investors at a price of \$2,250,000 if such redemption occurs within 12 months of the Closing Date

or \$3,000,000 if such redemption occurs thereafter. Campanaro agrees any premium paid on his preferred shares shall be delivered to the Investors as a premium paid on the Loan. The Company shall also obtain the release of the Investors' Guaranty at West One Bank. The Investors may reject such a proposal and retain their ownership interest, but they shall lose their ability to object to the investment offering triggering such redemption right proposal.

f. Taxes. All excise, sales, value added, use, registration, stamp, transfer and similar taxes, levies, charges and fees incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Company.

g. Preparation For Closing. The Company agrees to use its reasonable efforts to bring about the fulfillment of the conditions precedent in this Agreement.

11. Indemnification by Company and Campanaro.

a. Hold Harmless. By way of additional indemnification and in no way limiting any other indemnification that the Investors may have, the Company and Campanaro shall (except as provided below) jointly and severally defend and indemnify Investors in all of their capacities and hold the Investors wholly harmless from and against any and all losses, liabilities, damages, claims, demands, actions, causes of action, judgments, settlements, assessments, awards, costs including without limitation, court costs and expenses (including without limitation, interest, penalties, investigation expenses and reasonable attorneys' fees) of any nature whatsoever (herein collectively referred to as "Losses") asserted against, resulting from, imposed upon or incurred by the Investors, directly or indirectly by reason of or resulting from any of the following: (i) any breach or non-performance of any representation, warranty, covenant or agreement of the Company or Campanaro contained in or made in connection with the transactions contemplated by this Agreement, the schedules or exhibits hereto, or any facts or circumstances constituting such a breach or non-performance, regardless of whether the breach or non-performance is material or not; (ii) the failure of any such representation or warranty to be true and correct in all respects as of the Closing Date; or (iii) for any suits or threats initiated by anyone or any entity associated or interacting with any member of the Group or Campanaro. Notwithstanding the foregoing, the Company shall not be liable to indemnify or defend Investors from any Losses arising from any suit or threat against Campanaro unrelated in any way to any of the Company's Business affairs or from obligations of Campanaro under Section 1 hereof.

b. Survival. The Company's and Campanaro's obligations to indemnify the Investors pursuant to this Section 8 shall remain in force until the earlier of: (i) the expiration of all relevant statutes of limitations unless such statutes have been extended by consent or otherwise, then until the end of such extension period, or (ii) three (3) years following the Closing Date, except in all cases as to matters as to which the Investors have given written notice of a claim for indemnification on or prior to such date, in which case the right to indemnification with respect thereto shall survive the expiration of such period until such claim is finally resolved and any obligations with respect thereto are fully satisfied.

c. Knowledge. The agreement of Investors to close the transactions contemplated hereby with knowledge that a representation or warranty was not true and accurate shall not be deemed as a waiver of, or affect in any manner the rights of the Investors to indemnification hereunder. It is understood and agreed that the obligation of the Company and Campanaro to indemnify the Investors in accordance with the provisions of this Section 8 shall in no way be affected or modified by the agreement, either in this Agreement or otherwise, of Investors to consummate the transactions contemplated hereby even though the Company and Campanaro were not able to make the required representations and warranties at the Closing.

d. Not Sole Remedy. Nothing contained in this Section 8 shall limit the right of the Investors to seek other remedies, either at law or equity, to enforce the terms of this Agreement.

12. Miscellaneous

a. Survival. The representations, warranties, and indemnification, made in this Agreement or in any certificate or other document delivered pursuant hereto or in connection herewith and the covenants and agreements contained herein to be performed or complied with at the Closing, prior to the Closing Date or in connection with the Closing shall survive the Closing.

b. Entire Agreement and Amendment. Except as detailed herein, this Agreement, together with the Separate Campanaro Management Agreement with the Investors, constitutes the sole understanding of the parties with respect to the subject matter hereof. No amendment, modification or alteration of the terms or provisions of this Agreement shall be binding unless the same shall be in writing and duly executed by the parties hereto.

c. Successors And Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto; provided, however, that this Agreement may not be assigned by any party without the express prior written consent of the other party hereto.

d. Counterparts. This Agreement may be executed in counterparts, each of which shall, for all purposes, be deemed to be an original and all of which taken together shall constitute the same instrument.

e. Headings. The headings of the Sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

f. Waiver. Any of the terms or conditions of this Agreement may be waived in writing at any time by the party which is entitled to the benefits thereof. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of such provisions at any time in the future or a waiver of any other provision hereof.

g. Expenses. The Company and Investors shall each pay all costs and expenses incurred by it or on its behalf in connection with this Agreement and the transactions contemplated hereby, including without limitation, fees and expenses of its own financial consultants, accountants and counsel. Notwithstanding the foregoing, the Company shall reimburse the Investors for one-half of their legal fees incurred in conjunction with the negotiation and consummation of this transaction.

h. Notices. Any notice, request, instruction, consent or other document to be given hereunder by either party hereto to the other party shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, and shall be deemed given when postmarked and addressed as follows:

If to the Company or: AIA Services Corporation
Campanaro One Lewis Clark Plaza
 P.O. Box 538
 Lewiston, Idaho 83501

If to Investors: James W. Beck
 c/o Belmont Associates
 530 5th Avenue Northwest
 Minneapolis, Minnesota 55112

and

Michael W. Cashman
17950 Breezy Point Road
Wayzata, Minnesota 55391

with a copy to:

Brink & Brink, Ltd.
4700 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402
Attention: Charles P. Brink

or at such other address for a party as shall be specified by like notice. Any notice which is delivered personally in the manner provided herein shall be deemed to have been duly given to the party to whom it is directed upon actual receipt by such party or its agent for notices hereunder. Any notice which is addressed and mailed in the manner herein provided shall be conclusively presumed to have been duly given to the party to which it is addressed at the close of business, local time of the recipient, on the third day it is so placed in the mail.

i. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Minnesota.

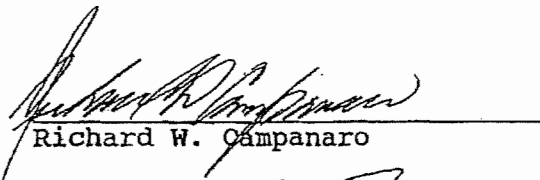
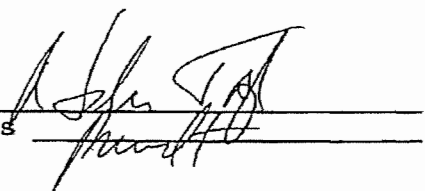
j. Arbitration. All disputes or controversies arising under, out of, in connection with, or relating to this Agreement, except as otherwise provided herein, shall be determined and settled by a panel of three arbitrators in Hennepin County, Minnesota, in accordance with the then applicable rules and procedures of and under the administration of the American Arbitration Association, or its successor. The Investors and the Company shall each select an arbitrator familiar with business acquisitions for such arbitration and the two arbitrators so selected shall pick a third arbitrator to form a panel. Any award or judgment rendered therein shall be final and binding on each and all parties thereto and their assigns, and judgment upon the award rendered may be entered in any court having jurisdiction thereof. All costs incurred with respect to the arbitration, including reasonable attorneys' fees, shall be allocated by the arbitrators to either or any of the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf as of the date first above written.

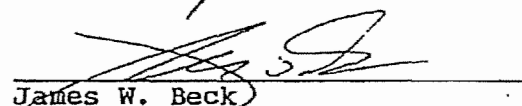
AIA Services Corporation

By

Its



Richard W. Campanaro



James W. Beck



Michael W. Cashman

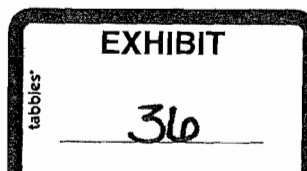
AIA SERVICES CORPORATION
SUBSCRIPTION AGREEMENT
INCLUDING INVESTMENT REPRESENTATIONS

TOTAL OFFERING: \$1,500,000

James W. Beck (the "Investor") hereby subscribes for the purchase of 33,333 units, each Unit (the "Units") consisting of 1 share of Class C 10% Preferred Stock (the "Shares") of AIA Services Corporation, an Idaho corporation (the "Company") and a warrant to purchase shares of Company Common Stock (the "Warrants"), as more fully described in the Investment Agreement, at \$10.00 per Unit, in the aggregate amount of \$333,330.

1. Certain Representations of the Subscriber. In connection with, and in consideration of, the sale of the Units to the Investor, the Investor hereby represents and warrants to the Company and its officers, directors, employees, agents and shareholders that the Investor:

- (a) Has had an opportunity to review all of the representations and warranties in the Investment Agreement and all scheduled exceptions thereto; Company's Amended and Restated Articles of Incorporation as filed April 11, 1995; the December 31, 1994 and March 31, 1995 draft financial statements (GAAP-based) of the Company, AIA Insurance, Inc., The Universe Life Insurance Company, and The Great Fidelity Life Insurance Company, and the December 31, 1994 annual statutory financial statements of ULIC and GFL; the draft of the Report on Examination of The Universe Life Insurance Company as of December 31, 1992; the Confidential Private Placement Memorandum dated January 12, 1995; the Shareholder Disclosure Statement dated February 9, 1995, and the Supplement thereto dated February 27, 1995; and such other financial and other documents and information as the Investor and/or Investor's advisors deems necessary or desirable to make an informed investment decision with respect to the purchase of the Units (the "Additional Materials") and to ask questions of R. John Taylor, President of the Company, concerning the Company, and desires no further information respecting such Additional Materials.
- (b) Realizes that a purchase of the Units represents a speculative investment involving a high degree of risk.
- (c) Can bear the economic risk of an investment in the Units for an indefinite period of time, can afford to sustain a complete loss of such investment, has no need for liquidity in connection with an investment in the Units, and can afford to hold the Unit indefinitely.
- (d) Realizes that there will be no market for the Units, Shares, or Warrants and that there are significant restrictions on the transferability of the such securities.



- (e) Realizes that neither the Units, nor Shares, Warrants or shares issuable upon exercise of the Warrants (the "Warrant Shares") have been registered for sale under the Securities Act of 1933, as amended (the "Act") or applicable state securities laws (the "State Laws"), and may be sold only pursuant to registration under the Act and State Laws, or an opinion of counsel that such registration is not required.
- (f) Is experienced and knowledgeable in financial and business matters, has sufficient experience in evaluating and investing in private placement transactions of securities in businesses similar to the Company and sufficient background in and knowledge and understanding of the insurance industry and the particular insurance market that forms the basis of the Company's current business and proposed business (or Investor is relying on advisors or consultants with such background, experience and knowledge who are not affiliated with the Agent or the Company) so that Investor is capable of evaluating the merits and risks of investing in the Units, and does not need or desire the assistance of a knowledgeable representative to aid in the evaluation of such risks (or, in the alternative, has a knowledgeable representative whom such investor intends to use in connection with a decision as to whether to purchase the Units).
- (g) The Company is currently reorganizing its business operations and there can be no assurance such operations will prove successful of generating sufficient revenues to pay the dividend on the Shares or to provide an appropriate return on the Investor's investment in the Units.

2. Investment Intent. The Investor has been advised that neither the Units, Shares, Warrants or Warrant Shares have been registered under the Act or the relevant State Laws but are being offer, and will be offered, and sold pursuant to exemptions from the Act and State Laws, and that the Company's reliance upon such exemptions is predicated in part on the Investor's representations contained herein. The Investor represents and warrants that the Units, Shares and Warrants are being purchased for the Investor's own account and for long term investment and without the intention of reselling or redistributing the Units, Shares or Warrants or Warrant Shares, that the Investor has made no agreement with others regarding any of the Units, Shares or Warrants or Warrant Shares, and that the Investor's financial condition is such that it is not likely that it will be necessary for the Investor to dispose of any of the Units, Shares or Warrants or Warrant Shares in the foreseeable future. The Investor is aware that (i) there is presently no public market for the Units, Shares or Warrants or Warrant Shares, and, in the view of the Securities and Exchange Commission, a purchase of securities with an intent to resell by reason of any foreseeable specific contingency or anticipated change in market values, or any change in the liquidation or settlement of any loan obtained for the acquisition of any of the Units, Shares or Warrants or Warrant Shares and for which the Units, Shares or Warrants or Warrant Shares were or may be pledged as security would represent an intent inconsistent with the investment representations set forth above and (ii) the transferability of the Units, Shares, Warrants or Warrant Shares is restricted and (A) requires the written consent of the Company, and (B) will be

further restricted by a legend placed on the certificate(s) representing the Units, Shares and Warrants containing substantially the following language:

“The securities represented by this certificate have not been registered, under either the Securities Act of 1933, as amended, or applicable state securities laws. They may not be sold, offered or sale or transferred in the absence of an effective registration under the Securities Act of 1933, as amended, and the applicable state securities laws or an opinion of counsel satisfactory in form and substance to counsel for the Company that such transaction will not result in a prohibited transaction under the Securities Act of 1933, as amended, or the applicable state securities laws.”

The Investor further represents and agrees that if, contrary to the Investor's foregoing intentions, the Investor should later desire to dispose of or transfer any of the Units, Shares, Warrants or Warrant Shares in any manner, the Investor shall not do so without first obtaining (i) an opinion of counsel satisfactory to the Company that such proposed disposition or transfer may be made lawfully without the registration of such securities pursuant to the Act and applicable State Laws, or (ii) registration of such securities (it being expressly understood that the Company shall not have any obligation to register such securities except as provided in the Warrants).

3. Confidentiality. The Investor shall keep confidential and will not disclose or divulge (other than to: (a) counsel to and accountants of the Investor; (b) the Investor's employees; (c) the Investor's outside consultants; (d) employees of an entity controlling, controlled by or under common control with such Investor; (e) constituent partners of an Investor (in each case if such employee, consultant or constituent partner has a need to know such information and has been informed of the confidential nature of such information); or (f) persons or entities as required by law or judicial order), (i) any confidential, proprietary or secret information which such Investor may obtain from or regarding the Company in connection with the financial statements, reports and other material submitted by the Company as required hereunder or (ii) in connection with inspection and inquiry rights granted hereunder unless such information is known to the public, or until such information becomes available to the public without any fault of such Investor.

4. Residence. The Investor represents and warrants that the Investor is a bona fide resident of (or if an entity is organized or incorporated under the laws of), and is domiciled in, the State listed on the signature page of this Agreement, that the Investor has received and has executed this Agreement in such state, and that the Shares are being purchased by the Investor in the Investor's name solely for the Investor's own beneficial interest and not as nominee for, on behalf of, for the beneficial interest of, or with the intention to transfer to, any other person, trust, or organization (except as specifically set forth in paragraph 7 of this Agreement).

PARAGRAPHS 5,6 AND 7 ARE REQUIRED IN CONNECTION WITH THE EXEMPTIONS FROM THE ACT AND STATE LAWS BEING RELIED ON BY THE COMPANY WITH RESPECT TO THE OFFER AND SALE OF THE SHARES. ALL OF

SUCH INFORMATION WILL BE KEPT CONFIDENTIAL, AND WILL BE REVIEWED ONLY BY THE AGENT, THE COMPANY AND THEIR COUNSEL. The Investor agrees to furnish any additional information which the Agent, the Company or their counsel deems necessary in order to verify the responses set forth below.

5. Accredited Status. The Investor represents and warrants as follows (CHECK IF APPLICABLE):

I. Accredited Investor:

INDIVIDUALS

- (a) The Investor is an individual with a net worth, or a joint net worth together with his or her spouse, in excess of \$1,000,000. (In calculating net worth, you may include equity in personal property and real estate, including your principal residence, cash, short term investments, stock and securities. Equity in personal property and real estate should be based on the fair market value of such property minus debt secured by such property.)
- (b) The Investor is an individual that had an individual income in excess of \$200,000 in each of the prior two years and reasonably expects an income in excess of \$200,000 in the current year; or
- (c) The Investor is an individual that had with his/her spouse joint income in excess of \$300,000 in each of the prior two years and reasonably expects joint income in excess of \$300,000 in the current year.
- (d) The Investor is a director or executive officer of the Company.

ENTITIES

- (e) The Investor, if other than an individual, is an entity all of whose equity owners meet one of the tests set forth in (a) through (d) above.
- (f) The Investor is an entity, and is an "Accredited Investor" as defined in Rule 501(a) of Regulation D under the Act. This representation is based on the following (check one or more, as applicable):
- (i) The Investor (or, in the case of a trust, the Investor trustee) is a bank or savings and loan association as defined in Sections 3(a)(2) and 3(a)(5)(A), respectively, of the Act acting either in its individual or fiduciary capacity.
- (ii) The Investor is an insurance company as defined in Section 2(13) of the Act.

- (iii) The Investor is an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act.
- (iv) The Investor is a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.
- (v) The Investor is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 and either (check one or more, as applicable):
 - (a) the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser; or
 - (b) the employee benefit plan has total assets in excess of \$5,000,000; or
 - (c) the plan is a self-directed plan with investment decisions made solely by persons who are "Accredited Investors" as defined under the 1933 Act.
- (vi) The Investor is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- (vii) The Investor has total assets in excess of \$5,000,000, was not formed for the specific purpose of acquiring shares of the Company and is one or more of the following (check one or more, as appropriate):
 - (a) an organization described in Section 501(c)(3) of the Internal Revenue Code; or
 - (b) a corporation; or
 - (c) a Massachusetts or similar business trust; or
 - (d) a partnership.
- (viii) The Investor is a trust with total assets exceeding \$5,000,000, which was not formed for the specific purpose of acquiring shares of the Company and whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the investment in the Shares. (IF ONLY THIS

RESPONSE IS CHECKED, please contact the Company to receive and complete an information statement before this subscription can be considered by the Company.)

II. Nonaccredited Investor:

- ___ (a) The Investor does not meet any of the financial qualifications set forth in I(a)-(f) above.

6. Entities. If the Investor is an entity, the individual signing on behalf of such entity and the entity jointly and severally agree and certify that:

- (a) the Investor was not organized for the specific purpose of acquiring the Shares; and
- (b) this Agreement has been duly authorized by all necessary action on the part of the Investor, has been duly executed by an authorized officer or representative of the Investor, and is a legal, valid, and binding obligation of the Investor enforceable in accordance with its terms.

7. Miscellaneous.

(a) Manner In Which Title Is To Be Held: (check one)

- (1) X Individual Ownership (please sign Signature Page for Individuals)
- (2) _____ Joint Tenant with Right of Survivorship (please sign Signature Page for Individuals)
- (3) _____ Community Property (please sign Signature Page for Individuals)
- (4) - Tenants in Common (please sign Signature Page for Individuals)
- (5) _____ General Partnership (please sign Signature Page for Individuals)
- (6) _____ Corporation (please sign Signature Page for Entities)
- (7) _____ Limited Partnership with Only "Accredited Investors" as Equity Owners (please sign Signature Page for Entities)
- (8) _____ Trust with Assets in Excess of \$5,000,000 (please sign Signature Page for Entities)
- (9) _____ Revocable Grantor Trust (please sign Signature Page for Individuals)
- (10) _____ IRA or Qualified Plan (please sign Signature Page for Individuals)

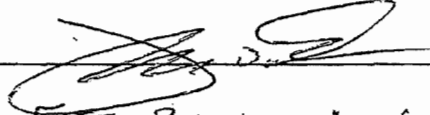
- (b) The Investor agrees that the Investor understands the meaning and legal consequences of the agreements, representations and warranties contained herein, agrees that such agreements, representations and warranties shall survive and remain in full force and effect after the execution hereof and payment for the Units and further agrees to indemnify and hold harmless the Company, each current and future officer, director, employee, agent and shareholder from and against any and all loss, damage or liability due to, or arising out of, a breach of any agreement, representation or warranty of the Investor contained herein.
- (c) This Agreement shall be construed and interpreted in accordance with Idaho law.

SIGNATURE PAGE FOR INDIVIDUALS

(Complete if Category I(a), I(b), I(c), I(d), or I(f)(v) was checked on pages 4-5)

NAME(S):

JAMES W. BECK



LEGAL ADDRESS:

5152 BELMONT AVE. SO.

MINNEAPOLIS, MN 55419

STATE OF LEGAL RESIDENCE:

MINNESOTA

SOCIAL SECURITY NUMBER:



SECOND INDIVIDUAL'S:

MAILING ADDRESS:
(IF DIFFERENT FROM ADDRESS ABOVE)

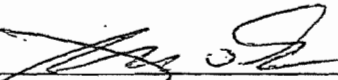
THE SECURITIES WILL BE REGISTERED AS THE SUBSCRIBER'S CUSTOMER ACCOUNT READS ABOVE UNLESS REQUESTED OTHERWISE BELOW IF AN ALTERNATE REGISTRATION IS REQUESTED, IT MUST BE: (1) IN A MANNER CONSISTENT WITH INSTRUCTIONS IN THE CUSTOMER'S ACCOUNT INFORMATION; (2) IN COMPLIANCE WITH GENERALLY ACCEPTED REGISTRATION REQUIREMENTS; AND (3) CONSISTENT WITH THE REPRESENTATION IN PARAGRAPH 2 OF THE AGREEMENT.

ALTERNATE REGISTRATION
NAME(S):

ADDRESS:

ALTERNATE REGISTRATION
SOCIAL SECURITY NUMBER(S):

SIGNATURES
(Individual)


SIGNATURE

SECOND SIGNATURE (IF APPLICABLE)

JAMES W. BECK
NAME (TYPED OR PRINTED)

SECOND NAME (TYPED OR PRINTED)

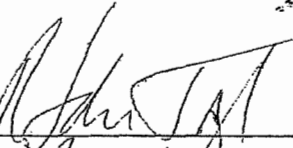
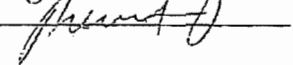
Aug 16, 1995
DATE

DATE

WHEN COMPLETED AND SIGNED, THIS SUBSCRIPTION AGREEMENT AND LETTER OF INVESTMENT INTENT, ALONG WITH THE INVESTOR SUBSCRIBER'S CHECK PAYABLE TO AIA SERVICES CORPORATION, SHOULD BE DELIVERED TO THE COMPANY.

