152

CSG

# State of New Hampshire

DEPARTMENT OF SAFETY
JAMES H. HAYES BLDG. 33 HAZEN DR.
CONCORD, N.H. 03305
(603) 271-2791

ROBERT L. QUINN
COMMISSIONER

EDDIE EDWARDS
ASSISTANT COMMISSIONER

STEVEN R. LAVOIE
ASSISTANT COMMISSIONER

November 20, 2023

His Excellency, Governor Christopher T. Sununu,
and the Honorable Council
State House
Concord, NH 03301

## REQUESTED ACTION

Authorize the Department of Safety, NH Office of Highway Safety (NHOHS) to enter into a Retroactive Sole Source contract with AAA Northern New England (VC#153019-B001), Portland ME, in the amount of $9,500.00 for conducting public presentations for a FFY24 highway traffic safety education grant (The Community Outreach & Betterment Grant) effective upon Governor and Council approval through September 30, 2024. 100% Federal Funds.

Funds are available in the following operating budget for SFY 2024 and SFY 2025.

| | SFY 2024 | SFY 2025 |
|---|---|---|
| 02-23-23-231010-75410000 Dept. of Safety- OCOM – NHTSA Grants | | |
| 102.500731 Contracts for Program Services | $7,125.00 | $2,375.00 |
| **Total** | **$9,500.00** | |

## EXPLANATION

Governor and Council approval is being sought because the amount of previous payments by the Department of Safety to AAA Northern New England plus the amount of this contract yields a cumulative amount that is over the Departments' approved threshold.

This contract is Sole Source because AAA Northern New England is at the forefront of highway safety education in New Hampshire and supports highway safety efforts on New Hampshire roadways. This contract is Retroactive due to the potential Government shutdown. This contract funds outreach to traditionally marginalized drivers, bicyclists, pedestrians, and other vulnerable roadway users of New Hampshire roadways. This contract will enhance knowledge of rules of the road and encourage equitable access to New Hampshire roadways with primary outreach to; Refugee and new Americans, low-income neighborhoods, older drivers, low vision, and hearing-impaired drivers, differently abled drivers, youth drivers, Limited English Proficiency (LEP) Groups and elementary/high schools/driver ed schools.

In the event that Federal Funds are no longer available, General Funds and/or Highway Safety Funds will not be requested to support this program.

Respectfully submitted,

Robert L. Quinn
Commissioner of Safety

# NHOHS COMMUNITY OUTREACH & BETTERMENT (COB) GRANT

## Introduction

**Welcome to the New Hampshire Office of Highway Safety (NHOHS)**
**Community Outreach & Betterment (COB) Excel Workbook Tracking Tool**

**AAA NORTHERN NEW ENGLAND**

*This Excel based workbook serves as your New Hampshire Office of Highway Safety (NHOHS) Community Outreach & Betterment (COB) Tracking Tool. You will use this workbook to track your expendetures & activities. Please email copy of this COB Grant Excel Workbook file at the end of every quarter along with your reimbursement request.*

***COB Grant Presentation Groups:***

1. *Outreach to Refugee/New American Groups*
2. *Outreach to Underserved/Low Income Neighborhoods*
3. *Outreach to Older drivers, Low Vision or Hearing Impaired Drivers*
4. *Outreach to Youth Drivers*
5. *Outreach to Limited English Proficiency (LEP) Groups*
6. *Outreach to Elementary/High Schools/Driver Ed Schools*

FORM NUMBER P-37 (version 12/11/2019)

Notice: This agreement and all of its attachments shall become public upon submission to Governor and Executive Council for approval. Any information that is private, confidential or proprietary must be clearly identified to the agency and agreed to in writing prior to signing the contract.

AGREEMENT

The State of New Hampshire and the Contractor hereby mutually agree as follows:

GENERAL PROVISIONS

1. IDENTIFICATION.

| | | | |
|---|---|---|---|
| 1.1 State Agency Name<br>**Department of Safety**<br>**New Hampshire Office of Highway Safety** | | 1.2 State Agency Address<br>**33.Hazen Drive Room 208**<br>**Concord, NH 03305** | |
| 1.3 Contractor Name<br>**AAA Northern New England** | | 1.4 Contractor Address<br>**PO Box: 3544 Portland Maine 04104**<br>**Address: 68 Marginal Way Portland Maine 04101** | |
| 1.5 Contractor Phone Number<br>**207-780-6988** | 1.6 Account Number<br>**Please see Exhibit C** | 1.7 Completion Date<br>**09/30/2024** | 1.8 Price Limitation<br>**$9,500.00** |
| 1.9 Contracting Officer for State Agency<br>**Paul Ruggiero** | | 1.10 State Agency Telephone Number<br>**603-271-2131** | |
| 1.11 Contractor Signature<br>Date: 10/12/23 | | 1.12 Name and Title of Contractor Signatory<br>**Eric Cyr, President** | |
| 1.13 State Agency Signature<br>Date: 11/21/23 | | 1.14 Name and Title of State Agency Signatory<br>**Amy L. Newbury, Director of Administration** | |
| 1.15 Approval by the N.H. Department of Administration, Division of Personnel *(if applicable)*<br>By: | | Director, On: | |
| 1.16 Approval by the Attorney General (Form, Substance and Execution) *(if applicable)*<br>By: | | On: 12/4/23 | |
| 1.17 Approval by the Governor and Executive Council *(if applicable)*<br>G&C Item number: | | G&C Meeting Date: | |



Contractor Initials
Date 10/12/23

**2. SERVICES TO BE PERFORMED.** The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly described in the attached EXHIBIT B which is incorporated herein by reference ("Services").