ACCEPTED:

AIA Services Corporation

By: 
Its: 

Date: 8/16/95

SIGNATURE PAGE FOR ENTITIES

(Complete if Category I(e), I(f)(i), (ii), (iii), (iv), (vi), (vii)
or (viii) was checked on pages 4-5)

NAME:

LEGAL ADDRESS:

STATE OF LEGAL RESIDENCE:

SOCIAL SECURITY/TAX ID
NUMBER:

STATE OF ENTITY'S PRINCIPAL
EXECUTIVE OFFICE:

MAILING ADDRESS:
(IF DIFFERENT FROM ADDRESS ABOVE)

STATE OF ORGANIZATION:

DATE OF FORMATION:

CUSTOMER ACCOUNT NUMBER:

7082

THE SECURITIES WILL BE REGISTERED AS THE SUBSCRIBER'S CUSTOMER ACCOUNT READS ABOVE UNLESS REQUESTED OTHERWISE BELOW IF AN ALTERNATIVE REGISTRATION IS REQUESTED, IT MUST BE: (1) IN A MANNER CONSISTENT WITH INSTRUCTIONS IN THE CUSTOMER'S ACCOUNT INFORMATION; (2) IN COMPLIANCE WITH GENERALLY ACCEPTED REGISTRATION REQUIREMENTS; AND (3) CONSISTENT WITH THE REPRESENTATION IN PARAGRAPH 2 OF THE AGREEMENT.

ALTERNATE REGISTRATION
NAME:

ADDRESS:

ALTERNATE REGISTRATION
SOCIAL SECURITY NUMBER(S):

7083

SIGNATURES

(Entity)

I(WE) CERTIFY THAT I(WE) AM(ARE) EMPLOYED AND DULY AUTHORIZE BY THE ENTITY TO EXECUTE AND CARRY OUT TERMS OF THE SUBSCRIPTION AGREEMENT AND LETTER OF INVESTMENT INTENT AND TO PURCHASE AND HOLD THE SECURITIES, AND CERTIFY FURTHER THAT THE SUBSCRIPTION AGREEMENT AND LETTER OF INVESTMENT INTENT HAS BEEN DULY AND VALIDLY AUTHORIZED AND EXECUTED ON BEHALF OF THE ENTITY AND CONSTITUTES A LEGAL, VALID AND BINDING OBLIGATION OF THE ENTITY.

IN WITNESS WHEREOF, I(WE) HAVE SET MY(OUR) HAND(S) THIS ____ DAY OF _____, 199__.

SIGNATURE

SECOND SIGNATURE (IF APPLICABLE)

NAME (TYPED OR PRINTED)

SECOND NAME (TYPED OR PRINTED)

TITLE

TITLE

WHEN COMPLETED AND SIGNED, THIS SUBSCRIPTION AGREEMENT AND LETTER OF INVESTMENT INTENT, ALONG WITH THE INVESTOR SUBSCRIBER'S CHECK PAYABLE TO _____, SHOULD BE DELIVERED TO YOUR BROKER.

ACCEPTED:
AIA Services Corporation

By: _____
Its: _____

Date _____

ORIGINAL

SPECIAL OPTION
ISSUED IN EXCHANGE
FOR SERIES C WARRANTS

To Purchase Shares of Common Stock
of
AIA SERVICES CORPORATION

THIS CERTIFIES THAT, in exchange for surrender of Company's Series C Warrants previously issued in the names of certain Investors pursuant to an Investment Agreement dated June 30, 1995, and other good and valuable consideration, Michael W. Cashman and James W. Beck (the "Investors"), or registered assigns, are entitled to subscribe for the purchase from AIA Services Corporation, an Idaho corporation (the "Company"), at any time up to and including Aug 16, 2000, that number of fully paid and nonassessable shares of the Common Stock of the Company determined in accordance with Section 3 hereof at an option exercise price equal to \$.01 per share of Common Stock (the "Option Exercise Price"). The shares which may be acquired upon exercise of this Option are referred to herein as the "Option Shares." As used herein, the term "Holder" means the Investors, any party who acquires all or a part of this Option as a registered transferee of the Investors, or any record holder or holders of the Option Shares issued upon exercise, whether in whole or in part, of the Option; the term "Common Stock" means and includes the Company's presently authorized common stock, \$.01 par value, and shall also include any capital stock of any class of the Company hereafter authorized which shall not be limited to a fixed sum or percentage in respect of the right of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution, or winding up of the Company; and the term "Convertible Securities" means any stock or other securities convertible into, or exchangeable for, Common Stock.

This Option is subject to the following provisions, terms and conditions:

1. Exercise; Transferability.

(a) Except as provided in Sections 3(d) and 7 hereof, the rights represented by this Option may be exercised by the Holder hereof, in whole or in part (but not as to a fractional share of Common Stock), by written notice of exercise (in the form attached hereto) delivered to the Company at the principal office of the Company prior to the expiration of this Option and accompanied or preceded by the surrender of this Option along with a check in payment of the Option Exercise Price for the Option Shares.

(b) Except as provided in Section 7 hereof, this Option is transferable in whole or in part, subject to applicable federal and state securities laws and regulations. This Option may not be sold, transferred, assigned, hypothecated or divided into two or more Options of

smaller denominations, nor may any Option Shares issued pursuant to exercise of this Option be transferred, except as provided in Section 7 hereof.

2. Exchange and Replacement. Subject to Sections 1 and 7 hereof, this Option is exchangeable upon the surrender hereof by the Holder to the Company at its office for new Options of like tenor and date representing in the aggregate the right to purchase the number of Option Shares purchasable hereunder, each of such new Options to represent the right to purchase such number of Option Shares (not to exceed the aggregate total number purchasable hereunder) as shall be designated by the Holder at the time of such surrender. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction, or mutilation of this Option, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon surrender and cancellation of this Option, if mutilated, the Company will make and deliver a new Option of like tenor, in lieu of this Option. This Option shall be promptly canceled by the Company upon the surrender hereof in connection with any exchange or replacement. The Company shall pay all expenses, taxes (other than stock transfer taxes), and other charges payable in connection with the preparation, execution, and delivery of Options pursuant to this Section 2.

3. Number and Issuance of the Option Shares.

(a) The number of Option Shares that may be purchased pursuant to this Option shall equal four point six percent (4.6%) (subject, however, to adjustment as provided below in this Subsection 3(a)) of the number of shares of outstanding Company Common Stock on a fully diluted basis (i.e., including any shares of Common Stock issuable upon exercise of the Company's Series C Warrants, upon conversion of the Series C Preferred Stock, and upon exercise or conversion of any other Company securities) at the earlier of the date of exercise of this Option or the closing date of the earliest of one of the following events (an "Equity Offering"):

(i) an offering conducted pursuant to the registration requirements of the Securities Act of 1933, as amended ("1933 Act") in which gross proceeds of at least \$5,000,000 are raised; or

(ii) an offering pursuant to exemptions from registration under the 1933 Act in which gross proceeds of at least \$5,000,000 are raised; or

(iii) sale of any securities convertible into Company Common Stock in an offering that conforms to the parameters of subparagraphs (i) and (ii) above;

but excluding any shares of Common Stock sold in the Equity Offering. If an Equity Offering does not occur by [month and day of issuance of Series C Preferred Stock], 1997 (the "Determination Date), the initial Option Shares shall be calculated as provided in the preceding sentence on the Determination Date and on such date the number of Option Shares as calculated hereunder will be increased by 2.5% immediately, and every 90 days thereafter the number of Option Shares that could be purchased prior to adjustment will be increased by an additional 2.5% to determine the new number of Option Shares that may be purchased. (E.g., if this warrant is exercisable as to 100 Option Shares on the Determination Date, then 90 and 180 days after the Determination Date, the number of Option Shares would be 102.5, 105 and 107.7,

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respectively). For purposes of adjustment of the Option Shares, fractional shares will be calculated; however, upon exercise any fractional share will be rounded to the nearest whole share.

(b) The Company agrees that the shares of Common Stock purchased upon exercise of the Option shall be, and are deemed to be, issued to the Holder as of the close of business on the date on which this Option shall have been surrendered. Subject to the provisions of the next section, certificates for the Option Shares so purchased shall be delivered to the Holder within a reasonable time, not exceeding fifteen (15) days after the rights represented by this Option shall have been so exercised; and, unless this Option has expired, a new Option, representing the right to purchase the number of Option Shares, if any, with respect to which this Option shall not then have been exercised shall also be delivered to the Holder within such time.

(c) Notwithstanding the foregoing, however, the Company shall not be required to deliver any certificate for Option Shares upon exercise of this Option except in accordance with exemptions from the applicable securities registration requirements or registrations under applicable securities laws. Nothing herein, however, shall obligate the Company to effect registrations under federal or state securities laws, except as provided in Section 9. If registrations are not in effect and if exemptions are not available when the Holder seeks to exercise the Option, the Option exercise period will be extended, if need be, to prevent the Option from expiring, until such time as either registrations become effective or exemptions are available, and the Option shall then remain exercisable for a period of at least 30 calendar days from the date the Company delivers to the Holder written notice of the availability of such registrations or exemptions. The Holder agrees to execute such documents and make such representations, warranties and agreements as may be required solely to comply with the exemptions relied upon by the Company, or the registrations made, for the issuance of the Option Shares.

(d) Notwithstanding any other provision of this Option, the right to exercise this Option to purchase Common Stock of the Company shall be subject to receipt of prior approval by all regulatory authorities with jurisdiction over such acquisition. Without limiting the generality of the foregoing limitation, the Holder shall not be permitted to exercise this Option if and to the extent that, after such exercise, the Holder would, directly or indirectly (or by exercise of any unrestricted right to convert into or to acquire Company's voting securities or otherwise) be in "control" of an insurer within the meaning of any applicable state insurance holding company act, unless and until such change of "control" has been approved by all applicable state insurance regulators under their respective insurance holding company acts. If the time for exercise of this Option shall expire or be scheduled to expire within two weeks of any final regulatory approval, then the applicable time periods to exercise this Option shall be extended for such a period of time equal to the period of time from delivery of notice of exercise of any rights until the corporation notifies such rights holders of all applicable regulatory approvals.

4. Covenants of the Company. The Company covenants and agrees that all Option Shares will, upon issuance, be duly authorized and issued, fully paid, nonassessable, and free from all taxes, liens, and charges with respect to the issue thereof. The Company further covenants and agrees that during the period within which the rights represented by this Option

may be exercised, the Company will at all times have authorized and reserved for the purpose of issue or transfer upon exercise of the subscription rights evidenced by this Option a sufficient number of shares of Common Stock to provide for the exercise of the rights represented by this Option.

5. Antidilution Adjustments.

(a) The provisions of this Option are subject to adjustment as provided in this Section 5. Any holder of this Option who exercises this Option prior to the closing date of an Equity Offering shall be protected against dilution in the event of any Common Stock issuance or other transaction which occurs prior to an Equity Offering and increases the number of outstanding shares of Common Stock on a fully diluted basis: The Company shall issue to the holder of Common Stock acquired upon exercise of this Option prior to an Equity Offering such number of additional shares of Common Stock as necessary to maintain, at all times prior to an Equity Offering, the percentage interest in Company's outstanding Common Stock (on a fully diluted basis) represented by such shares of Common Stock at the date of exercise.

(b) In case of any consolidation or merger to which the Company is a party other than a merger or consolidation in which the Company is the continuing corporation, or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, or in the case of any statutory exchange or securities with another corporation (including any exchange effected in connection with a merger of a third corporation into the Company), the Holder of this Option shall have the right thereafter to convert such Option into the kind and amount of shares of stock and other securities and property which he would have owned or have been entitled to receive immediately after such consolidation, merger, statutory exchange, sale, or conveyance had such Option been converted immediately prior to the effective date of such consolidation, merger, statutory exchange, sale, or conveyance and in any such case, if necessary, appropriate adjustment shall be made in the application of the provisions set forth in this section with respect to the rights and interests thereafter of any Holders of the Option, to the end that the provisions set forth in this section shall thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares of stock and other securities and property thereafter deliverable on the exercise of the Option. The provisions of this subsection shall similarly apply to successive consolidations, mergers, statutory exchanges, sales or conveyances.

6. No Voting Rights. This Option shall not entitle the Holder to any voting rights or other rights as a shareholder of the Company.

7. Notice of Transfer of Option or Resale of the Option Shares.

(a) Subject to the sale, assignment, hypothecation, or other transfer restrictions set forth in Section 1 hereof, the Holder, by acceptance hereof, agrees to give written notice to the Company, before transferring this Option or transferring any Option Shares, of such Holder's intention to do so, describing briefly the manner of any proposed transfer. Promptly upon receiving such written notice, the Company shall present copies thereof to the Company's counsel and to counsel to the Holder of this Option. If in the opinion of each such counsel the proposed transfer may be effected without registration or qualification (under any federal or state securities laws), the Company, as promptly as practicable, shall notify the Holder of such

opinion, whereupon the Holder shall be entitled to transfer this Option or to dispose of Option Shares received upon the previous exercise of this Option, all in accordance with the terms of the notice delivered by the Holder to the Company; provided that an appropriate legend may be endorsed on this Option or the certificates for such Option Shares respecting restrictions upon transfer thereof necessary or advisable in the opinion of Company's counsel and satisfactory to the Company to prevent further transfers which would be in violation of Section 5 of the 1933 Act and applicable state securities laws; and provided further that the prospective transferee or purchaser shall execute such documents and make such representations, warranties, and agreements as may be required solely to comply with the exemptions relied upon by the Company for the transfer or disposition of the Option or Option Shares.

(b) If, in the opinion of either of the counsel referred to in this Section 7, the proposed transfer or disposition of this Option or such Option Shares described in the written notice given pursuant to this Section 7 may not be effected without registration or qualification of this Option or such Option Shares, the Company shall promptly give written notice thereof to the Holder; and the proposed transfer or disposition will not be permitted.

8. Fractional Shares. Fractional shares shall not be issued upon the exercise of this Option. But in any case where the holder would, except for the provisions of this section, be entitled under the terms hereof to receive a fractional share, the Company shall upon the exercise of this Option for the largest number of whole shares then called for, pay a sum in cash equal to the sum of (a) the excess, if any, of the Market Price of such fractional share over the proportional part of the Option Exercise Price represented by such fractional share, plus (b) the proportional part of the Option Exercise Price represented by such fractional share. For purposes of this Section, the term "Market Price" shall mean for shares of Common Stock the last reported sale price or, if none, the average of the last reported closing bid and asked prices on any national securities exchange or quoted in the National Association of Securities Dealers, Inc.'s Automated Quotations system ("NASDAQ"), or if not listed on a national securities exchange or quoted in NASDAQ, the average of the last reported closing bid and asked prices as reported by Metro Data Company, Inc. from quotations by market makers in such Common Stock on the Minneapolis-St. Paul local over-the-counter market.

9. Registration Rights.

(a) If the Company at any time within two (2) years after complete exercise of this Option, but no more than seven (7) years from the date of this Option, proposes to register under the 1933 Act (except by a Form S-4 or Form S-8 Registration Statement or any successor forms thereto) or qualify for a public distribution under Section 3(b) of the 1933 Act, any of its securities, it will give written notice to all Holders of this Option, any Options issued pursuant to Section 2 and/or Section 3(a) hereof, and any Option Shares of its intention to do so; and, on the written request of any such Holder given within twenty (20) days after receipt of any such notice (which request shall specify the interest in this Option or the Option Shares intended to be sold or disposed of by such Holder and describe the nature of any proposed sale or other disposition thereof), the Company will use its best efforts to cause all such Option Shares, the Holders of which shall have requested the registration or qualification thereof, to be included in such registration statement proposed to be filed by the Company; provided, however, that if a greater number of Option Shares is offered for participation in the proposed offering than in the reasonable opinion of the managing underwriter of the proposed offering can be

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accommodated without adversely affecting the proposed offering, then the amount of Option Shares proposed to be offered by such Holder for registration, as well as the number of securities of any other selling shareholders participating in the registration, shall be proportionately reduced to a number deemed satisfactory by the managing underwriter.

(b) Further, on a one-time basis only, provided the Company has available to it the use of Form S-3, or any form replacing Form S-3, under the 1933 Act, further provided, however, that lack of availability of such form S-3 is not due to failure of the Company to comply with the Securities Exchange Act of 1934, during the term of this Option or within two years of complete exercise of this Option, whichever is later, upon request by the Holder or Holders of a majority in interest of this Option, of any Options issued pursuant to Section 2 and/or Section 3(a) hereof, and of any Option Shares, the Company will promptly take all necessary steps to register or qualify, under the 1933 Act and the securities laws of such states as such Holders may reasonably request, such number of Option Shares issued and to be issued upon conversion of the Options requested by such holders in their request to the Company. The Company shall keep effective and maintain any registration, qualification, notification, or approval specified in this subsection 9(b) for such period as may be reasonably necessary for such Holder or Holders of such Option Shares to dispose thereof and from time to time shall amend or supplement the prospectus used in connection therewith to the extent necessary in order to comply with applicable law. Notwithstanding anything to the contrary contained herein, however, the demand right provided in this section 9(b) may not be exercised until one year after the Company's securities have become registered pursuant to the Securities Exchange Act of 1934; provided, that if such registration occurs during the last twelve (12) months of this Option, the term of this demand right will be extended for twelve (12) months.

(c) With respect to each inclusion of securities in a registration statement pursuant to this section 9, the Company shall bear the following fees, costs, and expenses: all registration, filing and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company, fees and disbursements of counsel for the underwriter or underwriters of such securities (if the Company is required to bear such fees and disbursements), all internal expenses, the premiums and other costs of policies of insurance against liability arising out of the public offering, and legal fees and disbursements and other expenses of complying with state securities laws of any jurisdictions in which the securities to be offered are to be registered or qualified. Fees and disbursements of special counsel and accountants for the selling Holders, underwriting discounts and commissions, and transfer taxes for selling Holders and any other expenses relating to the sale of securities by the selling Holders not expressly included above shall be borne by the selling Holders.

(d) The Company hereby indemnifies each of the Holders of this Option and of any Option Shares, and the officers and directors, if any, who control such Holders, within the meaning of Section 15 of the 1933 Act, against all losses, claims, damages, and liabilities caused by (1) any untrue statement or alleged untrue statement of a material fact contained in any registration Statement or Prospectus (and as amended or supplemented if the Company shall have furnished any amendments thereof or supplements thereto), any Preliminary Prospectus or any state securities law filings; (2) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as such losses, claims, damages, or liabilities are caused by any untrue statement or omission contained in information furnished in writing to the Company by such Holder

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expressly for use therein; and each such Holder by its acceptance hereof severally agrees that it will indemnify and hold harmless the Company, each of its officers who signs such Registration Statement, and each person, if any, who controls the Company, within the meaning of Section 15 of the 1933 Act, with respect to losses, claims, damages, or liabilities which are caused by any untrue statement or omission contained in information furnished in writing to the Company by such Holder expressly for use therein.

10. Expiration. This Option shall expire if, and to the extent, it has not been exercised on or before August 16, 2000.

IN WITNESS WHEREOF, AIA Services Corporation has caused this Option to be signed by its duly authorized officer and to be dated August 16, 1995.

"Company"

AIA SERVICES CORPORATION

By [Signature]

Its [Signature]

To: AIA SERVICES CORPORATION

NOTICE OF EXERCISE OF OPTION -- To Be Executed by the Registered Holder in Order to Exercise the Option

The undersigned hereby irrevocably elects to exercise the attached Option to purchase for cash, _____ of the shares issuable upon the exercise of such Option, and requests that certificates for such shares (together with a new Option to purchase the number of shares, if any, with respect to which this Option is not exercised) shall be issued in the name of

(Print Name)

Please insert social security
or other identifying number
of registered holder of
certificate (_____)

Address:

Date: _____, 19 _____

Signature*

*The signature on the Notice of Exercise of Option must correspond to the name as written upon the face of the Option in every particular without alteration or enlargement or any change whatsoever. When signing on behalf of a corporation, partnership, trust or other entity, PLEASE indicate your position(s) and title(s) with such entity.

ASSIGNMENT FORM

To be signed only upon authorized transfer of Options.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto _____ the right to purchase the securities of AIA Services Corporation to which the within Option relates and appoints _____, attorney, to transfer said right on the books of AIA Services Corporation with full power of substitution in the premises.

Dated: _____ (Signature)

Address:

FAUSERGSAVITONWFOATAIAISERVICESOPT.OPT.BAC

ORIGINAL

SHAREHOLDER VOTING AGREEMENT

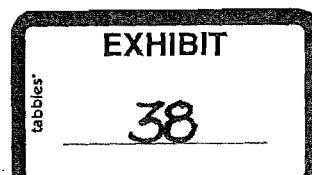
THIS SHAREHOLDER VOTING AGREEMENT ("Agreement") is made and entered into effective as of August 16, 1995, by and among MICHAEL W. CASHMAN, JAMES W. BECK, R. JOHN TAYLOR and RICHARD W. CAMPANARO.

R E C I T A L S :

AIA SERVICES CORPORATION ("Company") is an Idaho corporation with authorized capital stock consisting of 11,700,000 shares, divided into 200,000 shares of Class A Preferred Stock (without par value), 500,000 shares of Class C Preferred Stock (\$1.00 per share par value), and 11,000,000 shares of Common Stock (\$0.01 per share par value). As of the date of this Agreement, there are 1,079,518.5 shares of Company's Common Stock issued and outstanding; and an additional 657,157 shares of Common Stock are issuable upon exercise of currently exercisable options.

The holders of a majority of the outstanding shares of Class A Preferred Stock and the holders of a majority of the outstanding shares of Class C Preferred Stock each have the right to elect one director to Company's Board of Directors (respectively, the "Class A Director" and the "Class C Director"). The holders of a majority of the outstanding Common Stock have the right to elect the balance of the members of Company's Board of Directors (each of such members being hereinafter referenced as a "Common Director").

Pursuant to the terms of an Investment Agreement dated June 30, 1995 among the



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Company and Messrs. Campanaro, Cashman and Beck, Mr. Cashman and Mr. Beck are the owners of 66,667 shares and 33,333 shares, respectively, and have a security interest in and right to vote 50,000 additional shares, of Company's Class C Preferred Stock in the election of the Class C Director.

The Company is authorized to issue an additional 350,000 share of Class C Preferred Stock and contemplates offering and selling some or all of such shares in the near future.

Mr. Taylor is the owner of 559,833 shares of the issued and outstanding Common Stock at the date of this Agreement and has options to acquire an additional 475,000 shares of Common Stock; and Mr. Campanaro has the right, upon satisfaction of certain conditions, to acquire 625,000 shares of Company's Common Stock.

AGREEMENT

1.0 Term of Agreement. This Agreement shall remain in effect until the earlier of (i) the complete voluntary redemption of the Class C Preferred Stock by the Company in accordance with Section 4.3.5(b) of the Company's Amended and Restated Articles of Incorporation ("Articles"), or (ii) (a) as to Mr. Cashman, the voluntary redemption and/or conversion to Common Stock of all shares of Class C Preferred Stock as to which he possesses sole voting power, or (b) as to Mr. Beck, the voluntary redemption and/or conversion to Common Stock of all shares of Class C Preferred Stock as to which he possesses sole voting power, or (iii) the closing of an Equity Offering as defined in Section 4.3.5(a) of the Articles.

2.0 Voting Agreement. At each election of Directors during the term of this Agreement:

2.1 Each of Mr. Cashman and Mr. Beck will vote all of the shares of Class C Preferred Stock with respect to which he possesses sole or shared voting power in favor of the

election of Mr. Cashman as the Class C Director.

2.2 If Mr. Cashman and/or Mr. Beck has acquired any Common Stock of the Company (whether upon conversion of Class C Preferred Stock or upon exercise of Warrants or Options issued or granted by Company, or otherwise), Messrs. Cashman and Beck shall vote such shares to elect Mr. Cashman (unless he can be elected as the Class C Director pursuant to Section 2.1) and Mr. Beck (if he requests to serve as a Director) as a Common Director as provided in this Agreement.

2.3 If at any time Mr. Cashman is not elected as the Class C Director notwithstanding the vote of Class C Preferred Stock by Mr. Cashman and Mr. Beck as provided in Section 2.1 above, Mr. Taylor and Mr. Campanaro (together with Mr. Cashman and Mr. Beck if and to the extent either or both of them has acquired Common Stock of the Company) shall vote their shares of Company's Common Stock to the extent necessary to elect Mr. Cashman as one of the Common Directors.

2.4 If Mr. Beck requests to serve as a member of Company's Board of Directors, Mr. Taylor and Mr. Campanaro (together with Mr. Cashman and Mr. Beck if and to the extent either or both of them has acquired Common Stock of the Company) shall vote their shares of Company's Common Stock to the extent necessary to elect Mr. Beck as one of the Common Directors.

3.1 **Restrictions on Assignment.** This Agreement shall inure to the benefit of and be binding upon Mr. Taylor and Mr. Campanaro and their respective successors and assigns. The rights of Mr. Cashman and Mr. Beck to be elected to Company's Board of Directors pursuant to this Agreement are personal rights arising solely under this Agreement and are not incidents of their ownership of Class C Preferred Stock; and the rights accorded to Mr. Cashman

and Mr. Beck under this Agreement are not assignable. This Agreement is binding upon Mr. Cashman and Mr. Beck and their respective successors and assigns.

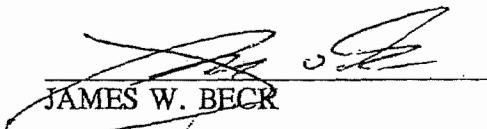
3.2 Governing Law. This Agreement and the legal relations among the parties hereto shall be governed and construed in accordance with the laws of the State of Idaho.

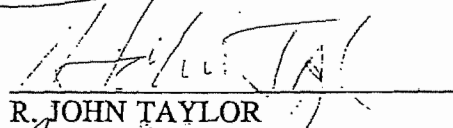
3.3 Amendment. The provisions of this Agreement may be waived, altered, amended or repealed, in whole or in part, only on the written consent of all parties of this Agreement.

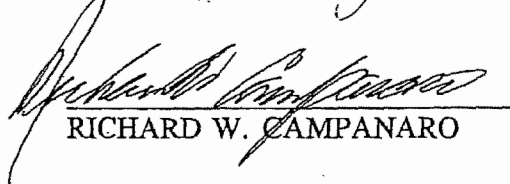
3.4 Integration Agreement. This Agreement constitutes the entire agreement between the parties, and supersedes all prior and contemporaneous agreements, representations and understandings of the parties, pertaining to the subject matter contained herein. No oral or written representations, inducements, promises or agreements not embodied herein shall be of any force or effect upon the execution hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.


MICHAEL W. CASHMAN


JAMES W. BECK


R. JOHN TAYLOR


RICHARD W. CAMPANARO

FRUSERSAVITOLWPOATAIAMSERVICESLSHAGR

THE SECURITIES REPRESENTED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT(S) AND TRANSFER OF SUCH SECURITIES WILL BE INVALID UNLESS A REGISTRATION STATEMENT UNDER THE ACT(S) IS IN EFFECT AS TO SUCH TRANSFER. IN THE OPINION OF COUNSEL FOR THE COMPANY SUCH REGISTRATION IS NECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT(S).

INCORPORATED UNDER THE LAWS OF IDAHO

NUMBER

SHARES
33,333

AIA SERVICES CORPORATION

CAPITAL STOCK 10,000,000 SHARES DIVIDED INTO 200,000 SHARES CLASS A PREFERRED STOCK WITHOUT PAR VALUE, 800,000 SHARES CLASS B PREFERRED STOCK WITH 1000 PER SHARE PAR VALUE AND 9,000,000 SHARES COMMON STOCK WITH 10 PER SHARE PAR VALUE

FULLY PAID

NON-ASSESSABLE

This Certificate that **JAMES W. BECK** *is the*
registered holder of **THIRTY-THREE THOUSAND THREE HUNDRED THIRTY-THREE** *Shares*
of the CLASS C PREFERRED stock of AIA SERVICES CORPORATION
transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed
this 15th day of August A. D. 1995

David G. Guelker
SECRETARY



[Signature]
PRESIDENT

SEE REFER TO CORPORATION'S ARTICLES OF INCORPORATION AND COMPLETE STATEMENT OF RIGHTS AND PREFERENCES OF CLASS C PREFERRED STOCK.

EXHIBIT

39

7098

AFFIDAVIT OF MICHAEL S. BISSELL

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES ACT. ANY TRANSFER OF SUCH SECURITIES WILL BE INVALID UNLESS A REGISTRATION STATEMENT UNDER THE ACT(S) IS IN EFFECT AS TO SUCH TRANSFER OR IN THE OPINION OF COUNSEL FOR THE COMPANY SUCH REGISTRATION IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT(S).

INCORPORATED UNDER THE LAWS OF IDAHO



冊號 NUMBER 冊號
3

冊號 SHARES 冊號
50,000

AIA SERVICES CORPORATION

CAPITAL STOCK: 100,000 SHARES OF WHICH 100,000 SHARES CLASS A PREFERRED STOCK (WITHOUT PAR VALUE), 50,000 SHARES CLASS C PREFERRED STOCK (WITH PAR VALUE) AND 100,000 SHARES COMMON STOCK (WITH PAR VALUE)

FULLY PAID

NON-ASSESSABLE

This certifies that **RICHARD W. CAMPANARO** is the registered holder of **FIFTY THOUSAND** Shares of the CLASS C PREFERRED stock of **AIA SERVICES CORPORATION** transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this 15th day of August A. D. 19 95

David J. Spickler
SECRETARY



[Signature]
PRESIDENT

REFER TO CORPORATION'S ARTICLES OF INCORPORATION A COMPLETE STATEMENT OF RIGHTS AND PREFERENCES OF

SEE ALSO CORPORATION'S ASSISTANT SECRETARY FOR CLASS C PREFERRED STOCK

AFFIDAVIT OF MICHAEL S. BISSELL

7099

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES ACT OF 1934. TRANSFER OF SUCH SECURITIES WILL BE INVALID UNLESS A REGISTRATION STATEMENT UNDER THE ACT(S) IS IN EFFECT AS TO SUCH TRANSFER OR IN THE OPINION OF COUNSEL FOR THE COMPANY SUCH REGISTRATION IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT(S).

INCORPORATED UNDER THE LAWS OF IDAHO

NUMBER
1



SHARES
66,667

AIA SERVICES CORPORATION

CAPITAL STOCK: 11,700,000 SHARES DIVIDED INTO 200,000 SHARES CLASS A PREFERRED STOCK (WITHOUT PAR VALUE), 500,000 SHARES CLASS C PREFERRED STOCK @ \$1.00 PER SHARE PAR VALUE AND 11,000,000 SHARES COMMON STOCK @ \$1.00 PER SHARE PAR VALUE

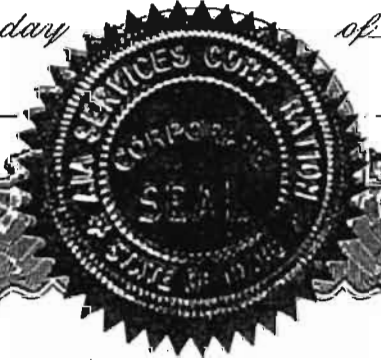
FULLY PAID

NON-ASSESSABLE

This certifies that **MICHAEL W. CASHMAN** is the registered holder of **SIXTY-SIX THOUSAND SIX HUNDRED SIXTY-SEVEN** Shares of the CLASS C PREFERRED stock of **AIA SERVICES CORPORATION** transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this 15th day of August A. D. 1995

David J. Goble
SECRETARY



Robert J. ...
PRESIDENT

REFER TO CORPORATION'S ARTICLES OF INCORPORATION AND A COMPLETE STATEMENT OF RIGHTS AND PREFERENCES OF CLASS C PREFERRED STOCK

7100

AFFIDAVIT OF MICHAEL S. BISSELL

CH

CASHMAN HOLDINGS, L.L.C.
603 EAST LAKE STREET • SUITE 204D
WAYZATA, MN 55391
TELEPHONE: 612-476-7844 • FACSIMILE: 612-476-7848

May 3, 1996

Ms. JoLee K. Duclos
Paralegal
AIA Services Corporation
One Lewis Clark Plaza
P. O. Box 538
Lewiston, Idaho 83501-0538

RECEIVED

MAY 9 1996

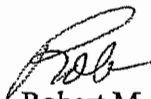
RE: Richard W. Campanaro
Demand Note
Secured by Series C Preferred Stock of AIA Services Corporation

Dear JoLee:

Enclosed for your records are copies of the Demand for Payment and Notice of Intent to Retain Collateral with respect to the above referenced note. I will be forwarding to you under separate cover the certificate and assignment so that you may reissue the shares to Mr. Cashman and Mr. Beck.

Please contact me if you have any questions.

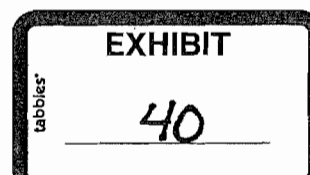
Sincerely,



Robert M. Benjamin
General Counsel

RMB:ja.
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AFFIDAVIT OF MICHAEL S. BISSELL



7101
AIA0002453

CH

CASHMAN HOLDINGS, L.L.C.

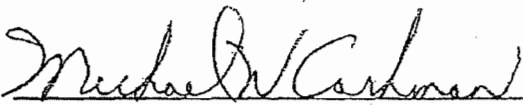
603 EAST LAKE STREET • SUITE 204D
WAYZATA, MN 55391
TELEPHONE: 612-476-7844 • FACSIMILE: 612-476-7848

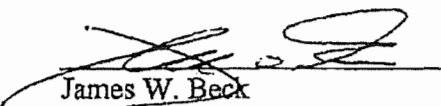
May 3, 1996

Mr. Richard W. Campanaro
One Ocean Ridge Court
Ponte Vedra Beach, Florida 32082

Re: Demand Note Dated August 15, 1996 in the Amount of \$500,000

The undersigned hereby demand immediate payment of the principal amount of \$500,000 plus accrued interest through May 3, 1996 in the amount of \$37,169.31 on the above referenced Demand Note.


Michael W. Cashman


James W. Beck

c:\docs\05030320.doc


CH

CASHMAN HOLDINGS, L.L.C.
603 EAST LAKE STREET • SUITE 204D
WAYZATA, MN 55391
TELEPHONE: 612-476-7844 • FACSIMILE: 612-476-7848

May 3, 1996

Mr. Richard W. Campanaro
One Ocean Ridge Court
Ponte Vedra Beach, Florida 32082

Enclosed is a demand for immediate payment of the principal and accrued interest on your Note to us. If you do not pay it, it is our intention to retain the collateral in full satisfaction of the Note and we have included a notice herewith to that effect.



Michael W. Cashman



James W. Beck

c:\docs\05030320.doc

7103

**Notice to Debtor of Intention to Retain Collateral
in Satisfaction of Obligation**

May 3, 1996

Richard W. Campanaro
One Ocean Ridge Court
Ponte Vedra Beach, Florida 32082

The undersigned hold a promissory note of Richard W. Campanaro, dated August 15, 1996, payable on demand to Michael W. Cashman and James W. Beck, bearing interest at 10% per annum, in the original principal amount of U. S. \$500,000.00. This note is in default.

The unpaid principal amount of this note is \$500,000 on this date. Including interest from August 15, 1996, the aggregate amount due and unpaid on this note as of May 3, 1996 is \$537,169.31.

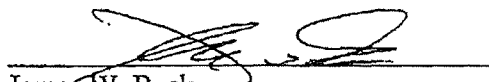
Pursuant to a security agreement between Michael W. Cashman and James W. Beck and Richard W. Campanaro dated August 16, 1995, the undersigned hold the following collateral which has been placed as security for the note:

Series C Preferred capital stock of AIA Services Corporation, Stock Certificate #3, issued August 15, 1995, in the amount of 50,000 shares.

The undersigned elect to retain this collateral in full satisfaction of the note and all interest accrued on it.



Michael W. Cashman



James W. Beck

c:\docs\noticeof.doc

AFFIDAVIT OF MICHAEL S. BISSELL

7104
AIA0002456

CHI

CASHMAN HOLDINGS, INC.
603 EAST LAKE STREET • SUITE 204D
WAYZATA, MN 55391
TELEPHONE: 612-476-7844 • FACSIMILE: 612-476-7848

July 26, 1996

Ms. JoLee Duclos
AIA Services Corporation
111 Main Street
Lewiston, ID 83501


Dear JoLee:

Enclosed is Stock Certificate Number 3 for 50,000 shares of Series C Preferred Capital Stock of AIA Services Corporation issued to Richard W. Campanaro. Also enclosed are assignments separate from the Certificate which have been signed by Mr. Campanaro and which transfer 33,333 shares to Michael W. Cashman and 16,667 shares to James W. Beck. Please issue new certificates for Messrs. Cashman and Beck in those respective share amounts and send them to my attention.

Please feel free to contact me if you have any questions.

Thank you.

Sincerely,


Robert M. Benjamin
General Counsel

RMB:ja
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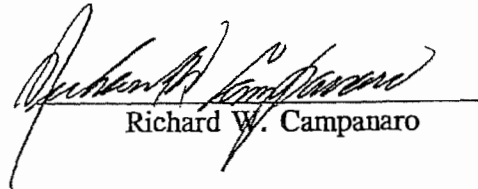
AFFIDAVIT OF MICHAEL S. BISSELL

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AIA0002457

**ASSIGNMENT SEPARATE FROM CERTIFICATE
AIA SERVICES CORPORATION
SERIES C PREFERRED STOCK**

FOR VALUE RECEIVED, the undersigned hereby assigns and transfers to Michael W. Cashman Thirty-Three Thousand Three Hundred Thirty-Three (33,333) Series C Preferred Shares standing in the name of the undersigned on the books of AIA Services Corporation and represented by Certificate No. 3 herewith, and hereby irrevocably constitutes and appoints the Secretary of AIA Services Corporation, as attorney-in-fact, to transfer that stock on the books of such corporation with full power of substitution in the premises. This Assignment is made pursuant to Stock Pledge and Security Agreement as of the date hereof between the undersigned and Michael W. Cashman and may be used to transfer the above described shares of stock pursuant to that Pledge and Security Agreement.

DATED: August 18, 1995.
16


Richard W. Campanaro

FILESET08AVIT01WFOATAIAISERVICESASS-SEP.MWC

AFFIDAVIT OF MICHAEL S. BISSELL

7106
AIA0002458



AIA Services

One Lewis Clark Plaza
PO Box 538
Lewiston, Idaho 83501-0538
(208) 799-9000 FAX (208) 746-8159

August 16, 1996

Robert M. Benjamin
General Counsel
Cashman Holdings, LLC
641 East Lake Street, Suite 234
Wayzata, MN 55391

Dear Rob:

Re: AIA Services Corporation, Class C Preferred stock

Thank you for your letter of July 26. I have cancelled Rich Campanaro's stock certificate and enclosed is stock certificate #16 for 33,333 shares in the name of Michael W. Cashman. I forwarded stock certificate #17 for 16,667 directly to Jim Beck today, as well.

Should you have any questions, please contact me.

Sincerely,

JoLee K. Duclos
Shareholder Relations
:jd

| | | | |
|--|---|--|--|
| your RETURN ADDRESS completed on the reverse side? | SENDER: <ul style="list-style-type: none"> ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered. | | I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee. |
| | 3. Article Addressed to: <i>Rob Benjamin 641 E. Lake St. Suite 234 Wayzata MN 55391</i> | | 4a. Article Number <i>2 737 851 825</i> |
| | 5. Received By: (Print Name) <i>Rob Benjamin</i> | | 4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD |
| | 6. Signature: (Addressee or Agent) <i>[Signature]</i> | | 7. Date of Delivery <i>8/19</i> |
| | | 8. Addressee's Address (Only if requested and fee is paid) | 7107 |

Thank you for using Return Receipt Service.

EXHIBIT A

DEMAND NOTE

U.S. \$500,000.00

August 15, 1995


FOR VALUE RECEIVED, on demand the undersigned, Richard W. Campanaro, (the "Borrower"), promises to pay to the order of Michael W. Cashman and James W. Beck at 17950 Breezy Point Road, Wayzata, Minnesota 55391 (the "Lender") the principal sum of Five Hundred Thousand and No/100ths Dollars (U.S. \$500,000.00).

The Borrower promises to pay interest (computed on the basis of the number of days elapsed in a year of 360 days) on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full at an annual rate equal to 10% per annum. Interest shall be due and payable on the first day of each calendar quarter starting on January 1, 1996 and at maturity. To the extent interest payments are not made when due, the outstanding interest amount shall accrue interest, as if a part of the principal balance.

Both principal and interest are payable in lawful money of the United States of America to the Lender at 17950 Breezy Point Road, Minneapolis, 55391 (or other location specified by the Lender) in immediately available funds. Any payments made shall first be credited to interest due, and thereafter principal.

This Note may not be voluntarily prepayed, without the advance written consent of both Cashman and Beck. This Note is secured by a Pledge and Security Agreement and is subject to the terms of the Investment Agreement and Ancillary Management Team Agreement dated as of August 15, 1995, except as such agreements mandate arbitration. This Note shall be construed according to the laws of the State of Minnesota.

Presentment and demand for payment, notice of dishonor, protest and notice of protest are hereby waived. In the event of default, the Borrower agrees to pay costs of collection and reasonable attorneys' fees (whether or not suit is commenced), including, without limitation, attorneys' fees and legal expenses incurred in connection with any appeal of a lower court's judgment or order.


Richard W. Campanaro

LETTER OF TRANSMITTAL

To Surrender Certificates for Shares of Common Stock of

CROP USA INSURANCE AGENCY, INC.

Pursuant to the Exchange Offer Approved by the Shareholders of Crop USA, Inc. on June 12, 2001

AGENT

JoLee Duclos, Secretary
 P.O. Box 538
 Lewiston, ID 38501
 208-799-9043

| DESCRIPTION OF AIA SERVICES CORPORATION SERIES C PREFERRED SHARES SURRENDERED | | |
|--|----------------------------|---|
| Name and Address of Registered Owner | Certificate(s) Surrendered | |
| Corrine M. Beck 5152 Belmont Avenue South Minneapolis, MN 55419 | Certificate Number(s) | Total Number of AIA Services Corporation Series C Preferred Shares Represented by Certificate(s)* |
| | 19 | 50,000 |
| | | |
| *Unless otherwise indicated, it will be assumed that all such AIA Services Corporation Series C Preferred Shares evidenced by such certificate(s) have been surrendered. | | |

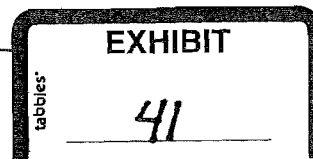
Gentlemen:

In connection with the agreement between AIA Services Corporation and Crop USA Insurance Agency, Inc. to offer to exchange AIA Services Series C Preferred shares for Crop USA common stock, the undersigned, who is the registered holder of the above-listed certificate(s) or the assignee of such registered holder, hereby surrenders the above-listed certificate(s) representing shares of AIA Services Series C Preferred \$10.00 state par value stock ("AIA shares") in exchange for 10.66 common shares of Crop USA for each AIA Services Corporation Series C Preferred share hereby surrendered.