**3. EFFECTIVE DATE/COMPLETION OF SERVICES.**

3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, if applicable, this Agreement, and all obligations of the parties hereunder, shall become effective on the date the Governor and Executive Council approve this Agreement as indicated in block 1.17, unless no such approval is required, in which case the Agreement shall become effective on the date the Agreement is signed by the State Agency as shown in block 1.13 ("Effective Date").

3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed. Contractor must complete all Services by the Completion Date specified in block 1.7.

**4. CONDITIONAL NATURE OF AGREEMENT.**

Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds affected by any state or federal legislative or executive action that reduces, eliminates, or otherwise modifies the appropriation or availability of funding for this Agreement and the Scope for Services provided in EXHIBIT B, in whole or in part. In no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to reduce or terminate the Services under this Agreement immediately upon giving the Contractor notice of such reduction or termination. The State shall not be required to transfer funds from any other account or source to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

**5. CONTRACT PRICE/PRICE LIMITATION/ PAYMENT.**

5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT C which is incorporated herein by reference.

5.2 The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete compensation to the Contractor for the Services. The State shall have no liability to the Contractor other than the contract price.

5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.

5.4 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8.

**6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/ EQUAL EMPLOYMENT OPPORTUNITY.**

6.1 In connection with the performance of the Services, the Contractor shall comply with all applicable statutes, laws, regulations, and orders of federal, state, county or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal employment opportunity laws. In addition, if this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all federal executive orders, rules, regulations and statutes, and with any rules, regulations and guidelines as the State or the United States issue to implement these regulations. The Contractor shall also comply with all applicable intellectual property laws.

6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of race, color, religion, creed, age, sex, handicap, sexual orientation, or national origin and will take affirmative action to prevent such discrimination.

6.3. The Contractor agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with all rules, regulations and orders, and the covenants, terms and conditions of this Agreement.

**7. PERSONNEL.**

7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.

7.2 Unless otherwise authorized in writing, during the term of this Agreement, and for a period of six (6) months after the Completion Date in block 1.7, the Contractor shall not hire, and shall not permit any subcontractor or other person, firm or corporation with whom it is engaged in a combined effort to perform the Services to hire, any person who is a State employee or official, who is materially involved in the procurement, administration or performance of this Agreement. This provision shall survive termination of this Agreement.

7.3 The Contracting Officer specified in block 1.9, or his or her successor, shall be the State's representative. In the event of any dispute concerning the interpretation of this Agreement, the Contracting Officer's decision shall be final for the State.



Contractor Initials _____

Date 10/12/23

**8. EVENT OF DEFAULT/REMEDIES.**

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):

8.1.1 failure to perform the Services satisfactorily or on schedule;

8.1.2 failure to submit any report required hereunder; and/or

8.1.3 failure to perform any other covenant, term or condition of this Agreement.

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely cured, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;

8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;

8.2.3 give the Contractor a written notice specifying the Event of Default and set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or

8.2.4 give the Contractor a written notice specifying the Event of Default, treat the Agreement as breached, terminate the Agreement and pursue any of its remedies at law or in equity, or both.

8.3. No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event of Default, or any subsequent Event of Default. No express failure to enforce any Event of Default shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other Event of Default on the part of the Contractor.

**9. TERMINATION.**

9.1 Notwithstanding paragraph 8, the State may, at its sole discretion, terminate the Agreement for any reason, in whole or in part, by thirty (30) days written notice to the Contractor that the State is exercising its option to terminate the Agreement.

9.2 In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall, at the State's discretion, deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination Report shall be identical to those of any Final Report described in the attached EXHIBIT B. In addition, at the State's discretion, the Contractor shall, within 15 days of notice of early termination, develop and submit to the State a Transition Plan for services under the Agreement.

**10. DATA/ACCESS/CONFIDENTIALITY/ PRESERVATION.**

10.1 As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

10.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

10.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

**11. CONTRACTOR'S RELATION TO THE STATE.** In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

**12. ASSIGNMENT/DELEGATION/SUBCONTRACTS.**

12.1 The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written notice, which shall be provided to the State at least fifteen (15) days prior to the assignment, and a written consent of the State. For purposes of this paragraph, a Change of Control shall constitute assignment. "Change of Control" means (a) merger, consolidation, or a transaction or series of related transactions in which a third party, together with its affiliates, becomes the direct or indirect owner of fifty percent (50%) or more of the voting shares or similar equity interests, or combined voting power of the Contractor, or (b) the sale of all or substantially all of the assets of the Contractor.