The undersigned represents and warrants that the AIA shares represented by such certificate(s) are owned by the undersigned free and clear of all liens, restrictions, charges, and encumbrances and will not be subject to any adverse claim when the Agent makes the exchange to the recipient designated in this Letter of Transmittal. The undersigned further represents and warrants that he has full authority to surrender such certificate(s) and to receive or to designate the recipient of Crop USA shares for the AIA shares represented by such certificate(s). Upon request, the undersigned will execute and deliver any additional documents deemed appropriate or necessary by the Agent in connection with the surrender of such certificate(s). All authority

7109

AFFIDAVIT OF MICHAEL S. BISSELL



AIA0001084

herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned; and any obligation for the undersigned hereunder shall be binding upon the heirs, personal representatives, successors, and assigns of the undersigned.

The undersigned hereby constitutes and appoints Agent as the true and lawful agent and attorney-in-fact of the undersigned with respect to such AIA shares, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to cancel the certificate(s) for such AIA shares, together with all accompanying evidences of transfer and authenticity, upon exchange for Crop USA shares.

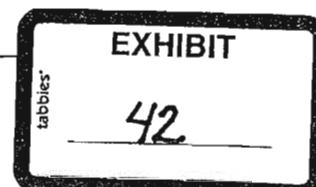
| |
|---|
| SIGN HERE |
| <u>X</u> <u>Conner M. Deuk</u> |
| Signature(s) of Owner(s) or Authorized Agent |
| Dated <u>June 30</u> , 2001 |
| (Must be signed by registered holder(s) exactly as name(s) appear on certificate(s) for AIA Services Corporation Series C Preferred Shares, or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. |
| If the information maintained by AIA Services Corporation is incorrect, please legibly print the correct information below. |
| Name(s) _____ |
| Address _____ |
| Telephone Number (include area code) _____ |

7110

Series C Preferred Shareholder Decisions
to exchange for Crop USA Shares

| Shareholder | Yes | No | # Shares | Request Received |
|-----------------------|-----|----|----------|------------------|
| Corrine Beck | X | | 50,000 | 7/20/01 |
| Michael W. Cashman | X | | 100,000 | 7/12/01 |
| M. Cashman IRA | X | | 15,000 | 7/12/01 |
| Michael Cashman Jr. | X | | 5,000 | 7/22/01 |
| Distribution Services | X | | 10,000 | 7/19/01 |
| Bruce Knutson | X | | 15,000 | 7/23/01 |
| Charles Rapp | X | | 5,000 | 7/20/01 |
| Daryl Verdoorn | X | | 5,000 | 7/20/01 |

AFFIDAVIT OF MICHAEL S. BISSELL



AIA0001079

7111

AIA SERVICES CORPORATION
PREFERRED C STOCK
SHAREHOLDER LIST

12/31/02

Per amended Articles of Incorporation dated August 3, 1995, authorized 500,000 shares of Series C
 10% convertible Preferred Stock at \$1 Par per Share

| Shareholder | Percentage of Ownership | Number of Shares Jan 1, 2002 | Issued | Transferred | Number of Shares Dec 31, 2002 | Percentage of Ownership |
|--------------------------|-------------------------|------------------------------|----------|-------------------|-------------------------------|-------------------------|
| AIA Services 401(k) Plan | 100.00% | 92,500 | - | - | 92,500 | 31.09% |
| Crop USA, Inc. | | - | - | 205,000.00 | 205,000 | 68.91% |
| Total | 100.00% | 92,500 | - | 205,000.00 | 297,500 | 100.00% |

A-13

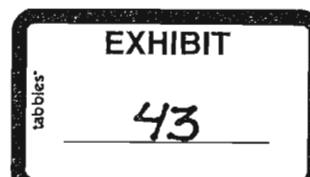
Dividend rate 10%, cumulative, based on \$10 per share value, paid through 3/31/98.

1/9/03

Stock1

11-3

AFFIDAVIT OF MICHAEL S. BISSELL



7112

AIA0023950

AFFIDAVIT OF MICHAEL S. BISSELL



tabbles' EXHIBIT 44

7113

MINUTES OF THE BOARD OF DIRECTORS
Crop USA Insurance Agency, Inc.

The annual meeting was called to order on January 10, 2001, by Chairman, R. John Taylor. Others in attendance were JoLee Duclos and Paul Schrette. The minutes of the prior meeting were reviewed and approved without comment.

The Directors reviewed the business model and written business plan of the Company and authorized the President and Chairman to finalize negotiations with Great American to begin operations. Great American has been selected as the insurer through which Crop USA will market its business.

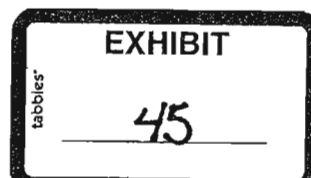
The Directors discussed the necessity for additional funding to operate the corporation. AIA Services Corporation has declined to continue to operate the company as a subsidiary of AIA and wants the Company to be independent. As part of the negotiations with AIA, the Directors believe it would be in the best interest of the company that Crop USA offer to purchase the Series C Preferred stock currently outstanding of AIA as set forth in a Master Marketing Agreement with AIA. The Directors authorized the officers to continue negotiations on Crop USA's purchase of AIA Services Corporation's outstanding Series C Preferred stock.

It was moved, seconded and unanimously passed that Crop USA enter into and its executive officers be authorized to execute the following agreements on behalf of the corporation:

- 1) Crop Insurance Division Agency-Company Agreement with Great American Insurance Companies;
- 2) Master Marketing Agreement with AIA Insurance, Inc. that provides Crop USA access to grower associations represented by AIA Insurance;
- 3) Management Agreement in which AIA Insurance agrees to provide management and administrative support services to Crop USA;
- 4) Management Agreement with Growers National Cooperative Insurance Agency, Inc. in which Crop USA agrees to provide management and administrative support services to Growers National, with the assistance of AIA Insurance; and
- 5) Agency and Development Agreement with Growers National Cooperative that provides for the appointment of the cooperative as a sub-agent of Crop USA.

The Board authorized, subject to shareholder agreement, amendment of Crop USA's Articles of Incorporation to increase the authorized common stock from one million shares to twenty million shares.

AFFIDAVIT OF MICHAEL S. BISSELL



CROP000069

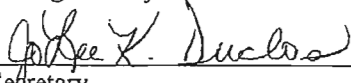
7114

The following nominees for officers were unanimously elected:

| | |
|--------------------------|------------------|
| President /CEO | Paul D. Schrette |
| Vice President | Bryan Freeman |
| Vice President | Jay Taylor |
| Vice President/Secretary | JoLee K. Duclos |
| Treasurer | R. John Taylor |

The board reviewed a proposal to retain the law firm of Hawley, Troxell, Ennis & Hawley LLP of Boise, Idaho, as its advisor and SEC counsel. The motion was so made, second and approved. A copy of said agreement is attached hereto and incorporated herein by reference.

There being no further business, the meeting was adjourned.



Secretary

SHAREHOLDER AGREEMENT

This agreement is made and entered into this ____ day of _____, 2002, by and between R. JOHN TAYLOR and REED J. TAYLOR (collectively referred to as "Shareholder"), and is specifically intended for the benefit and protection of the AIA Services Corporation Series A Preferred Shareholders, Series C Preferred Shareholders, and debt holder, Reed J. Taylor.

RECITALS

A) Crop USA has been formed for the purpose of marketing property and casualty insurance, including multi-peril crop insurance, to members of client associations of AIA Insurance.

B) AIA Insurance, Inc. and AIA Services Corporation (collectively "AIA") have consented to the independent incorporation of Crop USA for the purpose of marketing crop insurance to members of client associations and have entered into management, agency development, and other agreements with Crop USA to further that goal.

C) AIA has entered into a Management Agreement with Crop USA to help Crop USA develop its property and casualty business, and has entered into a Master Marketing Agreement dated January 10, 2001.

D) Crop USA has purchased a significant number of Series C Preferred Shares of AIA in exchange for Crop USA common shares.

E) Crop USA and AIA are assisting each other in the recruiting of sub-agents and independent agents to develop relationships and insurance sales for both property/ casualty and life, health and disability insurance.

F) AIA has a long-term relationship with certain client associations and has allowed Crop USA to market property and casualty insurance to the client associations, subject to AIA's consent.

G) AIA has continued to maintain employees and staff and information systems to support Crop USA.

H) AIA has not been fully reimbursed for the management time and services provided to Crop USA.

I) Reed Taylor and John Taylor are providing assistance with the development of Crop USA.

J) John Taylor owns three million (3,000,000) shares of common stock of Crop USA.

K) Reed Taylor owns one million (1,000,000) shares of common stock of Crop USA pursuant to a Stock Purchase Agreement.

L) John Taylor is the Chairman of the Board of Crop USA and desires to utilize the services of Reed Taylor as acting sales manager consultant and to assist in the development of Crop USA, especially during the initial period.

M) Reed Taylor desires to encourage the development of Crop USA to the extent it improves the ability of AIA Services Corporation to re-pay loans to Reed Taylor and to redeem preferred AIA Services Corporation Series A Preferred Stock as required under the Restated Stock Purchase Agreement between AIA Services Corporation and Reed J. Taylor, dated the 1st day of July, 1996.

NOW, THEREFORE, Reed Taylor and John Taylor, in consideration of the mutual representations, warranties, covenants, and agreements between the corporations and in acknowledgment of the obligation of AIA Services Corporation to Reed J. Taylor as bond holder pursuant to a stock redemption agreement and to the Series A and Series C Preferred shareholders of AIA Services Corporation, the parties do hereby agree as follows:

I. Assistance. Reed Taylor agrees to allow individuals from AIA to assist Crop USA in the development of the Crop USA program. Crop USA will reimburse AIA for its efforts pursuant to a management agreement between the two companies. Reed Taylor will assist during the initial start-up period in helping develop sales and the sales management team for Crop USA.

II. Down Payment Note. Reed Taylor will accept as payment toward his down payment note from AIA Services Corporation, the accounts receivable from John Taylor to AIA Insurance, Inc. in the amount of \$304,000. This amount will be due to Reed Taylor on the sale or change of control of Crop USA as defined below.

III. CAP Salaries. Payments made by AIA Insurance, Inc. for the period September 30, 2000 through year-end 2000 in the amount of \$89,000 and which are shown as due from Reed Taylor, will be expensed by AIA during 2001. It is hereby acknowledged between the parties that the salaries paid during that period should not have been charged to Reed Taylor because they were salaries for persons who became employees at the direction of AIA as of September 1, 2000.

IV. Airplane Usage. Beginning September 1, 2001, AIA will reimburse Reed Taylor at the hourly rate of \$650 per hour for airplane usage for Crop USA purposes. AIA will make advance payments for the airplane usage by paying the salaries of Bob Cline and Dan Roberts, as well as their insurance and other expenses. These costs will be debited to Reed Taylor's account at the end of

each year, and any payments in excess of airplane usage will be debited to the interest payable to Reed Taylor on his AIA Services note. Accounts receivable from Reed Taylor at December 31, 2000, will be applied toward the airplane usage in 2001.

V. Change of Control Defined. For purposes of this agreement, "Change in Control" shall mean any of the following events:

1) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (a "Person"), after the date hereof, of beneficial ownership (within the meaning of Rule 13d03 promulgated under the Exchange Act) of 35% or more of either a) the then outstanding shares of common stock of the Company (the "outstanding Company Common Stock") or b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (1) the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company, or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a), (b) and (c) of subsection (iii) of this Section ; or

2) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then constituting the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

3) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company for which approval of the shareholders of the Company is required (a "Business Combination"), in each case, unless, immediately following such Business Combination a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination, beneficially own, directly

or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such corporation resulting from such Business Combination, beneficially owns, directly or indirectly, 35% or more of, respectively, the then outstanding common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (b) at least a majority of the members of the Board of Directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

4) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

VI. Change of Control. In the event of a change of control of Crop USA prior to the payment of Reed Taylor's note, Reed Taylor will have the option to exchange Three Million Dollars (\$3,000,000) of his note receivable from AIA Services Corporation for One Million (1,000,000) of John Taylor's Crop USA common stock and fifty percent (50%) of John Taylor's common stock and options in AIA Services Corporation.

So long as AIA Services Corporation has not been placed in default by Reed Taylor or its collateral taken over by Reed Taylor, or in the event of or a threat of a change of control of Crop USA as defined herein, the Shareholders will agree to vote collectively against any change of control that does not include purchase of the still outstanding balance of the Series A and Series C preferred stock of AIA Services Corporation or any bond indebtedness as described in the agreements dated July 1, 1996, unless agreed to by Shareholders.

In the event there is no change of control of Crop USA by the due date of the Stock Redemption notes of AIA Services due on August 15, 2005, and Reed Taylor has not placed AIA Services Corporation in default, the Shareholders agree to exercise their voting control to ensure redemption of any Series A Preferred Stock, the bond holder debt agreement, and will agree to purchase the remaining Series C Preferred stock if any are not yet redeemed.

VII. No Effect on Stock Purchase Agreement. The parties intend to be bound by the terms of the Stock Purchase Agreement as restated, dated July 1,

1996, and do not intend to modify same. This agreement is only intended to provide certain additional rights and duties to Reed Taylor and John Taylor, and in no way shall its terms be construed to limit any right of Reed Taylor under the terms of the Stock Purchase Agreement.

IN WITNESS WHEREOF each of the parties hereto have caused this agreement to be executed on his behalf on the day and year first above mentioned.

R. John Taylor

Reed J. Taylor

CROP USA INSURANCE AGENCY, INC.

**SUBSCRIPTION AGREEMENT
INCLUDING INVESTMENT REPRESENTATIONS**

TOTAL OFFERING 1,000,000 shares

Jay Taylor (the "Investor") hereby subscribes for the purchase of One hundred thousand (100,000) shares of common stock (the "Shares") of Crop USA Insurance Agency, Inc. (the "Company"), an Idaho corporation, for valuable consideration.

RECITALS

A) Crop USA is a property and casualty insurance agency in Lewiston, Idaho, with the principle business of marketing multi-peril crop insurance and other insurance products to a captive association market.

B) John Taylor has been selected to lead a management team to develop the business of Crop USA.

C) John Taylor has recruited the Investor to provide advice to the management team and to be Assistant Sales Manager.

D) It is vital to the success of Crop USA that AIA Insurance, Inc. continue to assist with the operations and provide working capital to Crop USA.

I. Assistant Sales Manager. Investor will assist and act as a Regional Sales Manager for Crop USA. Investor will be available at such times and in such a manner as needed to consult with Crop USA.

II. Certain Representations of the Subscriber. In connection with, and in consideration of, the sale of the Shares to Investor, the Investor hereby represents and warrants to Company and its officers, directors, employees, agents, and shareholders that Investor:

(a) Is knowledgeable of the business plan of Company and has assisted Company in the development of its plans and strategies, including the representations made in the SEC filing made by Company, known as the Form 1-A, pursuant to the Agents' Stock Incentive Plan.

(b) Realizes that a purchase of Shares represents a speculative investment involving a high degree of risk.

(c) Can bear the economic risk of an investment in the Shares for an indefinite period of time, can afford to sustain a complete loss of such

Investment Agreement – Reed Taylor]

AFFIDAVIT OF MICHAEL S. BISSELL

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investment, has no need for liquidity in connection with an investment in Shares, and can afford to hold the Shares indefinitely.

(d) Realizes that there will be no market for Shares and that there are significant restrictions on the transferability of such securities.

(e) Realizes that Shares have not been registered for sale under the Securities Act of 1933, as amended (the "Act") or applicable state securities laws (the "State Laws"), and may be sold only pursuant to registration under the Act and State Laws, or an opinion of counsel that such registration is not required.

(f) Is experienced and knowledgeable in financial and business matters, has sufficient experience in evaluating and investing in private placement transactions of securities in businesses similar to the Company, and has sufficient background in and knowledge and understanding of the insurance industry and the particular insurance market that forms the basis of Company's current business and proposed business (or Investor is relying on advisors or consultants with such background, experience, and knowledge who are not affiliated with Investor or Company) so that Investor is capable of evaluating the merits and risks of investing in the Shares, and does not need or desire the assistance of a knowledgeable representative to aid in the evaluation of such risks (or, in the alternative, has a knowledgeable representative whom such investor intends to use in connection with a decision as to whether to purchase the Shares).

(g) Company is dependent upon the assistance and support of AIA Services Corporation to develop its operations and acknowledges there can be no assurance such operations will prove successful of generating sufficient revenues to pay a dividend on the Shares or to provide an appropriate return on the Investor's investment in the Shares.

III. Investment Intent. Investor has been advised that Shares have not been registered under the Act or the relevant State Laws, but are being offered, and will be offered, and sold pursuant to exemptions from the Act and State Laws, and that Company's reliance upon such exemptions is predicated in part on Investor's representations contained herein. Investor represents and warrants that Shares are being purchased for Investor's own account and for long term investment without the intention of reselling or redistributing the Shares, that Investor has made no agreement with others regarding any of the Shares, and that Investor's financial condition is such that it is not likely that it will be necessary for Investor to dispose of any of the Shares in the foreseeable future. Investor is aware that (i) there is presently no public market for the Shares, and, in the view of the Securities and Exchange Commission, a purchase of securities with an intent to resell by reason of any foreseeable specific contingency or

anticipated change in market values, or any change in the liquidation or settlement of any loan obtained for the acquisition of any of the Shares and for which the Shares were or may be pledged as security would represent an intent inconsistent with the investment representations set forth above, and (ii) the transferability of the Shares is restricted and (A) requires the written consent of Company, and (B) will be further restricted by a legend placed on the certificate(s) representing the Shares containing substantially the following language:

"The securities represented by this certificate hve not been registered, under either the Securities Act of 1933, as amended, or applicable state securities laws. They may not be sold, offered for sale, or transferred in the absence of an effective registration under the Securities Act of 1933, as amended, and the applicable state securities laws or an opinion of counsel satisfactory in form and substance to counsel for the Company that such transaction will not result in a prohibited transaction under the Securities Act of 1933, as amended, or the applicable state securities laws."

Investor further represents and agrees that if, contrary to Investor's foregoing intentions, the Investor should later desire to dispose of or transfer any of the Shares in any manner, Investor shall not do so without first obtaining (i) an opinion of counsel satisfactory to Company that such proposed disposition or transfer may be made lawfully without the registration of such securities pursuant to the Act and applicable State Laws, or (ii) registration of such securities (it being expressly understood that the Company shall not have any obligation to register such securities.)

IV. Confidentiality. Investor shall keep confidential and will not disclose or divulge any confidential, proprietary, or secret information which such Investor may obtain from or regarding Company in connection with the business plans, financial statements, reports, and other material from the Company, unless such information is known to the public, or until such information becomes available to the public without any fault of Investor.

V. Residence. Investor represents and warrants that Investor is a bona fide resident of (or if an entity is organized or incorporated, under the laws of), and is domiciled in, the State listed on the signature page of this Agreement, that the Investor has received and has executed this Agreement in such state, and that the Shares are being purchased by Investor in the Investor's name solely for Investor's own beneficial interest and not as nominee for, on behalf of, for the beneficial interest of, or with the intention to transfer to, any other person, trust or organization (except as specifically set forth in paragraph 7 of this Agreement).

VI. Entities. Investor is not purchasing the Shares for any other entity.

VII. Ownership.

(a) The Shares so purchased will be held in Investor's name as his sole and separate property.

(b) Investor agrees that the Investor understands the meaning and legal consequences of the agreements, representations, and warranties contained herein, agrees that such agreements, representations, and warranties shall survive and remain in full force and effect after the execution hereof and payment for the Shares, and further agrees to indemnify and hold harmless the Company, each current and future officer, director, employee, agent, and shareholder from and against any and all loss, damage, or liability due to, or arising out of, a breach of any agreement, representation or warranty of Investor contained herein.

(c) This Agreement shall be construed and interpreted in accordance with Idaho law.

SIGNATURE PAGE FOR INDIVIDUALS

NAME: _____

LEGAL ADDRESS: _____

STATE OF LEGAL RESIDENCE: _____

SOCIAL SECURITY NUMBER: _____

MAILING ADDRESS: _____
(IF DIFFERENT FROM ADDRESS ABOVE)

SIGNATURES

Signature

Date

Name (typed or printed)

WHEN COMPLETED AND SIGNED, THIS SUBSCRIPTION AGREEMENT, ALONG WITH THE SUBSCRIBERS CHECK PAYABLE TO AIA SERVICES CORPORATION, SHOULD BE DELIVERED TO THE COMPANY.