12.2 None of the Services shall be subcontracted by the Contractor without prior written notice and consent of the State. The State is entitled to copies of all subcontracts and assignment agreements and shall not be bound by any provisions contained in a subcontract or an assignment agreement to which it is not a party.

**13. INDEMNIFICATION.** Unless otherwise exempted by law, the Contractor shall indemnify and hold harmless the State, its officers and employees, from and against any and all claims, liabilities and costs for any personal injury or property damages, patent or copyright infringement, or other claims asserted against



Contractor Initials

Date 10/12/21

the State, its officers or employees, which arise out of (or which may be claimed to arise out of) the acts or omission of the Contractor, or subcontractors, including but not limited to the negligence, reckless or intentional conduct. The State shall not be liable for any costs incurred by the Contractor arising under this paragraph 13. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

**14. INSURANCE.**

14.1 The Contractor shall, at its sole expense, obtain and continuously maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 commercial general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than $1,000,000 per occurrence and $2,000,000 aggregate or excess; and

14.1.2 special cause of loss coverage form covering all property subject to subparagraph 10.2 herein, in an amount not less than 80% of the whole replacement value of the property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than ten (10) days prior to the expiration date of each insurance policy. The certificate(s) of insurance and any renewals thereof shall be attached and are incorporated herein by reference.

**15. WORKERS' COMPENSATION.**

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A *("Workers' Compensation")*.

15.2 To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. The Contractor shall furnish the Contracting Officer identified in block 1.9, or his or her successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

**16. NOTICE.** Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

**17. AMENDMENT.** This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire unless no such approval is required under the circumstances pursuant to State law, rule or policy.

**18. CHOICE OF LAW AND FORUM.** This Agreement shall be governed, interpreted and construed in accordance with the laws of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assigns. The wording used in this Agreement is the wording chosen by the parties to express their mutual intent, and no rule of construction shall be applied against or in favor of any party. Any actions arising out of this Agreement shall be brought and maintained in New Hampshire Superior Court which shall have exclusive jurisdiction thereof.

**19. CONFLICTING TERMS.** In the event of a conflict between the terms of this P-37 form (as modified in EXHIBIT A) and/or attachments and amendment thereof, the terms of the P-37 (as modified in EXHIBIT A) shall control.

**20. THIRD PARTIES.** The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

**21. HEADINGS.** The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

**22. SPECIAL PROVISIONS.** Additional or modifying provisions set forth in the attached EXHIBIT A are incorporated herein by reference.

**23. SEVERABILITY.** In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

**24. ENTIRE AGREEMENT.** This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire agreement and understanding between the parties, and supersedes all prior agreements and understandings with respect to the subject matter hereof.



Contractor Initials
Date 10/12/13

# EXHIBIT A

## SPECIAL PROVISIONS

- Agrees to insert in all contracts and funding agreements with other State or private entities the following clause:

"During the performance of this contract/funding agreement, the contractor/funding recipient agrees—

a. To comply with all Federal nondiscrimination laws and regulations, as may be amended from time to time;

b. Not to participate directly or indirectly in the discrimination prohibited by any Federal non-discrimination law or regulation, as set forth in appendix B of 49 CFR part 21 and herein;

c. To permit access to its books, records, accounts, other sources of information, and its facilities as required by the State highway safety office, US DOT or NHTSA;

d. That, in event a contractor/funding recipient fails to comply with any nondiscrimination provisions in this contract/funding agreement, the State highway safety agency will have the right to impose such contract/agreement sanctions as it or NHTSA determine are appropriate, including but not limited to withholding payments to the contractor/funding recipient under the contract/agreement until the contractor/funding recipient complies; and/or cancelling, terminating, or suspending a contract or funding agreement, in whole or in part; and

e. To insert this clause, including paragraphs (a) through (e), in every subcontract and sub agreement and in every solicitation for a subcontract or sub-agreement, that receives Federal funds under this program.



Contractor Initials SK
Date 12/12/23

## SPECIAL PROVISIONS

**U.S. Department of Transportation/NHTSA Grant Conditions:**

**As a result of participating in Federal highway safety grant programs administered by National Highway Traffic Safety Administration (NHTSA) and the US Department of Transportation (USDOT), highway safety subrecipients are required to comply with the following documents:**

- Subrecipients agree to comply with all applicable elements of NHTSA's Memorandum: Use of NHTSA Highway Safety Grant Funds for Certain Purchases May 18, 2016 and found at the following Web link.: https://www.nhtsa.gov/highway-safety-grants-program/resources-guide . Subrecipients should pay particular attention to the sections on (1) allowable costs for equipment, travel, training, and consultant services; and (2) unallowable costs for equipment, facilities and construction, training and program administration.
- Subrecipients agree to comply with all applicable elements of 2 CFR 200 - the **Uniform Administrative Requirement for Grants, Cost Principles, and Audit Requirements** as promulgated by the U.S. Department of Transportation. This document is found at the following Web link https://www.nhtsa.gov/highway-safety-grants-program/resources-guide .
- Subrecipients agree to comply with all applicable Federal basic and incentive grant program requirements as outlined in the **Highway Safety Grant Management** Manual found at the following Web link: https://www.nhtsa.gov/highway-safety-grants-program. This document provides information on each of the grant programs.

**The following additional provisions apply to highway safety subrecipients as a result of certifications and assurances provided to NHTSA by State Highway Safety Offices in their Highway Safety Plan:**

### GENERAL REQUIREMENTS

**The State will comply with applicable statutes and regulations, including but not limited to:**

- 23 U.S.C. Chapter 4 Highway Safety Act of 1966, as amended
- Sec. 1906, Pub. L. 109-59, as amended by Sec. 4011, Pub. L. 114-94
- 23 CFR part 1300 Uniform Procedures for State Highway Safety Grant Programs
- 2 CFR part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- 2 CFR part 1201 Department of Transportation, Uniform Administrative Requirements,Cost Principles, and Audit Requirements for Federal Awards

### INTERGOVERNMENTAL REVIEW OF FEDERAL PROGRAMS

The State has submitted appropriate documentation for review to the single point of contact designated by the Governor to review Federal programs, as required by Executive Order 12372 (Intergovernmental Review of Federal Programs).

### FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA)

The State will comply with FFATA guidance, OMB Guidance on FFATA Subward and Executive Compensation Reporting, August 27, 2010, (https://www.fsrs.gov/documents/OMB_Guidance_on_FFATA_Subaward_and_Executive_Compensation_Reporting_08272010.pdf ) by reporting to FSRS.gov for each sub- grant awarded:

- Name of the entity receiving the award;
- Amount of the award;
- Information on the award including transaction type, funding agency, the North American Industry Classification System code or Catalog of Federal Domestic Assistance number (where applicable), program source;
- Location of the entity receiving the award and the primary location of performance under the award, including the city, State, congressional district, and country; and an award title descriptive of the purpose of each funding action;
- Unique entity identifier (generated by SAM.gov);
- The names and total compensation of the five most highly compensated officers of the entity if:

(i) the entity in the preceding fiscal year received—

(I) 80 percent or more of its annual gross revenues in Federal awards;



Contractor Initials _____

Date 10/12/23

(II)$25,000,000 or more in annual gross revenues from Federal awards; and

(ii) the public does not have access to information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986;

- Other relevant information specified by OMB guidance.

## NONDISCRIMINATION

**(applies to subrecipients as well as States)**

The State highway safety agency [and its subrecipients] will comply with all Federal statutes and implementing regulations relating to nondiscrimination ("Federal Nondiscrimination Authorities"). These include but are not limited to:

- **Title VI of the Civil Rights Act of 1964** (42 U.S.C. 2000d et seq., 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
- **49 CFR part 21** *(entitled Non-discrimination in Federally-Assisted Programs of the Department of Transportation—Effectuation of Title VI of the Civil Rights Act of 1964);*
- **28 CFR section 50.3** (U.S. Department of Justice Guidelines for Enforcement of Title VI of the Civil Rights Act of 1964);
- **The Uniform Relocation Assistance and Real Property Acquisition Policies** Act of 1970, (42 U.S.C. 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- **Federal-Aid Highway Act of 1973,** (23 U.S.C. 324 et seq.), and **Title IX of the Education Amendments of 1972,** as amended (20 U.S.C. 1681-1683 and 1685-1686) prohibit discrimination on the basis of sex);
- *Section 504 of the Rehabilitation Act of 1973,* (29 U.S.C. 794 *et seq.),* as amended, (prohibits discrimination on the basis of disability) and 49 CFR part 27;
- **The Age Discrimination Act of 1975,** as amended, (42 U.S.C. 6101 *et seq.),* (prohibits discrimination on the basis of age);
- **The Civil Rights Restoration Act of 1987,** (Pub. L. 100-209), (broadens scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms "programs or activities" to include all of the programs or activities of the Federal aid recipients, subrecipients and contractors, whether such programs or activities are Federally-funded or not);
- **Titles II and III of the Americans with Disabilities Act** (42 U.S.C. 12131-12189) (prohibits discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing) and 49 CFR parts 37 and 38;
- **Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations** (preventing discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations);
- **Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency** (requiring that recipients of Federal financial assistance provide meaningful access for applicants and beneficiaries who have limited English proficiency (LEP));
- **Executive Order 13985, Advancing Racial Equity and Support for Underserved Communities through the Federal Government** (advancing equity across the Federal government); and

1. **Executive Order 13988, Preventing and Combating Discrimination on the Basis of Gender Identity or Sexual Orientation** (clarifying that sex discrimination includes discrimination on the grounds of gender identity or sexual orientation).

### General Assurances

In accordance with the Acts, the Regulations, and other pertinent directives, circulars, policy, memoranda, and/or guidance, the Recipient hereby gives assurance that it will promptly take any measures necessary to ensure that:

***"No person in the United States shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity, for which the Recipient receives Federal financial assistance from DOT, including NHTSA."***

The Civil Rights Restoration Act of 1987 clarified the original intent of Congress, with respect to Title VI of the Civil Rights Act of 1964 and other non-discrimination requirements (the Age Discrimination Act of 1975, and Section 504 of the Rehabilitation Act of 1973), by restoring the broad, institutional-wide scope and coverage of these nondiscrimination statutes and requirements to include all programs and activities of the Recipient, so long as any portion of the program is Federally assisted.