ACCEPTED:

AIA Services Corporation

By: _____

Date: _____

Its: _____

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| CROP USA STOCK LEDGER | | | | | |
|--------------------------------|------------|------------------|---|------------|-----------|
| Shares Authorized - 20,000,000 | | | | | |
| Cert # | Date | # of Shares | Shareholder | Cancelled | # Shares |
| 1 | 1/10/2002 | | Reed J. Taylor | 11/12/2004 | 1,000,000 |
| 2 | 1/10/2002 | 3,000,000 | R. John Taylor | | |
| 3 | 1/10/2002 | 1,066,000 | Michael W. Cashman | | |
| 4 | 1/10/2002 | | Michael W. Cashman Sr. IRA | 10/27/2005 | 159,900 |
| 5 | 1/10/2002 | | Corrine Beck | 3/17/2005 | 533,000 |
| 6 | 1/10/2002 | 53,300 | Michael Cashman Jr. | | |
| 7 | 1/10/2002 | 106,600 | Distribution Services | | |
| 8 | 1/10/2002 | 159,900 | Bruce Knutson | | |
| 9 | 1/10/2002 | 53,300 | Charles B. Rapp | | |
| 10 | 1/10/2002 | 53,300 | Daryl R. Verdoorn | | |
| 11 | 1/10/2002 | 8,000 | Randolph Lamberjack | | |
| 12 | 1/10/2002 | 8,000 | Michael W. Cashman | | |
| 13 | 1/10/2002 | 8,000 | James W. Beck | | |
| 14 | 1/10/2002 | 4,000 | JoLee K. Duclos | | |
| 15 | 1/10/2002 | 4,000 | Bruce Sweeney | | |
| 16 | 6/12/2002 | | James W. Beck | 3/28/2007 | 375,000 |
| 17 | 6/12/2002 | 375,000 | Michael W. Cashman | | |
| 18 | 6/12/2002 | 187,500 | Randy Lamberjack | | |
| 19 | 6/12/2002 | 180,000 | R. John Taylor | | |
| 20 | 6/12/2002 | 7,500 | JoLee K. Duclos | | |
| 21 | 12/20/2002 | 8,000 | Michael W. Cashman | | |
| 22 | 12/20/2002 | 8,000 | James W. Beck | | |
| 23 | 12/20/2002 | 8,000 | Randy Lamberjack | | |
| 24 | 12/20/2002 | 12,000 | Bruce Sweeney | | |
| 25 | 12/20/2002 | 8,000 | Bryan Freeman | | |
| 26 | 12/20/2002 | 8,000 | JoLee K. Duclos | | |
| 27 | 11/12/2004 | 1,000,000 | R. John Taylor, Trustee for AIA interests | | |
| 28 | 12/29/2004 | 1,000,000 | Century Business Plaza, LLC | | |
| 29 | 12/29/2004 | 1,000,000 | Maplewood Executive Partners | | |
| 2004 | | 8,326,400 | | | |

AFFIDAVIT OF MICHAEL S. BISSELL

EXHIBIT
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AFFIDAVIT OF MICHAEL S. BISSELL

| | | | | | |
|-------------|--------------|-------------------|---------------------------------|--|--|
| 30 | 1/12/2005 | 100,000 | James W. Beck | | |
| 31 | 1/12/2005 | 8,000 | Michael W. Cashman | | |
| 32 | 1/12/2005 | 8,000 | James W. Beck | | |
| 33 | 1/12/2005 | 8,000 | Randy Lamberjack | | |
| 34 | 1/12/2005 | 8,000 | Bruce Sweeney | | |
| 35 | 1/12/2005 | 8,000 | Bryan Freeman | | |
| 36 | 1/12/2005 | 8,000 | JoLee K. Duclos | | |
| 37 | 3/17/2005 | 200,000 | Michael W. Cashman | | |
| 38 | 3/17/2005 | 333,000 | Corrine Beck | | |
| 39 | 10/27/2005 | 159,900 | Pershing fbo M. Cashman Sr. IRA | | |
| 2005 | | 9,167,300 | | | |
| 40 | 1/11/2006 | 8,000 | Michael W. Cashman | | |
| 41 | 1/11/2006 | 8,000 | James W. Beck | | |
| 42 | 1/11/2006 | 8,000 | Randy Lamberjack | | |
| 43 | 1/11/2006 | 8,000 | Bryan Freeman | | |
| 44 | 1/11/2006 | 8,000 | JoLee K. Duclos | | |
| 45 | 7/15/2006 | 465,000 | R. John Taylor | | |
| 46 | 7/15/2006 | 125,000 | Adrian Johnson | | |
| 47 | 7/15/2006 | 125,000 | James W. Beck | | |
| 48 | 7/15/2006 | 325,000 | Randy Lamberjack | | |
| 49 | 12/22/2006 | 7,822 | Kent Meacham | | |
| 50 | 12/22/2006 | 8,847 | Dennis Diaz | | |
| 2006 | | 10,263,969 | | | |
| 51 | 3/28/2007 | 355,000 | James W. Beck | | |
| 52 | 3/28/2007 | 20,000 | Michael W. Cashman | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | Total | 10,638,969 | | | |

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Crop USA Stock

Shares and Options Outstanding

As of 7/31/06

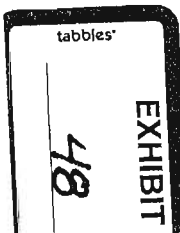
Per Advisory Board 6/06

Issued in 2006

| NAME | SHARES | | | TOTAL YE | % |
|--------------------------------------|------------------|----------------|------------------|-------------------|----------------|
| | COMMON | OPTIONS | Cmm Issued | | |
| Corine M. Beck | 333,000 | | | 333,000 | 2.83% |
| Jim Beck | 499,000 | | 133,000 | 632,000 | 5.37% |
| Michael W. Cashman Sr. | 1,665,000 | | 8,000 | 1,673,000 | 14.21% |
| Michael W. Cashman Sr., pension plan | 159,900 | | | 159,900 | 1.36% |
| Michael W. Cashman Jr. | 53,300 | | | 53,300 | 0.45% |
| Distribution Services, Inc. | 106,600 | | | 106,600 | 0.91% |
| Bruce E. Knutson | 159,900 | | | 159,900 | 1.36% |
| Charles B. Rapp | 53,300 | | | 53,300 | 0.45% |
| Daryl R. Verdoorn | 53,300 | | | 53,300 | 0.45% |
| Maplewood Exec Partners LLC | 1,000,000 | | | 1,000,000 | 8.49% |
| Century Business Plaza, LLC | 1,000,000 | | | 1,000,000 | 8.49% |
| Adrian Johnson | | | 125,000 | 125,000 | 1.06% |
| Subtotal Common Shareholders | 5,083,300 | | 266,000 | 5,349,300 | 45.44% |
| John Taylor | 4,180,000 | | 465,000 | 4,645,000 | 39.46% |
| Lamberjack | 211,500 | 668,667 | 333,000 | 1,211,167 | 10.29% |
| Sweeney | 24,000 | | | 24,000 | 0.20% |
| Duclos | 27,500 | | 8,000 | 35,500 | 0.30% |
| Freeman | 16,000 | | 8,000 | 24,000 | 0.20% |
| Subtotal Executive Advisors | 4,459,000 | 668,667 | 814,000 | 5,939,667 | 50.48% |
| Total Stock Issue | 9,542,300 | | 1,080,000 | 11,288,967 | |
| Options | | | | | |
| Agents and Field Reps | 6,750 | 63,771 | | 70,521 | 0.60% |
| RM | 9,850 | 2,650 | | 12,500 | 0.11% |
| Employee Officers | | | | - | 0.00% |
| K. Petersen Special Option | 400,000 | | | 400,000 | 3.40% |
| Employee Advisors | | | | - | 0.00% |
| Subtotal Agents and Employees | 416,600 | 66,421 | | 483,021 | 4.10% |
| Grand Total | 9,958,900 | | 1,080,000 | 11,771,988 | 100.00% |

AFFIDAVIT OF MICHAEL S. BISSELL

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CROP USA, INC.

Stock Purchases by John and Reed Taylor
for the year ended 12/31/2001

As per the Form 1A, stock was purchased by both John and Reed in exchange for cash consideration.

For John, this consideration (\$35,000 for 3M shares) took the form of a reduction in the A/P owed him by AIA Insurance and a reduction in the amount of accrued salaries payable to him as follows: (1) Offset the N/P to John with balance of \$32,263.15. (2) Offset accrued wages for the remaining balance of \$2,736.85 of the purchase price.

CROP USA:

| | | |
|----------------------|-----------|-----------|
| A/P to AIA Insurance | 35,000.00 | |
| Common Stock | | 30,000.00 |
| Additional PIC | | 5,000.00 |

PURPOSE: To record capital stock purchase by John Taylor.

AIA INSURANCE, INC.

| | | |
|-------------------------|-----------|--|
| 200100E-N/P John Taylor | 32,263.15 | (Need to book this part) |
| 220010E-Accrue Wages | 2,736.85 | (This portion already booked see YE WP CC1-10) |
| 120020E-A/R Crop USA | | 35,000.00 |

PURPOSE: To record capital stock purchase by John Taylor.

For Reed, Offset the amount of purchase against the interest payable to him from AIA Services. This will result in an increase in the intercompany balance between AIA Insurance and AIA Services. The entries are as follows. Reed purchased 1M shares for a purchase price of \$10,000.

CROP USA:

| | | |
|----------------------|-----------|-----------|
| A/P to AIA Insurance | 10,000.00 | |
| Common Stock | | 10,000.00 |

PURPOSE: To record capital stock purchase by Reed Taylor.

AIA INSURANCE, INC.:

| | | |
|--------------------------|-----------|-----------|
| 120008E-A/R AIA Services | 10,000.00 | |
| 120020E-A/R Crop USA | | 10,000.00 |

PURPOSE: To record purchase of Crop shares by Reed offsetting against accrued interest due to Reed.

AIA SERVICES:

| | | |
|--------------------------------|-----------|-----------|
| 2040E-Accrued Interest Payable | 10,000.00 | |
| 2300E-A/P AIA Insurance, Inc. | | 10,000.00 |

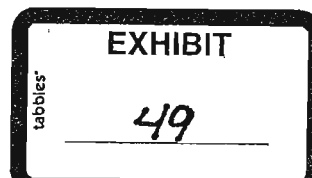
PURPOSE: To record purchase of Crop Shares by Reed, offsetting the amount of interest due him.

Included in Entry on MC-1A

Z:\acct\Crop USA\Stock Purchase 2001.xls\Sheet1

MI-1B

AFFIDAVIT OF MICHAEL S. BISSELL



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AIA0022023

Crop USA Insurance Agency, Inc.

12/31/02

Equity:

| | | | |
|--|---------|--------------|-------|
| | (C-2.5) | | |
| Series C Stock held at redempt. Val 10/shr-205,000 shares | | 2,050,000.00 | |
| Series C Stock held at appraised value of \$8.89/share. | | 1,822,450.00 | |
| Series C Stock exchanged for Crop USA Stock (2,185,000 shares @ \$.01/share) | | 21,850.00 | (A-1) |

Entries to Record Stock:

| | | |
|---|-----------|-----------|
| Cash | 10,000.00 | |
| Capital Stock (\$.01 par) | | 10,000.00 |
| PURPOSE: To record capital stock purchase by Reed Taylor—in lieu of cash and services | | |

| | | |
|---|-----------|-----------|
| Cash | 35,000.00 | |
| Capital Stock (\$.01 par) | | 30,000.00 |
| Additional Paid In Capital | | 5,000.00 |
| PURPOSE: To record capital stock purchase by John Taylor—in lieu of cash and services | | |

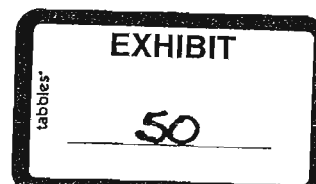
| | | | |
|--|---|-----------|-----------|
| } | Investment in AIA Services (Series C Preferred Stock) | 21,850.00 | |
| | Capital Stock (\$.01 par) | | 21,850.00 |
| | Additional Paid In Capital | | |
| PURPOSE: To record trade of Crop USA stock (2,185,000 shares) for Series C Shares of AIA Services (205,000 shares) | | | |

NOTE: Although they have a higher state value, the preferred Series C shares are valued @ \$8.89 per Independent Appraisal on 12/31/2001. Argument could also be made that the accrued dividend might impact the value of the stock. However, accrued dividends are not accrued, as they may never be paid.

COMBINED ENTRIES:

| | | | |
|---|-------|-----------|-----------|
| Investment in AIA Services (Series C Preferred Stock) | | 21,850.00 | |
| Cash (offset against the payable to AIA) | (C-1) | 45,000.00 | |
| Capital Stock (\$.01 par) | | | 61,850.00 |
| Additional Paid In Capital | | | 5,000.00 |

AFFIDAVIT OF MICHAEL S. BISSELL



C1-2
7131
CROP000943

A I A INSURANCE INC
 CROP U S A
 2020 BROADVIEW DR
 LEWISTON ID 83501



Member FDIC and of the Communities We Serve

ACCOUNT NUMBER
 6600800376

24-HR CUSTOMER SERVICE
800-772-5479

STATEMENT DATE
 Aug 5, 2004
 Pg 1 of 1

08/04/2004 Beginning Balance MMA NonPersonal 0.00
 2 Deposits and Other Additions + 1,510,827.49
 1 Checks and Other Deductions - 360,693.00
 08/05/2004 Ending Balance 2 Days in Statement Period 1,150,134.49

Deposits and Other additions to your account
 08/04/2004 Opening Deposit 1,510,693.00
 08/05/2004 Acct. Earning Pymt 134.49
 Added to Account

Checks listed in numerical order. (*) indicates gap in sequence

| Check | Date | Amount | Check | Date | Amount | Check | Date | Amount |
|-------|-------|------------|-------|------|--------|-------|------|--------|
| 6196 | 08/05 | 360,693.00 | | | | | | |

Daily ending balance

7/04 1510,693.00 08/05 1150,134.49

Earnings Summary

Below is an itemization of the Earnings paid this period:

Interest Paid This Period 134.49 Annual Percentage Yield Earned 1.86
 Interest Paid via 134.49 Days in Earning Period 12
 Avg Earning Balance 1,130,346.50

WARNING ABOUT CHECK BURGLARIES AND FORGERY SCHEMES

Business and home burglaries are on the rise. Thieves often focus on stealing blank and cancelled checks to use in forgery schemes.

- You can protect yourself by doing the following:
1. Store your blank and cancelled checks in a secure location. Shred any old checks you no longer need.
 2. Have your next check order delivered to your local bank branch instead of to your mailbox.
 3. Examine all bank statements and notices promptly and report any suspicious transactions to the bank and to law enforcement immediately.
 4. If you are the victim of a burglary, check your cancelled and blank checks and report any missing items to the bank immediately. Remember to look for missing items in the middle or bottom of a check bundle.

AFFIDAVIT OF MICHAEL S. BISSELL

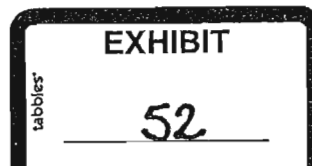
EXHIBIT
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AIA0002081
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CropUSA Insurance Agency, Inc.

Financial Statements
Years Ended December 31, 2004 and 2003

AFFIDAVIT OF MICHAEL S. BISSELL



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CROP000308

CropUSA Insurance Agency, Inc.

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BDO Seidman, LLP
Accountants and Consultants

601 W. Riverside Avenue, Suite 900
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Telephone: (509) 747-8095
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Independent Auditors' Report

The Board of Directors
CropUSA Insurance Agency, Inc.
Lewiston, Idaho

We have audited the accompanying balance sheets of CropUSA Insurance Agency, Inc. as of December 31, 2004 and 2003, and the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CropUSA Insurance Agency, Inc. at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

August 18, 2005

CropUSA Insurance Agency, Inc.

Balance Sheets *In Thousands (except share data)*

| <i>December 31,</i> | 2004 | 2003 |
|---|-----------------|---------------|
| Assets (Note 1) | | |
| Cash | \$ 308 | \$ 4 |
| Commissions receivable | 12 | 32 |
| Prepaid expenses | 8 | — |
| Agent advances, net of allowances of \$49,000 and \$0 (Note 2) | 284 | 275 |
| Due from related companies (Note 6) | 279 | 6 |
| Office equipment, net (Note 7) | 669 | 6 |
| Stock subscriptions receivable (Note 10) | 2,000 | — |
| Investment in AIA Services (Note 3) | — | 22 |
| Total assets | \$ 3,560 | \$ 345 |
| Liabilities and Stockholders' Equity (Deficit) | | |
| Liabilities: | | |
| Bank note payable (Note 5) | \$ 560 | \$ 560 |
| Accounts payable and accrued expenses | 359 | 11 |
| Commissions payable | 9 | 40 |
| Capital lease obligation (Note 7) | 50 | — |
| Due to related companies (Note 6) | — | 91 |
| Total liabilities | 978 | 702 |
| Commitments and Contingencies (Notes 1, 5, 6 and 8) | | |
| Stockholders' Equity (Deficit) (Note 1): | | |
| Common stock \$.01 par value, 20 million shares authorized, 9,394 and 7,394 shares issued and outstanding, respectively | 94 | 74 |
| Additional paid-in capital | 3,487 | 18 |
| Accumulated deficit | (999) | (449) |
| Total stockholders' equity (deficit) | 2,582 | (357) |
| Total liabilities and stockholders' equity (deficit) | \$ 3,560 | \$ 345 |

See accompanying summary of accounting policies and notes to financial statements.

CropUSA Insurance Agency, Inc.

Statements of Operations In Thousands

| <i>Year ended December 31,</i> | 2004 | 2003 |
|------------------------------------|-----------------|-----------------|
| Revenues: | | |
| Commissions and allowances | \$ 98 | \$ 245 |
| Interest and other income | 5 | — |
| Total revenues | 103 | 245 |
| Expenses: | | |
| General and administrative expense | 530 | 311 |
| Commission expense | 87 | 244 |
| Interest expense | 36 | 26 |
| Total expenses | 653 | 581 |
| Net loss | \$ (550) | \$ (336) |

See accompanying summary of accounting policies and notes to financial statements.

CropUSA Insurance Agency, Inc.

Statements of Changes in Stockholders' Equity (Deficit) In Thousands (except share data)

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|---|--------------|--------|----------------------------------|------------------------|--|
| | Shares | Amount | | | |
| Balance, January 1, 2003 | 7,394 | \$ 74 | \$ 17 | \$ (113) | \$ (22) |
| Stock options issued for services (Note 8) | — | — | 1 | — | 1 |
| Net loss | — | — | — | (336) | (336) |
| Balance, December 31, 2003 | 7,394 | 74 | 18 | (449) | (357) |
| Sale of investment in AIA Services | — | — | 1,489 | — | 1,489 |
| Sale of common stock for notes receivable (Note 10) | 2,000 | 20 | 1,980 | — | 2,000 |
| Net loss | — | — | — | (550) | (550) |
| Balance, December 31, 2004 | 9,394 | \$ 94 | \$ 3,487 | \$ (999) | \$ 2,582 |

See accompanying summary of accounting policies and notes to financial statements.

CropUSA Insurance Agency, Inc.

Statements of Cash Flows *In Thousands*

| Year ended December 31, | 2004 | 2003 |
|---|---------------|--------------|
| Increase (Decrease) in Cash | | |
| Cash flows from operating activities: | | |
| Net loss | \$ (550) | \$ (336) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 6 | 1 |
| Provision for doubtful agent advances | 49 | — |
| Issuance of stock options for services | — | 1 |
| Changes in assets and liabilities: | | |
| Agent advances | (58) | (89) |
| Commissions receivable | 20 | 78 |
| Prepaid expenses | (8) | — |
| Commissions payable | (31) | (6) |
| Accounts payable and accrued expenses | 348 | 1 |
| Due (to) from related companies, net | (364) | 102 |
| Net cash used in operating activities | (588) | (248) |
| Cash flows from investing activities: | | |
| Purchase of office equipment | (616) | (7) |
| Proceeds from sale of investment in AIA Services | 1,511 | — |
| Net cash provided by (used in) investing activities | 895 | (7) |
| Cash flows from financing activities: | | |
| Borrowing on bank note payable | — | 245 |
| Payments on capital lease obligation | (3) | — |
| Net cash (used in) provided by financing activities | (3) | 245 |
| Net increase (decrease) in cash and cash equivalents | 304 | (10) |
| Cash, beginning of year | 4 | 14 |
| Cash, end of year | \$ 308 | \$ 4 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the year for: | | |
| Interest | \$ 36 | \$ 27 |
| Non-Cash Investing and Financing Activities: | | |
| Equipment acquired through a lease | \$ 53 | \$ — |
| Issuance of common stock for notes receivable | \$ 2,000 | \$ — |

See accompanying summary of accounting policies and notes to financial statements.

CropUSA Insurance Agency, Inc.

Summary of Accounting Policies

| | |
|---------------------------|--|
| Organization | <p>CropUSA Insurance Agency, Inc. (the Company) was incorporated in November 1999 under the laws of the State of Idaho. The Company is based in Lewiston, Idaho. The Company is related with AIA Services Corporation and its wholly owned subsidiary AIA Insurance, Inc. through the common ownership of these entities.</p> <p>The Company's principal business is marketing multiple-peril crop insurance to farmers, most of who are members of agricultural associations that subscribe to the Grower's National Cooperative Insurance Agency, Inc. (GNCIA). The policies are marketed and administered on behalf of an unrelated insurance company that operates under the Standard Reinsurance Agreement (SRA) with the Federal Crop Insurance Corporation (FCIC). The FCIC is a wholly owned Government corporation of the U.S. Department of Agriculture.</p> |
| Commission Income | <p>The Company earns commissions on policies that are sold to farmers. Commission income is recognized ratably over the policy period.</p> <p>Commissions are currently received from one insurance company. Any loss of the ability to market policies with this insurance company may negatively impact the Company's financial results until replacement insurers can be found.</p> |
| Commission Expense | <p>The Company pays a commission to its third party agents and to GNCLA for policies written to its policyholders. The amount of commissions paid to GNCLA is determined by stated agreement between the Company and GNCLA's board of directors.</p> |
| Office Equipment | <p>Office equipment is carried at cost less accumulated depreciation. Depreciation is computed principally by the straight-line method using lives of five years.</p> |

CropUSA Insurance Agency, Inc.

Summary of Accounting Policies

- Income Taxes** The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS No. 109"). Under the asset and liability method prescribed by SFAS No. 109, deferred income taxes are provided for temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred taxes are measured using provisions of currently enacted tax laws. A valuation allowance against deferred tax assets is required if it is more likely than not that some or all of the deferred tax assets will not be realized. The Company has determined that a valuation allowance equal to the net deferred tax assets is appropriate at this time.
- Stock Options** As allowed by Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, the Company has elected to retain the compensation measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), and its related interpretations, for stock options. Under APB No. 25, compensation cost is recognized at the measurement date of the amount, if any, that the estimated fair market price of the Company's common stock exceeds the option exercise price. The measurement date is the date at which both the number of options and the exercise price for each option are known.
- Management Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

CropUSA Insurance Agency, Inc.