Contractor Initials _____

Date 10/12/24

**Specific Assurances**

More specifically, and without limiting the above general Assurance, the Recipient agrees with and gives the following Assurances with respect to its Federally assisted Highway Safety Grant Program:

1. The Recipient agrees that each "activity," "facility," or "program," as defined in § 21.23(b) and (e) of 49 CFR part 21 will be (with regard to an "activity") facilitated, or will be (with regard to a "facility") operated, or will be (with regard to a "program") conducted in compliance with all requirements imposed by, or pursuant to the Acts and the Regulations.
2. 2. The Recipient will insert the following notification in all solicitations for bids, Requests For Proposals for work, or material subject to the Acts and the Regulations made in connection with all Highway Safety Grant Programs and, in adapted form, in all proposals for negotiated agreements regardless of funding source:

   ***"The [name of Recipient], in accordance with the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252, 42 U.S.C.2000d to 2000d-4) and the Regulations, hereby notifies all bidders that it will affirmatively ensure that in any contract entered into pursuant to this advertisement, disadvantaged business enterprises will be afforded full and fair opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, or national origin in consideration for an award."***

3. The Recipient will insert the clauses of appendix A and E of this Assurance (also referred to as DOT Order 1050.2A)[1] in every contract or agreement subject to the Acts and the Regulations.
4. The Recipient will insert the clauses of appendix B of DOT Order 1050.2A, as a covenant running with the land, in any deed from the United States effecting or recording a transfer of real property, structures, use, or improvements thereon or interest therein to a Recipient.
5. That where the Recipient receives Federal financial assistance to construct a facility, or part of a facility, the Assurance will extend to the entire facility and facilities operated in connection therewith.
6. That where the Recipient receives Federal financial assistance in the form of, or for the acquisition of, real property or an interest in real property, the Assurance will extend to rights to space on, over, or under such property.
7. That the Recipient will include the clauses set forth in appendix C and appendix D of this DOT Order 1050.2A, as a covenant running with the land, in any future deeds, leases, licenses, permits, or similar instruments entered into by the Recipient with other parties:
   a. for the subsequent transfer of real property acquired or improved under the applicable activity, project, or program; and
   b. for the construction or use of, or access to, space on, over, or under real property acquired or improved under the applicable activity, project, or program.
8. That this Assurance obligates the Recipient for the period during which Federal financial assistance is extended to the program, except where the Federal financial assistance is to provide, or is in the form of, personal property, or real property, or interest therein, or structures or improvements thereon, in which case the Assurance obligates the Recipient, or any transferee for the longer of the following periods:
   a. the period during which the property is used for a purpose for which the Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits; or
   b. the period during which the Recipient retains ownership or possession of the property.
9. The Recipient will provide for such methods of administration for the program as are found by the Secretary of Transportation or the official to whom he/she delegates specific authority to give reasonable guarantee that it, other recipients, sub-recipients, sub-grantees, contractors, subcontractors, consultants, transferees, successors in interest, and other participants of Federal financial assistance under such program will comply with all requirements imposed or pursuant to the Acts, the Regulations, and this Assurance.
10. The Recipient agrees that the United States has a right to seek judicial enforcement with regard to any matter arising under the Acts, the Regulations, and this Assurance.

By signing this ASSURANCE, the State highway safety agency also agrees to comply (and require any sub-recipients, sub-grantees, contractors, successors, transferees, and/or assignees to comply) with all applicable provisions governing NHTSA's access to records, accounts, documents, information, facilities, and staff. You also recognize that you must comply with any program or compliance reviews, and/or complaint investigations conducted by NHTSA. You must keep records, reports, and submit the material for review upon request to NHTSA, or its designee in a timely, complete, and accurate way. Additionally, you must comply with all other reporting, data collection, and evaluation requirements, as prescribed by law or detailed in program guidance.

The State highway safety agency gives this ASSURANCE in consideration of and for obtaining any Federal grants, loans, contracts, agreements, property, and/or discounts, or other Federal-aid and Federal financial assistance extended after the date hereof to the recipients by the U.S. Department of Transportation under the Highway Safety Grant Program. This ASSURANCE is binding on the State highway safety agency, other recipients, sub-recipients, sub-grantees, contractors, subcontractors and their subcontractors', transferees, successors in interest, and any other participants in the Highway Safety Grant Program. The person(s) signing below is/are authorized to sign this ASSURANCE on behalf of the Recipient.