Notes to Financial Statements

**1. Liquidity and
Financial
Condition**

The Company's financial statements are presented on the going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has operated at a net loss since inception and has an accumulated deficit at December 31, 2004. Operating cash was funded in 2004, primarily from the following two events. In September 2004, the Company sold its investment in AIA Services to AIA Insurance, Inc. for total proceeds of \$1,511,000. In addition during 2004, the Company entered into an agreement to sell 2,000,000 shares of common stock for two notes receivable of \$1,000,000 each. These notes receivable are secured by second mortgages on commercial property and are due in monthly installments (See Note 10). CropUSA is seeking to stabilize previous negative financial results through its increased efforts in marketing crop insurance policies. CropUSA was appointed Managing General Agent (MGA) under Austin Mutual Insurance Company. With this appointment CropUSA is authorized to issue policies directly with the FCIC under the SRA. Finally, \$190,000 remains available to fund current operations under the Company's line of credit agreement. The Company is also in the process of securing additional lines of credit to fund operations over the next year. The Company believes that the revenues obtained as a MGA and the use of existing and anticipated credit lines will be adequate to fund on-going operations, and to continue product development and marketing activities for a sufficient period to permit the Company to attain positive operating cash flow in the future.

Although the Company has finalized the 2004/2005 agreement to sell crop insurance under the FCIC, there can be no assurances given that the Company will be successful in the execution of its plans.

2. Agent Advances

As of December 31, 2004 and 2003, the Company has recorded a receivable for \$284,000 and \$275,000, which represents the Company's estimate of the net realizable value of advances paid to agents. Future commissions earned by agents will be offset against these advances.

CropUSA Insurance Agency, Inc.

Notes to Financial Statements

3. **Investment in AIA Services Corporation** In August of 2004, the Company sold its investment in 205,000 shares of AIA Services preferred stock for \$1,511,000 to AIA Insurance, Inc. No gain was recognized from this transaction due to the commonality in ownership between these three entities. As a result, the sale was recognized as an adjustment to additional paid in capital in the amount of \$1,489,000.
4. **Deferred Income Taxes** The Company's deferred tax assets principally relate to net operating loss carry forwards that are available, within statutory annual limits, to offset future taxable income, if any. These deferred tax assets, which approximated \$373,000 and \$162,000 at December 31, 2004 and 2003, were fully reserved by the use of valuation allowance for financial reporting purposes. At December 31, 2004, the Company had net operating loss carry forwards of approximately \$958,000 that expire in calendar year 2025.
5. **Bank Note Payable** The Company executed an agreement with a financial institution that was later modified in January 2003 to provide for a revolving line of credit. Maximum borrowings under the facility are limited to \$750,000. All outstanding borrowings accrue interest at the prime rate plus 1% (6.25% at December 31, 2004) and are personally guaranteed by certain stockholders of the Company. The Company is required to service all accrued interest monthly. As of February 15, 2005, the Company renegotiated the agreement and extended the maturity date to January 2006. The outstanding balance at December 31, 2004, is \$560,000.
6. **Related Party Transactions** On December 31, 2004 and 2003, CropUSA has a receivable of \$275,000 and payable of \$91,000, respectively, which is the net of all related party transactions between AIA and CropUSA. This receivable at December 31, 2004, will be offset by future salaries and other expenses paid by AIA on behalf of CropUSA.

Total commissions receivable from GNCIA as of December 31, 2004 and 2003, was \$4,000 and \$6,000, respectively.

CropUSA Insurance Agency, Inc.

Notes to Financial Statements

7. **Office Equipment** In October 2004, the Company purchased specialized software that provides tracking activity related to crop insurance and the reporting of that activity to the FCIC. The specialized software and related hardware costs purchased totaled \$663,000. To finance a portion of the purchase, the Company has outstanding a capital lease obligation of \$50,000, which is due and payable in October of 2007. (See Note 8)

8. **Obligations Under Capital Leases:** The Company leases computer equipment under capital leases. The lease payments and the present value of the net minimum lease payments due under capital lease obligations at December 31, 2004, are as follows:

| <i>Year ending December 31,</i> | <i>Amount</i> |
|---|---------------|
| 2005 | \$ 21,000 |
| 2006 | 21,000 |
| 2007 | 17,000 |
| Total minimum lease payments | 59,000 |
| Less amount representing interest | (9,000) |
| Present value of net minimum lease payments | \$ 50,000 |

9. **Stock Options** In June 2002, the Company adopted a 2002 Executive Owner Stock Incentive Plan. Stockholders who own at least five percent of the Company are entitled to receive stock options under this plan. This plan provides for the future grant of a total of 1,000,000 common stock options at a price equal to the fair market value of the common stock at the time of grant. These options vest over a five-year term and expire six years from the date of grant. The Plan will terminate when the Company achieves \$100 million in annual written premiums or on August 15, 2006, whichever happens first. No options have been granted under this plan as of December 31, 2004.

CropUSA Insurance Agency, Inc.

Notes to Financial Statements

In August 2002, the Company adopted a 2002 Agents' Stock Incentive Plan. Current and prospective agents, regional managers, other non-employee consultants are able to receive stock options under this plan. This plan provides for the future grant of a total of 4,000,000 common stock options at a price equal to the fair market value of the common stock at the time of grant. Options are granted for new qualifying premiums submitted to the Company and for recruiting other agents. These options vest over a five-year term and expire in six years from the date of grant. The Plan will terminate upon the Company achieving \$100 million in annual written premiums or upon termination by the board. At December 31, 2003, 3,944,400 options remain available for grant under this plan.

A total of 55,600 stock options were issued to third-party agents for service during 2003 at an exercise price of \$0.20. A total of 11,120 options were vested at December 31, 2003. There were no options exercised or cancelled during 2003 or 2004.

The fair value of each option was estimated to be \$0.40, and in accordance with Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, the Company recognized \$1,000 in expense for the options granted during 2003.

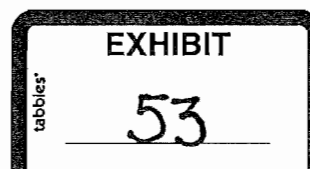
**10. Notes Receivable
From Sale of
Common Stock**

During 2004, the Company issued 2,000,000 shares of common stock to an unrelated third party investor. In exchange, the Company received two notes receivable of \$1,000,000 each. Each of the notes receivable accrue interest at 6.0% and require monthly payments of \$6,511, commencing on April 1, 2005. The notes are secured by second mortgages on certain commercial properties. The entire principal balance and accrued interest is then due on December 1, 2006. As of December 31, 2004, the total amounts outstanding on the notes receivable is \$2,000,000.

MISSION STATEMENT

The mission of AIA Insurance, Inc. is to become the premier insurance and financial services marketing company in rural America for members of sponsoring associations by bringing value-added products and services to members utilizing diverse distribution methods employing the latest database and e-commerce technology.

AFFIDAVIT OF MICHAEL S. BISSELL



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RJT 00001

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AIA Services Corporation

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Executive Summary

Market dynamics for insurance services and products, including technological advances, demographics, government actions and competition, present significant market growth opportunity for AIA Services Corporation. AIA Services Corporation and Subsidiaries ("AIA") marketing and administrative operations are positioned to be the premier provider of insurance services and products for the needs of rural America.

Overview

AIA has served the rural market for 30 years. AIA's strength lies in AIA's focus and understanding of the rural market. AIA's efforts have been rewarded by the continued endorsement of the Grain Growers, American Soybean, National Contract Poultry Growers, and others American Independent Agricultural Producer Associations. The endorsements give AIA the exclusive right to market and administer insurance products and services for association members.

AIA is the access point responsible for simplifying and coordinating the insurance needs of association members. Through multiple insurance carriers and multiple insurance products, AIA offers rural America a portfolio of products and services customized to their needs. AIA's services extend beyond a simple quotation or browser service. AIA offers focused products designed and customized to the grower markets. AIA manages the customer billing and service issues so that rural America is not struggling through the frustrating process of not being able to communicate with their insurance carrier or health maintenance organization.

Opportunity

AIA will capitalize on its relationships with commodity associations to prospect AIA core agricultural market. These relationships allow AIA to work with a defined customer base and pre-screen prospects for the most likely products. AIA action plan is predictable and scalable because sales are driven by more efficient and more qualified leads. AIA operating expenses are relatively fixed and discretionary. This process allows AIA to operate at lower acquisition costs than normally experienced by the insurance industry.

Sales will come from multiple distribution channels. The channels will be customized for market segments and specific products. Generally, most products will have some level of involvement of an agent.

Business and Marketing Strategy

AIA has already started to expand its distribution channels, add new products, refine its data on members and increase association and organizational relationships to meet its sales and marketing objectives. The critical success factors are:

- **Expanding Distribution Channels**

AIA has traditionally distributed products through a captive sales force whose primarily product offering to association members has been major medical insurance. AIA will use new distribution specialist to serve the insurance needs for the various age, geographic area, type of crop, relative economic status, and other attributes defined through the Association database. AIA will expand its distribution tools to include an underage sales force, senior age sales force, property/casualty agents, direct marketing and e-commerce marketing through the Internet. AIA will also seek to diversify its distribution through consolidation opportunities with smaller agencies that desire to merge their blocks of business and administration with larger organizations like AIA.

- **Product and Service Expansion**

AIA has achieved approximately a 15% market penetration with a single product (health insurance) in its current associations utilizing a single distribution method. With expanded distribution channels, a better understanding of clients through data base management, and a vastly expanded product portfolio, AIA believes it can achieve a 30% market penetration with current association members plus provide increased incentives for new members to join current sponsoring associations.

- **Data Base Management and Increased Technology**

AIA will use new data base, modeling and prospecting technology combined with proprietary software programs to provide a more qualified and efficient lead aimed at a more focused target market. AIA's sales growth will become more predictable and scalable and sales will be driven by efficient lead growth with a reduced price per lead. Technology will also play a major role as AIA builds a 24 hour insurance website for it's association partners and their members. AIA will offer full quoting and online applications by the first quarter of 2000.

- **Increased Association and Organizational Relationships**

From 1969 to 1998, AIA focused on certain farm and commodity associations throughout rural America. Beginning in 1999, AIA began an expansion program to add additional associations to its client base to increase the prospect base of insurance and financial services buyers. AIA was successful and added 5 new sponsoring associations by year-end. Marketing will begin in early 2000 with an expanded product portfolio and AIA believes it can achieve 20-30% penetration in 15-18 months. AIA will strive to add 5 new associations each year for the next 5 years to increase its marketing base.

Financial Summary

The results of AIA sales and marketing activity has been projected as follows (dollars in thousands):

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-----------------|---------|------------|----------|----------|----------|----------|----------|
| Sales** | \$2,310 | \$2,938*** | \$13,875 | \$28,000 | \$44,500 | \$63,000 | \$85,500 |
| Inforce Premium | 29,000 | 26,000 | 32,000 | 47,000 | 69,000 | 94,000 | 127,000 |
| Revenue | 7,064 | 6,335 | 9,011 | 15,072 | 21,421 | 29,037 | 38,878 |
| Expenses | 6,393 | 5,727 | 7,492 | 11,566 | 15,530 | 20,197 | 25,949 |
| EBIT* | 1,507 | 1,427 | 2,157 | 4,095 | 6,430 | 9,329 | 13,368 |

* Earnings before interest and taxes

** Production represents submitted annualized premium

*** 1999 sales are current through ten months ended October 31, 1999

Transaction

AIA is currently seeking debt and/or equity financing for approximately \$8 million. The proceeds will be used to fund the following activities (in millions):

| | |
|---|------------|
| Additional market development cost, including expanding Licensing and development of increased Internet capability | \$1.5 |
| Temporary financing of agents debits | 1.0 |
| Agency/marketing company acquisition fund | 2.5 |
| Redeem Series A preferred stock | 1.0 |
| Restructure and redeem obligations to former majority stockholders | <u>2.0</u> |
| | \$8.0 |

While it is possible to serialize the market development costs, it is important to expand AIA's products to its associations during the elevated concern among the rural constituents regarding farm legislation.

Please direct any question regarding the business plan to Mr. John Taylor, CEO of AIA Services Corporation at (209) 799-9100.

Section 1. Overview

1.1 The Company

AIA Services Corporation ("AIA") is located in Lewiston, Idaho, and commenced operations as a general insurance agency in 1969. It became licensed as a third party administrator in 1974. It is licensed throughout the United States as either an insurance agency or third party administrator through its operating subsidiary, AIA Insurance, Inc.

AIA's principal business has been association-based marketing and administration of individual health insurance policies to farmers and ranchers in rural America. The health insurance market for AIA and other marketers has been in a constant state of turmoil since the original Hillary Clinton health plan proposals. Despite this, AIA has enjoyed a long relationship with several commodity grower associations including the National Association of Wheat Growers, the American Soybean Association, and their participating state associations, through which AIA has marketed health insurance. The associations exclusively endorse AIA's products and services to their members. Currently, health insurance commissions and fees comprise about 80% of the company's revenue while life and senior insurance product revenues account for the remaining 20%.

AIA has developed a unique Client Service Team concept which allows it to build a relationship with its clients, while generating sales leads and maintaining customer relations. This concept has worked well as AIA gravitates toward placing more insurance products in the same member household. As an agency, and not an insurance underwriter, AIA has the flexibility to choose quality products for its member base from several insurers whom are eager to underwrite the business. AIA has a platform and a business model from which it can easily expand its overall revenues, by attracting other professional, trade and commodity associations, through which to market products in the rural areas.

1.2 Market Potential

The insurance industry is an enormous, fragmented, and not very efficient industry. For many years, insurance was a separate and distinct business within a broader financial services market. Over the last ten years, insurance, retail banking, brokerage and investment management services have converged to market to the personal financial services market. This new focus removes traditional barriers of entry to insurance markets and has caused insurance companies to abandon, under serve, and lose focus in certain markets such as the rural market. In addition, insurance carriers are refusing to support traditional distribution channels by not providing training, financing of agents or the same degree of marketing support as in the past. This has caused turmoil within the distribution networks of insurance products and a lack of efficiency for the carriers.

This transformation and turmoil within the insurance industry will be accelerated by the passage of the Financial Modernization Act of 1999, which will further consolidate both the agency and insurance industry. Consumers will need additional assistance in selecting financial service products, which will be marketed to them through their bank, mutual fund company, insurance company, stockbroker, or other financial advisors.

AIA has a unique opportunity to capitalize on these shifts in the insurance industry because it has established and built a partnership with various national, state and regional agriculture and trade associations. With just one product, health insurance, AIA has reached a 15% penetration rate within the associations it currently represents, and can expand this by adding additional products and additional associations that represent self-employed professionals.

1.3 Market Strategy

AIA's target markets are members of professional, trade and commodity associations throughout rural America. AIA contracts with various associations and acts as the benefit consultant for the self-employed members of the associations much like a personnel department of a large corporation does for its employees. The association members appreciate AIA's research and due diligence of certain insurance carriers and their products so that they best fit the profile of the members' activities and risks. AIA will grow by:

- **Increasing Product Offerings.** In the past, AIA has primarily only provided a health insurance program for members of sponsoring associations. It will expand its offering of products to include up to 80% of the insurance products purchased by the typical association member. AIA has added life, disability, senior and other supplemental products. In the future, AIA will add crop insurance, farm policies, and homeowners insurance. AIA should be able to double its penetration rate from 15% to 30% of the current association membership by adding new product lines.
- **Adding New Sponsoring Associations.** AIA is taking its business model, developed over thirty years with self-employed farmers, to other associations with similar characteristics of members who are self-employed, have moderate to high gross revenues, and a recognized profession or trade. Two examples of this are AIA's recent contracts with the Iowa Pork Producers Association and its first national contract with a professional trade association, Better Homes & Gardens™ Real Estate Service. This association is a 27,000-member independent agent realtor group controlled by GMAC. AIA has also added three other new associations in 1999.
- **Improved Database Management.** AIA has a wealth of information on current clients, former clients, and association members. It is consolidating them into an integrated database information system. This will enable AIA to implement a more aggressive direct mail, Internet, and telemarketing strategy to produce a more qualified prospect while at the same time allowing members and prospects the flexibility to do business with AIA through whatever medium he or she may desire.
- **Acquisitions.** AIA will seek to purchase other agencies and administrators who currently manage all or portions of association-based plans. AIA seeks to acquire agencies/administrators who have at least \$500,000 of gross commissions in a single association or professional programs. AIA believes that there are over 1,000 agencies/administrators, nationally, which will meet these criteria.

1.4 Goals

Over the past 30 years, AIA has built an association benefit management company that works, and one that is flexible enough to incorporate an Internet and e-commerce business strategy to carry it into the year 2000 and beyond. AIA can easily adapt its business model for other trade and professional organizations, and grow with a single product or multiple product offering. With the successful introduction of new products to its current members and the addition of new associations, AIA is poised to explode. AIA has the unique opportunity to become the AON and InsWeb for the association marketplace. Based upon the marketing strategy described in this business plan, the marketing objectives are:

Premium Production Summary
For the Years Ending
Dollars in Thousands

| <u>Products</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Major Medical | \$8,000 | \$12,000 | \$15,000 | \$18,000 | \$21,000 |
| Senior | 2500 | 5000 | 7500 | 10000 | 12500 |
| Crop Insurance | 2375 | 9000 | 18000 | 27000 | 36000 |
| Direct Insurance | <u>1000</u> | <u>2000</u> | <u>4000</u> | <u>8000</u> | <u>16000</u> |
| | <u>\$13,875</u> | <u>\$28,000</u> | <u>\$44,500</u> | <u>\$63,000</u> | <u>\$85,500</u> |

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Section 2. Industry - Environmental Factors

2.1 Insurance Industry

The market for insurance is enormous. It is also an inflexible and fragmented industry. The insurance industry collects over \$800 billion in direct premiums, of which \$280 billion is spent for marketing and account servicing. Personal insurance products such as automobile, homeowners, and life and health insurance make up about half of the market. Business related insurance, including crop insurance, business owners insurance, business interruption insurance, corporate insurance, and property and casualty products comprise the balance.

The insurance companies who underwrite these products have traditionally relied upon three different types of distribution channels for their products. These channels are independent agents, exclusive agents, and direct marketing, including telemarketing. With the advent of the Internet, direct marketing will include online sales that will be substantial for certain standardized products.

Insurers are product-based companies who typically provide one or more categories of products for a specific market segment. Association members, like many other homogeneous groups, are made up of market-based purchasers who need three to five different products per household based upon their personal needs, profession, and self-employment status. AIA provides the fit between the insurers and their members.

Insurers, to be more efficient, need large blocks of specifically targeted risk profiles with standardized characteristics. Scale is paramount for insurers to produce profits. AIA provides this scale by grouping large blocks of individual business with defined, similar occupational and business risks. AIA has the ability to assemble the profile of coverage needs from association members, negotiate the best policies and prices for members, and then place the business with the most appropriate carrier.

2.2 Membership/Consumers

If the average consumer is frustrated with the inefficient distribution channels of the insurance industry, the rural association member is even more confused. The fragmentation resulting from the industry's distribution channels makes comparison-shopping difficult even in light of today's new Internet technology. Premiums may vary over 100% for similar products – even from the same company – depending upon the distribution channel.

For association members, AIA steps in. AIA is the members' insurance intermediary and acts on behalf of the members, based upon the direction of the association trust boards. It shops for the most relevant products based upon member request, and negotiates the most appropriate pricing, thereby minimizing the shopping members have to perform. Large companies have human resource departments and big company benefit providers like AON– association members have their trust boards and AIA.

2.3 Agency System

The independent agency system is changing and consolidating. Small and rural agencies will continue to confront challenges and will be faced with converting to a captive company shop or merging with another agency to survive. Ten percent of the independent agencies have closed over the last year; 25% closed over the last five years. Independent agencies have lost

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marketing opportunities as companies have become more selective with whom they do business. Small agencies are no longer subsidized or supported by the large companies.

AIA is large enough and has the infrastructure as a benefits provider for various associations to withstand the change and consolidation that is taking place in the insurance industry.

It is forecast that there will be a major shift in the personal insurance market to the Internet over the next several years. AIA embraces this and sees it as a tremendous opportunity. AIA will give all members and prospective members access to insurance product information, quoting and applications over the Internet. Additionally, we will reach association members and prospective association members with all our insurance programs through a diverse distribution system made up of captive Insurance agents for the underage and senior markets, independent agents, and through telemarketing and direct mail initiated by our Client Service Teams. All of these channels will play key roles in providing insurance plans and financial services to members of sponsoring associations.

The primary product of AIA has been group health insurance for members of the sponsoring associations. This market has been in a constant and tumultuous change over the last few years. HMO's and state sponsored delivery systems gained popularity. Although HMO's are not a direct competitor in the rural market, they had the effect, through their subsidiaries, of artificially holding down premium rates as they gathered market share. AIA continues to strive to bring the most comprehensive health insurance plan at a fair price to its members.

Recently, the trust boards of the associations have asked AIA to broaden the product portfolio based upon the needs and wants of its members. Because of this, the endorsed products for AIA's associations have increased from two to six. AIA has only recently begun broad-based strategies to introduce these programs to the members of the associations. Two more products, crop/hail and multi-peril, both property/casualty products for the farmer, will be added in 2000. In all, the average association member spends \$14,500 per year on insurance on six or seven policies. AIA's ultimate goal is to have an endorsed product portfolio that can capture all product needs of its members.

2.4 Financial Modernization Act of 1999

The recent Financial Modernization Act of 1999 affects AIA's role as a marketer. This Act will accelerate specialization by most insurers, disrupt the fragmented but functional agency systems, and likely send the better insurers into the arms of the bank and securities industry giants.