Contractor Initials 

Date 10/12/23

*THE DRUG-FREE WORKPLACE ACT OF 1988 (41 U.S.C. 8103)*

The State will provide a drug-free workplace by:

a Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace, and specifying the actions that will be taken against employees for violation of such prohibition;

b Establishing a drug-free awareness program to inform employees about:
   1) The dangers of drug abuse in the workplace;
   2) The grantee's policy of maintaining a drug-free workplace;
   3) Any available drug counseling, rehabilitation, and employee assistance programs;
   4) The penalties that may be imposed upon employees for drug violations occurring in the workplace;
   5) Making it a requirement that each employee engaged in the performance of the grant be given a copy of the statement required by paragraph (a);

c Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will –
   1) Abide by the terms of the statement;
   2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;

d. Notifying the agency within ten days after receiving notice under subparagraph (c)(2) from an employee or otherwise receiving actual notice of such conviction;

e. Taking one of the following actions, within 30 days of receiving notice under subparagraph (c)(2), with respect to any employee who is so convicted –
   1) Taking appropriate personnel action against such an employee, up to and including termination;
   2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
   f) Making a good faith effort to continue to maintain a drug-free workplace through implementation of all of the paragraphs above.

**POLITICAL ACTIVITY (HATCH ACT)**

**(applies to subrecipients as well as States)**

The State will comply with provisions of the Hatch Act (5 U.S.C. 1501-1508), which limits the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.

**CERTIFICATION REGARDING FEDERAL LOBBYING**

**(applies to subrecipients as well as States)**

**Certification for Contracts, Grants, Loans, and Cooperative Agreements**

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions;
3. The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, subgrants, and contracts under grant, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.



Contractor Initials GM
Date 10/12/23

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

**RESTRICTION ON STATE LOBBYING**

**(applies to subrecipients as well as States)**

None of the funds under this program will be used for any activity specifically designed to urge or influence a State or local legislator to favor or oppose the adoption of any specific legislative proposal pending before any State or local legislative body. Such activities include both direct and indirect (e.g., "grassroots") lobbying activities, with one exception. This does not preclude a State official whose salary is supported with NHTSA funds from engaging in direct communications with State or local legislative officials, in accordance with customary State practice, even if such communications urge legislative officials to favor or oppose the adoption of a specific pending legislative proposal.

**CERTIFICATION REGARDING DEBARMENT AND SUSPENSION**

**(applies to subreciplents as well as States)**

**Instructions for Primary Tier Participant Certification (States)**

1. By signing and submitting this proposal, the prospective primary tier participant is providing the certification set out below and agrees to comply with the requirements of 2 CFR parts 180 and 1200.
2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective primary tier participant shall submit an explanation of why it cannot provide the certification set out below. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary tier participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.
3. The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default or may pursue suspension or debarment.
4. The prospective primary tier participant shall provide immediate written notice to the department or agency to which this proposal is submitted if at any time the prospective primary tier participant learns its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
5. The terms *covered transaction, civil judgment, debarment, suspension, ineligible, participant, person, principal, and voluntarily excluded,* as used in this clause, are defined in 2 CFR parts 180 and 1200. You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of those regulations.
6. The prospective primary tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.
7. The prospective primary tier participant further agrees by submitting this proposal that it will include the clause titled "Instructions for Lower Tier Participant Certification" including the "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions and will require lower tier participants to comply with 2 CFR parts 180 and 1200.
8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant is responsible for ensuring that its principals are not suspended, debarred, or otherwise ineligible to participate in covered transactions. To verify the eligibility of its principals, as well as the eligibility of any prospective lower tier participants, each participant may, but is not required to, check the System for Award Management Exclusions website (*https://www.sam.gov/*).



Contractor Initials
Date 10/12/23

9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate the transaction for cause or default.

**Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Tier Covered Transactions**

1. The prospective primary tier participant certifies to the best of its knowledge and belief, that it and its principals:
   a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participating in covered transactions by any Federal department or agency;
   b. Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
   c. Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
   d. Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State, or local) terminated for cause or default.

2. Where the prospective primary tier participant is unable to certify to any of the Statements in this certification, such prospective participant shall attach an explanation to this proposal.

**Instructions for Lower Tier Participant Certification**

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below and agrees to comply with the requirements of 2 CFR parts 180 and 1200.

2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension or debarment.

3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

4. The terms *covered transaction, civil judgment, debarment, suspension, ineligible, participant, person, principal, and voluntarily excluded,* as used in this clause, are defined in 2 CFR parts 180 and 1200. You may contact the person to whom this proposal is submitted for assistance in obtaining a copy of those regulations.

5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.

6. The prospective lower tier participant further agrees by submitting this proposal that it will include the clause titled "Instructions for Lower Tier Participant Certification" including the "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions and will require lower tier participants to comply with 2 CFR parts 180 and 1200.

7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant is responsible for ensuring that its principals are not suspended, debarred, or otherwise ineligible to participate in covered transactions. To verify the eligibility of its principals, as well as the eligibility of any prospective lower tier participants, each participant may, but is not required to, check the System for Award Management Exclusions website (*https://www.sam.gov/*).



Contractor Initials SM
Date 10/12/23

8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension or debarment.

**Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion -- Lower Tier Covered Transactions:**

1. The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participating in covered transactions by any Federal department or agency.
2. Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

**BUY AMERICA ACT**

**(applies to subrecipients as well as States)**

The State and each subrecipient will comply with the Buy America requirement (23 U.S.C. 313) when purchasing items using Federal funds. Buy America requires a State, or subrecipient, to purchase with Federal funds only steel, iron and manufactured products produced in the United States, unless the Secretary of Transportation determines that such domestically produced items would be inconsistent with the public interest, that such materials are not reasonably available and of a satisfactory quality, or that inclusion of domestic materials will increase the cost of the overall project contract by more than 25 percent. In order to use Federal funds to purchase foreign produced items, the State must submit a waiver request that provides an adequate basis and justification for approval by the Secretary of Transportation.

**Certification on Conflict of Interest**

**(Applies to Subrecipients as Well as States)**

**General Requirements**

No employee, officer or agent of a State or its subrecipient who is authorized in an official capacity to negotiate, make, accept or approve, or to take part in negotiating, making, accepting or approving any subaward, including contracts or subcontracts, in connection with this grant shall have, directly or indirectly, any financial or personal interest in any such subaward. Such a financial or personal interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or personal interest in or a tangible personal benefit from an entity considered for a subaward. Based on this policy:

1. The recipient shall maintain a written code or standards of conduct that provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents.

   a. The code or standards shall provide that the recipient's officers, employees, or agents may neither solicit nor accept gratuities, favors, or anything of monetary value from present or potential subawardees, including contractors or parties to subcontracts.

   b. The code or standards shall establish penalties, sanctions or other disciplinary actions for violations, as permitted by State or local law or regulations.

2. The recipient shall maintain responsibility to enforce the requirements of the written code or standards of conduct.



Contractor Initials _____
Date 10/12/22

Disclosure Requirements

No State or its subrecipient, including its officers, employees or agents, shall perform or continue to perform under a grant or cooperative agreement, whose objectivity may be impaired because of any related past, present, or currently planned interest, financial or otherwise, in organizations regulated by NHTSA or in organizations whose interests may be substantially affected by NHTSA activities. Based on this policy:

1. The recipient shall disclose any conflict of interest identified as soon as reasonably possible, making an immediate and full disclosure in writing to NHTSA. The disclosure shall include a description of the action which the recipient has taken or proposes to take to avoid or mitigate such conflict.

2. NHTSA will review the disclosure and may require additional relevant information from the recipient. If a conflict of interest is found to exist, NHTSA may

(a) terminate the award, or

(b) determine that it is otherwise in the best interest of NHTSA to continue the award and include appropriate provisions to mitigate or avoid such conflict.

3. Conflicts of interest that require disclosure include all past, present or currently planned organizational, financial, contractual or other interest(s) with an organization regulated by NHTSA or with an organization whose interests may be substantially affected by NHTSA activities, and which are related to this award. The interest(s) that require disclosure include those of any recipient, affiliate, proposed consultant, proposed subcontractor and key personnel of any of the above. Past interest shall be limited to within one year of the date of award. Key personnel shall include any person owning more than a 20 percent interest in a recipient, and the officers, employees or agents of a recipient who are responsible for making a decision or taking an action under an award where the decision or action can have an economic or other impact on the interests of a regulated or affected organization.



Contractor Initials _____

Date 10/24/23

## PROHIBITION ON USING GRANT FUNDS TO CHECK FOR HELMET USAGE

(applies to subrecipients as well as States)

The State and each subrecipient will not use 23 U.S.C. Chapter 4 grant funds for programs to check helmet usage or to create checkpoints that specifically target motorcyclists.

## POLICY ON SEAT BELT USE

In accordance with Executive Order 13043, Increasing Seat Belt Use in the United States, dated April 16, 1997, the Grantee is encouraged to adopt and enforce on-the-job seat belt use policies and programs for its employees when operating company-owned, rented, or personally-owned vehicles. The National Highway Traffic Safety Administration (NHTSA) is responsible for providing leadership and guidance in support of this Presidential initiative. For information and resources on traffic safety programs and policies for employers, please contact the Network of Employers for Traffic Safety (NETS), a public-private partnership dedicated to improving the traffic safety practices of employers and employees. You can download information on seat belt programs, costs of motor vehicle crashes to employers, and other traffic safety initiatives at *www.trafficsafety.org*. The NHTSA website (*www.nhtsa.gov*) also provides information on statistics, campaigns, and program evaluations and references.

## POLICY ON BANNING TEXT MESSAGING WHILE DRIVING

In accordance with Executive Order 13513, Federal Leadership On Reducing Text Messaging While Driving, and DOT Order 3902.10, Text Messaging While Driving, States are encouraged to adopt and enforce workplace safety policies to decrease crashes caused by distracted driving, including policies to ban text messaging while driving company-owned or rented vehicles, Government-owned, leased or rented vehicles, or privately-owned vehicles when on official Government business or when performing any work on or behalf of the Government. States are also encouraged to conduct workplace safety initiatives in a manner commensurate with the size of the business, such as establishment of new rules and programs or re-evaluation of existing programs to prohibit text messaging while driving, and education, awareness, and other outreach to employees about the safety risks associated with texting while driving.