Additionally, the industry is entering a very uncertain period as a result of the Financial Modernization Act of 1999. The Act will have the effect of a further consolidation of insurers with financial services companies, and will put pressure on traditional, rural insurance agencies that are already under pressure due to their small size and inability to secure markets for their insurance products. The Financial Modernization Act of 1999 will also force insurers to become more specific in their underwriting outlook and product manufacturing. Insurers will need companies like AIA who have specific market niches to distribute their products. The sponsorship of reputable associations gives AIA access to prime insurance and financial services prospects. Through AIA, insurers can rely on a steady amount of premium from a geographically diverse yet homogenous risk pool.

2.5 Freedom to Farm Act

The Freedom to Farm Act originally allowed a transition subsidy payment of \$.60 per bushel of wheat or soybeans to be paid while farmers phased off of subsidies to zero over a five-year

period. However, soon after passage of the Freedom to Farm Act, world farm commodity prices plummeted because of over-production in Australia, Argentina, France and other agricultural countries combined with a decrease in the world demand as a result of the Asian financial crisis. Overall, farming income declined about 8-9% in 1999 from about \$100 billion to around \$91 or \$92 billion, but associations lobbied for supplemental payments of approximately \$5 billion this year. During periods of low commodity prices, members and prospective association members look to their association for leadership and new legislation. AIA stands to gain substantial benefits as more members join the farm associations during what are perceived as troubled times.

2.6 Privacy Act

Finally, the Financial Modernization Act of 1999 presents some privacy act issues which will likely benefit AIA. AIA will be able to use information it gathers on association members for the marketing and distribution of its financial services and insurance products. AIA will not be able to distribute that information into unrelated third parties. This however may present an opportunity for AIA to enter into joint ventures with third parties based upon the data it will have on its association members and prospective members.

Section 3. Background and Markets

3.1 Background

AIA Insurance, Inc. (AIA) is a proven insurance marketer and third party administrator that provides high-level expertise in affinity-based marketing, association growth strategies and membership dues billing services. Since 1969, AIA has been in the business of marketing insurance and financial service products to members of some of America's largest commodity and agricultural associations. In 1974, the Company expanded its operations to become a third party administrator for its affinity partners, thereby forming even stronger alliances and furthering business growth. More recently, the company began expanding its operations into other professional and trade associations that have a similar makeup in their memberships to that of the commodity associations AIA has worked with for over 30 years.

The strength of the Company lies in the endorsements and sponsorships it receives from commodity, professional and trade associations that give AIA the exclusive right to market insurance and financial products to association members. AIA has developed a proven marketing concept, as well as effective operating methods and systems, which together provide certain competitive advantages as it pursues the opportunities represented within the Company's association based target market.

In addition to growing its core business, the Company plans to expand its association and strategic partnerships in order to create additional affinity marketing opportunities. AIA is poised to take its marketing and administrative expertise to the next level via a strategic mix of captive agency sales, direct marketing strategies and intelligent use of Internet technology.

3.2 Company History

AIA has been a leading provider of insurance and financial service products to rural Americans across the country for over 30 years. The Company enjoys significant benefits from the extensive insurance industry experience of its management. As a result of its relationships with large national grower associations, professional and trade associations and blue chip insurance companies, the Company's officers and key employees have gained competencies related to product development, pricing, cost-effective administration, niche marketing and sales force recruitment and training.

During AIA's early years, the founders developed and implemented a business plan whereby the Company represented small local grower associations and marketed group health insurance to current and prospective members utilizing traditional methods of distribution and customer service. By focusing directly on this market niche, AIA was able to provide quality products and services to an often-neglected market. As a result, AIA became known as a friend of the farmer. Soon, other associations developed interest in the Company's representation of their members with regard to insurance and financial service needs.

AIA has maintained the same primary focus for 30 years by gaining endorsements and sponsorship of insurance and financial service products from prominent state and national associations and by providing custom designed services for members participating in the sponsored plans.

3.3 Association Endorsements

In an article written for Marketing Tools Magazine, a subsidiary of American Demographics, marketing expert Gary Teagno highlighted five advantages to association target marketing:

1. *Increased Market Share*-through focused marketing, advertising and sales efforts
2. *Marketing Leverage* -through exclusive access to association members
3. *Credibility*- through association endorsement
4. *Enhanced Visibility*- through trade shows, conventions, association publications and member communications channels
5. *Product Development*- through networking and association research

Mr. Teagno concluded in his article *"Combining the influence of associations with the product and marketing expertise of corporate partners enables both parties to accomplish vital goals. The association gains an enhanced ability to attract and retain members by providing services that meet their needs. The corporation gains unparalleled access to target markets."*

AIA contracts with each of its affinity partners for the exclusive right to market insurance and financial service products to the association's current and prospective members. These exclusive endorsements by the associations provide AIA valuable recognition from prospective clients and give it a true affinity group from which to solicit sales.

As outlined by Mr. Teagno's article, these relationships also present opportunities for the associations themselves. AIA agents enroll new association members at the same time an insurance sale is made. Association membership dues are automatically collected with each modal premium payment, further strengthening the AIA-association relationship. Since these programs began, AIA has collected and remitted over \$10 million in dues to the various state and national associations.

State and national representatives from the associations that endorse the products and services offered by AIA meet regularly with Company representatives to review the endorsed programs and provide comment on AIA activities. These special association boards act in the role of an employee benefits committee for the members of their respective associations.

The following associations endorse AIA and certain of its financial service products and health, life, long-term care, and senior insurance products:

National Association of Wheat Growers (NAWG)

AIA has a 25-year relationship with state wheat grower associations, which are affiliates of the National Association of Wheat Growers. This relationship has been integral in building AIA's marketing program. While endorsements began with various state associations, AIA and its insurance programs are currently endorsed by NAWG, which has 25,000 members out of approximately 241,000 (10.4%) wheat growers in the United States.

Although wheat is grown nationwide, it is a primary crop in 18 states. AIA is endorsed by 16 of the 18 active state associations, as well as the national association.

American Soybean Association (ASA)

This relationship began in the spring of 1993. AIA was selected through a competitive process because of its customized products and its dues collection services. There are approximately 354,000¹ soybean growers in 25 states, of

which 29,109 (8.2%) are presently members of ASA. AIA currently has the endorsements of the national association and 12 state associations.

National Contract Poultry Growers Association (NCPGA)

The poultry grower relationship began in the fall of 1993. There are approximately 63,000¹ poultry growers in 16 states, of which 3,500 (5.5%) are NCPGA members. Poultry growers are different from the typical wheat or soybean producer. They require fewer acres (as little as five), have lower gross incomes, and often have other jobs to supplement their household income, making their insurance needs more diverse. In the three states currently covered by AIA, about one-third of the approximately 3,500 active members are AIA clients.

Other Affinity Partners

In addition to being agent of record for the three major national commodity associations, AIA is also agent of record for the Rolling Plains Cotton Growers, Oklahoma and Texas Peanut Growers, Iowa Pork Producers, Tennessee Pork Producers and the National Farm Organization of Wisconsin. All are state commodity associations.

AIA's contractual relationship with non-commodity associations includes the Johnson County (KS) Board of Realtors, Better Homes & Gardens™ Realtors and the Iowa Optometric Association. Members of these associations participate in AIA's insurance plans offered through the American Independent Associations Participating Trust (AIAPT). These three non-commodity associations were added in the second half of 1999 as AIA began implementing its strategy of expanding sponsoring associations.

¹ Source: 1997 Census of Agriculture - USDA
Numbers have been rounded to the nearest 1,000

3.4 Association Trusts

Since 1974, AIA has been a full-service third party administrator for five insurance trusts representing the associations from which AIA has received sponsorship. These trusts provide a vehicle for association members to obtain insurance and other financial service products.

The Grain Growers Membership and Insurance Trust (GGMIT) was established in July 1974 to advance membership benefits, including those offered by AIA. In 1980, the National Growers and Stockmen Group Trust was formed to serve growers who reside in states not served by the GGMIT. 1988 brought the formation of the American Independent Agricultural Producers Insurance Trust (later named the American Independent Associations Participating Trust) to serve agricultural related and support businesses, as well as non-agricultural related association members (professional and trade), providing access to the group health and life insurance products marketed by AIA. In 1993, the American Soybean Association Membership and Insurance Trust was established for members of the American Soybean Association and affiliated state Associations. The National Contract Poultry Growers Association Membership and Insurance Trust was established that same year for members of the National Contract Poultry Growers Association (a federal cooperative).

As administrator for each of these trusts, AIA is responsible for obtaining master group insurance policies for the trusts; payment of trust insurance premium, commissions and other related expenses; maintenance of trust records; trust accounting; and assisting certificate holders as they

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make claims for insurance benefits. Additionally, as administrator of the trusts and in conjunction with the collection of premiums for its insurance products, AIA collects association dues for members of participating associations and remits such dues, with an accounting thereof, to each association.

Section 4. Market Analysis Summary

As stated herein, AIA will focus its marketing and sales efforts on two fronts-current farm and commodity associations and new professional and trade associations, which have an emphasis on self-employed members. Significant market analysis has been done on the current commodity associations with which AIA works. AIA will also perform an analysis of market potential for each new association it considers for sponsorship. A review of market potential on some of the commodity associations AIA currently works with follows.

According to the USDA's 1997 Census of Agriculture, of the 1.9 million total farms in the United States, 12.6% grew wheat, 18.5% soybeans and 3.3% poultry. These numbers represent 658,146 farms, or 34.4% of all U.S. farms that are directly involved in production of a commodity that is represented by one of AIA's national affinity partners. These numbers become even more significant when all AIA commodity association partners are factored into the equation. A total of 906,120 farms (see chart below), or 47.7% of all U.S. farms, are directly involved in production of a commodity that is represented by one of AIA's current affinity partners.

Our primary group of potential customers is the existing association members who may have a need for the insurance and financial service products we can provide as part of their association membership package.

An even larger secondary market exists, which is comprised of independent commodity growers who have no affiliation with an association at this time. Because these growers have the same insurance and financial service needs as AIA's primary customer group, the Company believes they will have a profound interest in association membership and the resulting access to our insurance and financial service products.

Moreover, AIA believes there is at least one self-employed person performing a farm support function for each prospective farmer in our target market. These individuals are considered to be potential candidates for associate membership, thereby doubling the market potential for AIA products and services.

| STATE | FARMS WITH 100+ ACRES | SMALL BUSINESSES (1-4 Employees) |
|----------------|--------------------------|-------------------------------------|
| Alabama | 18,648 | 52,223 |
| Arkansas | 26,182 | 34,427 |
| Colorado | 18,839 | 73,359 |
| Georgia | 19,923 | 102,807 |
| Idaho | 11,496 | 20,217 |
| Illinois | 46,848 | 162,700 |
| Indiana | 29,094 | 73,185 |
| Iowa | 64,298 | 43,196 |
| Kansas | 46,343 | 40,182 |
| Kentucky | 36,700 | 46,089 |
| Louisiana | 11,711 | 52,100 |
| Minnesota | 51,229 | 70,937 |
| Mississippi | 18,403 | 32,055 |
| Missouri | 62,006 | 77,580 |
| Montana | 21,003 | 18,502 |
| Nebraska | 41,623 | 26,490 |
| New Mexico | 9,362 | 23,136 |
| North Carolina | 19,319 | 105,124 |
| North Dakota | 28,049 | 11,400 |
| Ohio | 33,910 | 134,645 |

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| STATE | FARMS WITH 100+ ACRES | SMALL BUSINESSES (1-4 Employees) |
|----------------|--------------------------|-------------------------------------|
| Oklahoma | 48,300 | 46,983 |
| Oregon | 11,544 | 54,826 |
| South Carolina | 9,225 | 49,700 |
| South Dakota | 27,337 | 13,376 |
| Tennessee | 29,306 | 68,104 |
| Texas | 114,798 | 244,725 |
| Wisconsin | 42,252 | 71,449 |
| Wyoming | 8,372 | 10,610 |
| TOTAL | 906,120 | 1,760,127 |

Although there has been plenty of press about the plight of the American farmer and the farm economy over the last several years, statistics from the USDA's 1997 Census of Agriculture reveal the following:

1. The number of farms in the U.S. has dropped from 1.925 million in 1992 to 1.911 million in 1997. This represents a loss of only 13,456 farms.
2. The number of U.S. farms with a minimum of 100 acres stands at 906,000.
3. Average sales volume per farm in 1997 was \$102,970, compared to \$84,459.00 in 1992.
4. Average production expense per farm in 1997 was \$78,771, compared to \$67,928 in 1992.
5. Average net cash return per farm was \$22,260 in 1997, compared to \$15,801 in 1992.
6. Average value of land and buildings per farm was \$449,748 (\$933 per acre) in 1997, compared to \$357,056 (\$727 per acre) in 1992.
7. The average age of a farmer in the U.S. is 51.7 years, with over half (52%) in the 35-54 age group and nearly one-third aged 45-54.

Comparing these figures with the Bureau of Labor Statistics' 1997 Consumer Expenditure Survey (CEX), we find that the majority of these farmers fall into the age bracket that is expected to spend the most on health care between 1997 and 2002.

The 1997 CEX projects an increase in consumer spending for health insurance of \$4.5 billion, while consumer spending on financial products and services will rise by approximately \$4.3 billion. These spending projections are based on two primary factors:

1. An aging baby boom population (aged 45-54) that will be the largest aggregate spenders on health care, and;
2. An increasingly healthy and affluent mature population that is expected to spend more on health insurance, long-term care, financial services and grandchildren's education.

4.1 Products and Services

As the exclusive provider of insurance and financial products for endorsing and sponsoring associations, AIA can bring virtually any insurance, financial service or other association product before the associations for marketing to members. However, AIA is careful to select for sponsorship and endorsement, only those products that it feels will bring real value and satisfy

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real needs for the participating associations and their members. AIA also considers a product provider's ability to adapt to the market AIA operates in with their associations. As an example, an insurance carrier that has never offered their insurance products to associations or their members will likely be unwilling to customize benefits and services unique to the associations' needs. AIA generally chooses carriers and providers who have some experience dealing with associations. Another key item is a carrier's rating. AIA strives to work with carriers rated highly by A.M. Best and other industry rating services.

The following are the current products offered to members through various sponsoring associations.

| | |
|---|------------------------------|
| Major Medical Insurance | Trustmark Insurance Company |
| High Deductible Major Medical Insurance | Trustmark Insurance Company |
| Small Group Health Insurance | Trustmark Insurance Company |
| Long Term Care Insurance | CNA |
| Medicare Supplement Insurance | Guarantee Trust Life |
| Life Insurance | Interstate Assurance Company |
| College Life Insurance Plan | Trustmark Insurance Company |
| Accident Insurance | United American Insurance |
| Cancer Insurance | United American Insurance |
| Accident Insurance | AFLAC |
| Cancer Insurance | AFLAC |
| Harvest Rewards™ | AIA Insurance, Inc. |

Based on the nature of AIA's business, the Company's pricing strategy for the products it has selected for sponsorship is appropriate for an affinity-based marketing program. This pricing strategy collectively factors product quality, customer service and price with an eye toward offering our clients the best possible value proposition. AIA has no interest in offering the lowest priced insurance or financial service products to its target market if such cut-rate pricing results in diminished product quality, rate instability, or poor customer care. Instead, the Company intends to provide our target market with the highest possible product quality and customer service while maintaining stable, competitive pricing, which can easily fit into most household budgets.

Because AIA chooses to focus its marketing efforts on the association marketplace, it has the ability to utilize the group buying power of its affinity partners to negotiate lower insurance premiums or association discounts for its clients without sacrificing quality of coverage or customer care. In this way, AIA is consistently able to bring high value product and service offerings to its target market.

The Crop Insurance Reform Act of 1996 has sparked an explosive opportunity in crop insurance. AIA, through its new subsidiary, AIA Crop Insurance, Inc., will begin providing a line of multi-peril crop insurance at the request of the farm associations. There is an emerging opportunity to be the first with a pilot program to utilize the association endorsements and strategic alliances with an Internet-based enrollment approach. AIA will place the business with Great American Insurance Group of Cincinnati, Ohio, and implement an association-based crop insurance program during the year 2000.

4.2 Regulatory Issues

The insurance industry is marked by extensive, costly and time-consuming regulation. AIA has expended considerable effort to comply and adapt to this reality. As Agent of Record and Administrator of the insurance plans offered to association members, AIA holds both agency and Third Party Administrator (TPA) licensing. Currently, AIA is licensed to operate as an agency (or agent) in 24 states and as a TPA in 27 states. As some states do not require a license or use the license of an individual agent instead of a corporate license, AIA is authorized to operate in a total of 40 states.

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Section 5. Marketing

AIA will focus its association-based marketing strategies on two fronts: 1) increasing market penetration in existing associations by the introduction of new products and services to current and prospective association members, and 2) aggressively seeking new sponsoring associations whose bylaws primarily cater to the self-employed or small business marketplace. This will include professional, trade and commodity associations. AIA has the infrastructure and systems in place to support expansion into new products and association markets.

As AIA implements its marketing strategies it will also strive to be recognized as "*The Premier Financial Service and Benefits Manager for Sponsoring Associations and their Members*". To accomplish this, AIA will focus on the following strategies:

- **Continue to grow sales in existing product lines utilizing proven methods from past experience.**

AIA will grow sales of its current sponsored products utilizing an agent sales force comprised mainly of captive agents and managers representing the products sponsored by an association. This will include the current health insurance portfolio to current and new associations. AIA has the opportunity to introduce its sponsored health insurance plans to five new associations in early 2000 representing a prospect base of almost 60,000 individuals. In addition, AIA will promote the current health insurance product line utilizing a variety of methods to current associations and their members. The sales agents and managers will be compensated with an aggressive advance commission program and given other incentives and support functions for being an AIA representative.

- **Add additional products and services to its menu.**

This is one of the clearest paths toward penetrating current association members and attracting more members into the associations with which AIA currently works. It is also one of the top reasons an individual joins an association. There is a broad range of membership enhancement products and services available today. AIA will strive to bring both insurance and non-insurance products to the associations for sponsorship. As more sophisticated database modeling is done on prospects and current members, AIA will begin to customize its offerings. Additional products will also allow cross-selling opportunities through add-on sales or upgrading existing programs.

- **Utilize new prospecting technology to generate more qualified and more efficient leads.**

Effective lead generation will be central to the success of AIA. State of the art database technology will be employed to create and model a more qualified list of prospects. In the past, AIA has used little database modeling in its lead generation. Prospect lists have generally not been cleaned after receipt from an association or list company, nor has any other modeling been used to enhance the list to find like prospects in any given area. Once the lists have been created, telephone, mail and the Internet will be used for creating prospects for agents or in-house sales representatives. All lead information will be managed in a database at AIA and updated as input is received from sales representatives. AIA will strive to maintain a complete database of information on all prospects.

- **Increase association and organizational relationships to build larger prospecting databases.**

From 1969 to 1999, AIA has focused on the rural market and certain farm and commodity associations. AIA has an enviable track record of success in this marketplace. While the company has no plans to abandon this market niche, in 1999 the company began a strategy to expand its association marketing to other associations. In the second half of 1999, AIA added five new associations as sponsoring organizations of AIA's products and services. AIA will continue its growth and expansion strategy and strive to add a minimum of five new

association or organizational relationships each year for the next five years thereby increasing the market potential for products and services. AIA has a proven 30 year track record of effective recruitment and retention strategies for sponsoring associations and believes that this track record will allow it to achieve this objective.

- **Establish growth targets and penetration objectives for members and product sales.**

Based upon a review of current data from USDA and the Wheat, Soybean and Poultry grower associations, it is estimated that there are 658,000 growers and 57,8000 current members of the three associations. That is a member penetration rate of 8.8%. AIA has approximately 8500 current policyholders representing a participation rate of 15% of the members of these three associations. The participation rate is based primarily on health insurance sales, which has been AIA's focus for over 30 years.

AIA believes that with the addition and promotion of a broad new range of product offerings it can achieve an additional 15% penetration of new product sales to current members in current sponsoring associations. AIA also believes that it can attract new members into the associations with new product offerings. The company has set a realistic goal of 1% new market penetration per year for five years in the Wheat, Soybean and Poultry markets.

AIA believes that 20-30% market penetration from all products over 15-18 months from current members in new sponsoring associations is realistic. The company will utilize a variety of promotion methods to achieve this. Market penetration for prospects will vary depending on the association, current participation and their past recruiting efforts.

With a target market of approximately 30-35,000 members in new sponsoring associations and new product offerings for current associations and their members, AIA feels very optimistic about their sales forecast and business strategy.

| | Grower Associations ¹ | New Associations ² |
|---|----------------------------------|-------------------------------|
| USDA estimated # of Growers | 658,000 | xxx |
| Current association participation | 57,800 | 30,000 |
| Participating percentage | 8.8% | xxx |
| Approximate AIA member insureds | 8,500 | xxx |
| Penetration rate with members | 14.7% | xxx |
| Anticipated penetration with new products | 1% | xxx |
| Number of new members to purchase products | 6,580 | xxx |
| Percent of current members to purchase new products | 15% | 15% |
| Number of current members who buy new products over next 15-18 months | 8,670 | 4,500 |
| Total new purchasing AIA clients | 15,250 | 4,500+ |

¹ Wheat, Soybean, Poultry

² Better Homes & Gardens, Iowa Optometrists, Iowa Pork Producers, Johnson County (KS) Realtors, etc.

- **Diversify distribution methods and systems so that AIA gradually shifts from primarily a traditional agency system to an Internet based marketing program and an e-commerce business model.**

Although "face-to-face" sales contact will remain integral to developing the initial relationship, bringing the customer to the associations, and having them make their first sponsored product purchase, supplemental sales to existing clients and providing information to prospective members through direct marketing and the Internet will create other profitable distribution channels. Development of these alternative channels begins the transition from an agency based distribution system to an Internet based marketing program and an e-commerce business model.

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Direct mail and telemarketing will be used to sell additional or increased coverage to existing policyholders and to market simplified insurance policies to association members and newly acquired clients. Further, notices in association newsletters, radio advertising and enhanced association benefit programs will promote products that can be applied for directly over the phone. AIA's Client Service Representatives will be trained to accept in-bound telephone responses generated by this advertising, gather information about the prospect, approve coverage and issue the policy; all while the client is still on the phone.

The advent of Internet technology provides today's insurance consumer with easy access to a vast amount of detailed information, including policy and rate comparisons of several insurers. A common fear within the industry is that such detailed information access could lead to a dramatic reduction in customer loyalty. Rather than fear this new era of consumer empowerment, AIA chooses to embrace this empowerment as a means to diminish price consideration as a factor in the buying decision. Intelligent use of technology will enable AIA to provide superior customer service, thus enhancing customer loyalty and making price consideration virtually irrelevant.

A recent study published in the Harvard Business Review concluded that increasing retention of current customers by just five percent could double the profitability of a typical company. AIA intends to utilize all of its marketing resources, including Internet technology, to give its customers exactly what they want, exactly how they want it. This "one-to-one" mass customization concept serves to compliment AIA's proven affinity-based marketing strategies to attract new customers and to increase customer loyalty, thus creating additional marketing opportunities.

According to recent industry studies, over 70% of rural business owners have access to and use the Internet. As businessmen, agricultural producers were among the first users of Internet technology to obtain daily price quotes and weather information. One method of communication and information to members and prospective members will be using e-mail addresses captured through various strategies. AIA will utilize this efficient communications medium to establish and maintain contact with clients and prospective clients and will provide monthly information and reminders of the availability of insurance products through association endorsed programs.

The AIA Insurance web site (aiainsurance.com) will become a virtual interactive insurance agency, which is open to clients 24 hours a day and seven days a week (24/7). Here, clients will be able to review product information, request automated rate quotes for a variety of products, view account information, request policyholder service, submit insurance applications or chat online with a local representative.

AIA also creates and hosts web sites for endorsing associations. The company currently hosts web sites for the New Mexico Wheat Growers Association, Oklahoma Wheat Growers Association and the Texas Wheat Producers Association. Members can log onto the sites to find news and information related to their specific association, in addition to shopping for and accessing the products and services endorsed by their association. Each association web site that AIA develops on behalf of an association will link to the AIA web site. AIA will also strive to be linked on every website from each sponsoring association it works with and have each association website promote the site on a regular basis through various means that the association uses to communicate with its members

Through this strategy of regular e-mail advertising, internal association advertising and Internet links, AIA believes it can generate a significant portion of leads and sales through e-commerce, thereby reducing acquisition and administrative costs, resulting in an increased gross profit per sale.

- **Acquire insurance agencies in targeted areas as a means to expand financial services, association clients and databases.**

The aging of America's insurance workforce and the vast technological changes that are taking place present another opportunity for AIA. AIA plans to acquire small to medium size agencies in small markets throughout its operating area. The agencies will generally have between \$500,000 and \$1,500,000 of commission income. AIA will target agencies that either have association relationships, or operate in an area where AIA's sponsoring associations could increase their business. Generally, AIA will shut down the agency's current operations and consolidate billing and customer service functions into its headquarters in Lewiston. AIA has experience in acquisitions and believes this to be available growth strategy. AIA will seek to acquire a minimum of two agencies per year for the next five years.

Section 6. Administration

The associations and their members provide the platform upon which AIA continues to build. AIA has capitalized on its exclusive relationships with commodity associations and now professional and trade associations to reach its target market of the self-employed. In most cases, AIA does not sell to the public. For 30 years it has marketed and administered plans for association members of its client commodity associations.

In addition to providing insurance plans for their members, AIA collects dues and provides all policy administration on most of the programs it markets. The associations have contracted with AIA for these functions on behalf of their members. AIA also provides membership recruitment and retention efforts through their insurance relationship with members. This relationship presents a unique opportunity for AIA to reach its target market through a combination of direct marketing, agent-based marketing, and Internet marketing strategies that are designed to promote membership, retention and recruitment of members for the associations, while providing important insurance and financial service benefits for the association members.

Once AIA establishes an initial client relationship with a member of a sponsoring association, whether it is through association membership or a product sale, it seeks to continue to build on that relationship through offerings of additional insurance and financial services products. The client receives ongoing support through our field representatives and home office Client Service Teams. By superior customer service and personal attention, the Client Service Teams have developed an interactive relationship with the customers. These efforts are directly responsible for high client affinity with AIA.

6.1 Client Service Teams

When AIA gains a new client they are permanently assigned to a field representative and Client Service Team (CST) based upon their geographic location. Permanently assigning customers develops continuity, which in turn promotes a one-on-one relationship with a CST member. Dialogue is generated both by AIA and by the customer, and occurs on an ongoing basis. This platform is constructed by the client's need for information, education and advice regarding financial and insurance purchase decisions. By catering to the customer's desire, AIA provides a frictionless way to assist with insurance decisions and transactions. While mail, telephone and fax comprise current communications, electronic communication such as the Internet and e-mail will become more important.

AIA continues a membership retention program for the associations by promoting the accomplishments of the associations on their behalf, and it helps the member by managing the choice of products he or she might need.

AIA's licensed insurance agents are provided the names of current association members so they may be contacted to promote insurance and financial services sponsored by the association. This will include the Harvest Rewards™ program, various insurance products, and ultimately other financial services. AIA has begun the process of licensing and appointing its CST members for insurance sales. During the course of their contact with association members, the CST representatives are responsible for recommending add-on products and explaining other endorsed services to the member. For example, a member who has major medical insurance may be offered the opportunity to purchase additional critical illness coverage, which will pay a lump sum benefit upon diagnosis of a critical illness. This sales strategy will focus on the member's ability to use the critical illness policy benefits to help cover their deductible, as well as pay for other costs which may not be covered under the sponsored major medical plan.

This association-based platform, coupled with true personal contact replicates an employee benefits or personnel department the member would have if they worked for a large corporation. Even as geographically diverse as AIA's client base is, each member has the ability to contact a specific AIA employee by whatever means desired to help make financial and insurance purchasing decisions.

6.2 Membership Recruitment

One of the responsibilities of AIA is to act on behalf of the associations to recruit new members. Many times growers are eligible to be members in a commodity or professional association, but have not taken advantage of such a membership. These potential members are educated by AIA about the important roles the commodity and professional associations play in promoting the welfare of their industry and will be encouraged to contribute to the association's continued success through their voluntary membership.

6.3 Flexibility for Insurers

Association members need to do business in different ways. Management of AIA's distribution systems is based upon the ability to service the needs of independent agents, captive insurance agents, direct marketing, and e-commerce. This is a role that AIA plays well. Insurance companies cannot manage different distribution systems very effectively, and the association members need products underwritten and distributed based upon their needs. The flexibility of AIA assists the insurer in meeting these needs.

6.4 Flexibility for Agents

AIA has established Agency Communication Teams (ACT units) who function much like Client Service Teams, but communicate with the various distribution systems AIA has in various geographic areas. The ACT representatives have the same training and background as the CST's. The ACT unit is a one-call stop for an agent to get answers to all questions.

6.5 Management

R. John Taylor has been the President/Chief Executive Officer of AIA since 1995 and with the AIA organization since 1977. In addition, Mr. Taylor currently sits on the boards of several prominent organizations, including Avista (NYEX:AVA; formerly Washington Water Power) [1985 – present], The Idaho Heritage Trust [1989 – present], and the State of Idaho Endowment Fund Investment Board [1997 – present]. Mr. Taylor graduated from Brigham Young University and earned a Juris Doctorate from Washington & Lee University.

Paul D. Schrette joined AIA in February 1998 as Executive Vice President of Marketing. Prior to joining AIA, Mr. Schrette was Executive Vice President of Marketing for UBL Financial Corporation, a company specializing in insurance marketing and third party administration. Mr. Schrette brings 15 years of sales and marketing experience to the AIA team and was instrumental in the conceptualization and development of a nationwide multiple product/multiple carriers TPA firm in the early 1990's. Mr. Schrette is a registered principle and registered representative of the SEC and NASD and received a business administration/marketing degree from Eastern Washington University.

Lee Ann Hostetler is Vice President of AIA and has been employed since 1976. During her 23 years as an integral part of AIA, Ms Hostetler has worked in and learned every aspect of administration for a marketing and third party administrator. She has developed her talents in Marketing, Software Administration Systems, Commission Accounting, Human Resources, and Customer Service. She deals directly with the sponsoring commodity associations in conjunction with AIA's dues remittance program. Ms. Hostetler currently serves as Director of Operations and Customer Service.

Bryan D. Freeman is Vice President of Management Information Systems and has been with AIA since 1982. Mr. Freeman was instrumental in developing a company-generated management information system unique to AIA's product portfolio, and currently manages all software and hardware systems for AIA. Mr. Freeman is a graduate of Washington State University.

JoLee K. Duclos is corporate Secretary and has been employed by AIA since 1990. Twenty-three years of experience in the legal field qualify her to supervise the legal/compliance department of AIA. Ms. Duclos received a paralegal degree from Lewis Clark State College.

Mary Nordhagen serves as Treasurer of AIA. She is a graduate of the University of Idaho and is licensed as a CPA. Ms. Nordhagen joined AIA in 1987 and currently supervises a financial services department of seven.

6.6 New Technology Team

A new team to assist AIA with its advances in technology has been recently assembled. These new employees include:

Aaron Frizzell joined AIA in August 1999 to help create and manage the AIAgents and other Internet sites. He attended Muskegon Community College in Michigan and was an independent contractor/consultant specializing in Internet marketing programs for small business clients before joining AIA.

Ken Goods joined AIA in October 1999 to manage the change of AIA's AS400-based information systems to a network system and to implement the backside web server programming needed to create an interactive e-commerce site for AIA's product line. Mr. Goods graduated from Computer Careers Institute in Portland, Oregon, in 1976 and has been involved with all aspects of computer science since that time. He is currently continuing his education by pursuing a Microsoft Certified Systems Engineer (MCSE) certificate. For the last 7 years Mr. Goods was employed as a Systems Programmer/Design Engineer at Spatial Dynamics, Inc. Prior to that, he was employed at The Boeing Company as a member of the Manufacturing Engineering Computer Aided Production Group.

Rick Zelinski joined AIA in October 1999 to strengthen the direct market programs and consolidate the information database. He has previously headed the direct insurance marketing programs for Old National Bank, West One and U.S. Banks (Oregon). Mr. Zelinski has an MBA from the University of Washington and a BA in business and psychology from Puget Sound University.

6.7 Employees

AIA has 40 full-time employees at its headquarters in Lewiston, Idaho. The average tenure for these employees is eight years. AIA is committed to retaining its employees by providing opportunities for growth, an innovative benefit package including a 401(k) plan, and an ownership share in the Company through its Employee Stock Ownership Plan, which is the second largest shareholder of AIA's parent company, AIA Services Corporation.

6.8 Management Information Systems

AIA computer systems include an AS/400 and an NT network with an Ethernet connection using System Network Architecture (SNA). Dedicated 56k leased lines are used to connect the AS/400 to our business partners. A dedicated high-speed fiber optic line is used to connect the network to the Internet.

The AS/400 uses proprietary code written and maintained in-house for all of our business applications. Specific applications, such as online quoting and policy tracking, allow customer service representatives to promptly answer any questions and provide assistance for customers who phone in. Information is routinely shared between the AS/400 and the network to allow management and agents online reporting and sales tracking, as well as automatically updating the new business system for applications received from web applications.

Web applications for rate quoting and insurance application submission have been developed and are maintained in-house. Initially, these web driven applications are based on a three-tier business model. Custom programmed Active Server Pages (ASP) generate the Hypertext Markup Language (HTML) pages providing an interactive experience for the customer. Custom designed web server based components, in the form of dynamic link libraries (DLL's), handle database management and customer tracking, as well as implement the business rules and validation tasks. This is beneficial in that the complexity of the business rules and data access are hidden from the ASP programmer and the proprietary code is secure from the general public and competitors. Another benefit is that these custom DLL's can be reused in applications written for our in-house customer service teams and underwriters. The tools and techniques used in the generation and implementation of our web applications are under constant review. As new technologies emerge they will be incorporated into our applications, if proven to be cost effective and have merit.

6.9 Facility Requirements

AIA is located in the historic Lewis Clark Plaza, an 87,000 square foot facility, of which 40,000 square feet is currently in use. The building is sufficient to continue as the headquarters of AIA through its expansion plans.

6.10 Main Competitors

In the rural area, Blue Cross/Blue Shield, Farm Bureau and Farmers Insurance Group are AIA's main competition. As AIA expands its market to include professional and trade association members, it can expect competition from other insurance companies and distribution systems. However, the advantage AIA has is that it acts as the benefits administrator for sponsored and endorsed products for members of the associations it represents. In this capacity, AIA has credibility and enhanced visibility of its products and services. In addition, the trust boards act in the capacity of a benefits committee for their members, performing appropriate due diligence on products and services offered. This presents a significant advantage to AIA. AIA's main competition is not so much other insurance agencies or distribution systems, but a decision from the consumer on whether to participate in the association sponsored benefits or to purchase insurance outside of their association endorsed arena.

6.11 Growth and Opportunity

Association members currently spend about \$14,500 per year on various insurance products. The needs of the association members vary but generally include health insurance, Medicare supplement, long-term care, life insurance, annuities, multi-peril crop insurance, and a farm owner's package. AIA is committed to supplying these products and will grow by providing most of the members' insurance needs. Adding products to each farm home will drive growth.

AIA functions as the insurance and financial benefits advisor to its association members. We focus on the customer's needs. We assist members by pre-selecting customized products, that we know a member needs and wants. The CST is the heart of our service platform to respond to clients and potential clients and our ACT representatives are the basis for communication, training and motivation of our agents, whether captive or independent. We will continue to overlay this model of one-on-one service and association benefits with current and new associations of self-employed tradesmen or professionals.

Section 7. Development Activities

AIA is transitioning to be the full line benefits administrator and manager for each sponsoring association and its members, much like a corporate personnel department develops benefit plans for corporate employees. AIA will continue to add selected products for each of the associations so that AIA can provide most of the insurance and financial products desired by the members of the associations with which it works. AIA will take that platform and experience and use it to expand to other professional and trade associations such as the Better Homes & Gardens™ Real Estate Service, the Iowa Optometric Association, and other similar associations, which have self-employed professionals. To benefit from the institutional changes that are occurring in the insurance industry, accelerated with passage of the Financial Modernization Act of 1999, AIA is allocating resources and developing lead technology, databases, and training necessary to be a complete benefits administrator for association members.

7.1 Operations

Our first order of business is to collect and integrate all the data on current and former policyholders in the association farm business. AIA, using modern database technology, will begin integrating information on all former and current policyholders, as well as current members of the farm associations. We currently have extensive information about their health, marital status, age and personal data, but have not centralized the acreage status and other farm related information that will be necessary for a one-on-one relationship with members of the association. We will integrate the data from various sources so it will be accessible by members of the CST, ACT and the field agencies.

By utilizing this information, we will be able to better analyze and offer the right products based upon size of the farm. This database system will be used to improve our direct mail and e-mail data systems so that we will make correct offers to members based upon their specific age, family status, estimated income and type of farm. We will also integrate the information on association members who are not yet clients of AIA from the associations' databases. With the new associations like the Better Homes & Gardens™ Real Estate Service, with approximately 25,000 independent realtors across the United States, we will duplicate the type of data for them that we have on the farm association members. We will do this by direct mail, e-mail, and Internet registration, and will provide incentives for professional and trade association members to register the appropriate information with us.

7.2 CST and ACT Unit Expansion

AIA has the capacity to increase current business substantially, but in order to meet the targeted goals of the year 2000 and beyond we will begin expansion of the CST and ACT units. There is extensive training involved to build up the capacity of each these units over the next three years. As we add representatives, we will provide the type of training necessary for each product or service added to our portfolio. In the year 2000, we expect our first CST's to become insurance licensed and registered representatives, so they can offer a variety of variable products to those members who already have a Medical Savings Account. Current Medical Savings Account monies are invested in a money market fund. As those accounts grow, our customers will demand more investment options and our representatives must have the appropriate licenses before they can offer appropriate options.

AIA will begin adding product managers for each major product line so that we will have specialists in each line of business.

AIA markets to members of associations only, and with those members we desire to place as much premium within each household or farm as possible. Farm association members will be targeted with health insurance, life insurance, senior products and crop/hail insurance. Professional association members will be targeted with health insurance, life insurance, and disability income insurance. Our goal is to move from 30-40% of a member's insurance budget to 70-80%.

7.3 Implementation of Crop/Hail Insurance Project

AIA is becoming licensed as a crop insurance agency through a subsidiary, AIA Crop Insurance, Inc., on a national basis. It will cost about \$100,000 to license AIA Crop Insurance in the appropriate states. At the request of the wheat growers, soybean growers, and other farm associations, we will begin offering multi-peril and crop insurance as a general agency for Great American Insurance Group. We are developing a program with Great American to allow the grower to input his ten-year by field history, current production, harvest data, and other relative information for the federal crop insurance program. We will pass on some of the administrative cost savings for such input by the farmer by reducing premium from the standardized rates. The federal government sets standardized rates. We have proposed to provide a 7% reduction from the standard MPIC rates for the farmers who directly input their own data. However, if the farmer decides to involve an agent, we will provide an agent to service the account, but no discount will be available. The association members, who tend to be the more successful, prosperous farmers, will be attracted to this program because of the premium savings. This program will be a departure from the current agency system, but expected and welcomed by the industry and the farm association members. It is not expected that the Multi-peril Crop Insurance Corporation (MPIC,USDA) will finalize regulations for the 2000 crop year, but final regulations are expected for the 2001 selling season. This is a \$3 billion line of business for growers.

AIA will also begin a crop program through the National Growers and Stockmen's Association for nursery growers on the West Coast. In this program, AIA will be offering the Great American catastrophic coverage (CAT) for nurseries by using a captive agency force during 2000. In successive years, we will target nurserymen in the Southeast and Northeast.

7.4 Technology

AIA will continue to develop its Internet technology, specifically the aiagents.com web site that will provide our sales force with pertinent information about members and potential members. Our agents will be able to receive policy information, forms, commission statements, and underwriting status on line. The site will be completed in early 2000. It will substantially reduce our printing and mailing costs to our agents and will allow AIA to attract more technically sophisticated agents.

The aiinsurance.com web site continues to be developed. It will allow online enrollment for members of the associations who wish to purchase sponsored products, as well as download information to compare product benefits with other vendors. Online health insurance will be the first product.

7.5 New Associations

AIA will grow by adding new associations, both in the farm business and with professional and trade associations. AIA recently signed contracts with Better Homes & Gardens™ Real Estate Service (nationally), the Johnson County (KS) Board of Realtors, the Iowa Optometric Association, and the Iowa Pork Producers Association. We will select other trade and professional organizations that need an insurance benefits management company on an

association-wide basis. We will utilize our current experience and agricultural-based platform and overlay it for new associations to increase volume.

7.6 Acquisitions

AIA will seek agencies/administrators that have at least \$500,000 in annualized revenue and specialize in a complimentary farm or trade association client base. AIA believes there are over 1,000 agencies/administrators in the United States that will fit this profile. The purchase price is expected to be about one times annual net revenues.

Section 8. Financial Plan

8.1 Current Operating Results

Management's Discussion and Analysis of Financial Condition And Results of Operations

General

AIA Services Corporation ("AIA") is an insurance holding company based in Lewiston, Idaho. Prior to October 1995, AIA operated in two business segments. The first segment was insurance marketing and administration and the second segment was insurance underwriting and claims administration. Effective October 1995, AIA commenced disposal of its insurance underwriting operations.

Continuing Operations AIA's continuing operations consist of its marketing and administrative segments. The primary business is marketing insurance products and services to members of rural/agricultural associations. The associations have endorsed AIA and certain of AIA's products and services. Historically, AIA has primarily sold health insurance products to members of the associations. In 1999, AIA started selling specialty life – college funding coverage – and sold approximately 600 policies through October 1999.

AIA performs administrative services for the associations and insurance carriers by collecting association dues and premiums through its multi-company billing process.

Discontinued Operations Management discontinued insurance operations in 1995 due to pressure from rating agencies and insurance departments to increase capital and surplus levels and revise its medical savings account type product.

AIA reinsured its operation with a larger insurance carrier who subsequently developed financial difficulty. AIA's insurance operation is currently under the control of the Idaho Insurance Department and all efforts are being made to collect reinsurance amounts owed. At this point, it appears that AIA will receive a partial settlement of its investment in the capital and surplus of its insurance operation.

Management has recorded \$2.0 million of assets related to the insurance company as recoverable. The collectibility of this amount appears partially assured by the insurance guaranty funds.

Industry In recent years, the insurance industry has experienced more competition and regulation. The Health Insurance Portability and Accountability Act mandated certain benefits and required health insurance premium billing to be modified. Health maintenance organizations and other managed care groups offered lowered premiums for substitute health coverage. The impact has been the contracting of commissions and insurance company profit margins to maintain market share. AIA, as a result, has been forced to operate under a decreased and decreasing commission structure.

Insurance carriers continue to reduce their costs by pushing responsibilities to agents or marketing organizations. Functions such as training, agent financing, and market support are required to be provided by the managing general agent or marketing organization. Smaller agencies have been unable to absorb these costs and are fleeing the market.

AIA already supports these functions because of the special nature of AIA's rural market. AIA enjoys a unique opportunity to absorb the smaller operations to improve its cost structure.

AIA operating experience from continuing operations follows:

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