## SECTION 402 REQUIREMENTS

1. To the best of my personal knowledge, the information submitted in the annual grant application in support of the State's application for a grant under 23 U.S.C. 402 is accurate and complete.
2. The Governor is the responsible official for the administration of the State highway safety program, by appointing a Governor's Representative for Highway Safety who shall be responsible for a State highway safety agency that has adequate powers and is suitably equipped and organized (as evidenced by appropriate oversight procedures governing such areas as procurement, financial administration, and the use, management, and disposition of equipment) to carry out the program. (23 U.S.C. 402(b)(1)(A))
3. At least 40 percent of all Federal funds apportioned to this State under 23 U.S.C. 402 for this fiscal year will be expended by or on behalf of political subdivisions of the State in carrying out local highway safety programs (23 U.S.C. 402(b)(1)(C)) or 95 percent by and on behalf of Indian tribes (23 U.S.C. 402(h)(2)), unless this requirement is waived in writing. (This provision is not applicable to the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.)
4. The State's highway safety program provides adequate and reasonable access for the safe and convenient movement of physically handicapped persons, including those in wheelchairs, across curbs constructed or replaced on or after July 1, 1976, at all pedestrian crosswalks. (23 U.S.C. 402(b)(1)(D))
5. As part of a comprehensive program, the State will support a data-based traffic safety enforcement program that fosters effective community collaboration to increase public safety, and data collection and analysis to ensure transparency, identify disparities in traffic enforcement, and inform traffic enforcement policies, procedures, and activities. (23 U.S.C. 402(b)(1)(E))
6. The State will implement activities in support of national highway safety goals to reduce motor vehicle related fatalities that also reflect the primary data-related crash factors within the State, as identified by the State highway safety planning process, including:
    - Participation in the National high-visibility law enforcement mobilizations as identified annually in the NHTSA Communications Calendar, including not less than 3 mobilization campaigns in each fiscal year to –
        - Reduce alcohol-impaired or drug-impaired operation of motor vehicles; and
        - Increase use of seat belts by occupants of motor vehicles;
    - Sustained enforcement of statutes addressing impaired driving, occupant protection, and driving in excess of posted speed limits;
    - An annual Statewide seat belt use survey in accordance with 23 CFR part 1340 for the measurement of State seat belt use rates, except for the Secretary of Interior on behalf of Indian tribes;
    - Development of Statewide data systems to provide timely and effective data analysis to support allocation of highway safety resources;
    - Coordination of triennial Highway Safety Plan, data collection, and information systems with the State strategic highway safety plan, as defined in 23 U.S.C. 148(a); and
    - Participation in the Fatality Analysis Reporting System (FARS), except for American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, or the United States Virgin Islands. (23 U.S.C. 402(b)(1)(F))
7. The State will actively encourage all relevant law enforcement agencies in the State to follow the guidelines established for vehicular pursuits issued by the International Association of Chiefs of Police that are currently in effect. (23 U.S.C. 402(j))



Contractor Initials _____

Date 6/12/27

8. The State will not expend Section 402 funds to carry out a program to purchase, operate, or maintain an automated traffic enforcement system, except in a work zone or school zone. (23 U.S.C. 402(c)(4))

**§ 200.216 Prohibition on certain telecommunications and video surveillance services or equipment.**

(a) Recipients and subrecipients are prohibited from obligating or expending loan or grant funds to:

(1) Procure or obtain;

(2) Extend or renew a contract to procure or obtain; or

(3) Enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system. As described in Public Law 115–232, section 889, covered telecommunications equipment is telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities).

(i) For the purpose of public safety, security of government facilities, physical security surveillance of critical infrastructure, and other national security purposes, video surveillance and telecommunications equipment produced by Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities).

(ii) Telecommunications or video surveillance services provided by such entities or using such equipment.

(iii) Telecommunications or video surveillance equipment or services produced or provided by an entity that the Secretary of Defense, in consultation with the Director of the National Intelligence or the Director of the Federal Bureau of Investigation, reasonably believes to be an entity owned or controlled by, or otherwise connected to, the government of a covered foreign country.

(b) In implementing the prohibition under Public Law 115–232, section 889, subsection (f), paragraph (1), heads of executive agencies administering loan, grant, or subsidy programs shall prioritize available funding and technical support to assist affected businesses, institutions and organizations as is reasonably necessary for those affected entities to transition from covered communications equipment and services, to procure replacement equipment and services, and to ensure that communications service to users and customers is sustained.

(c) See Public Law 115-232, section 889 for additional information.

(d) See also § 200.471.

**§ 200.317 Procurements by states.**

When procuring property and services under a Federal award, a State must follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will comply with §§ 200.321, 200.322, and 200.323 and ensure that every purchase order or other contract includes any clauses required by § 200.327. All other non-Federal entities, including subrecipients of a State, must follow the procurement standards in §§ 200.318 through 200.327.

**§ 200.318 General procurement standards.**

(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)

(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

(2) If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a State, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(e) To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal Government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where



Contractor Initials SW

Date 10/12/23

appropriate for procurement or use of common or shared goods and services. Competition requirements will be met with documented procurement actions using strategic sourcing, shared services, and other similar procurement arrangements.
(f) The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.
(g) The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.
(h) The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources. See also § 200.214.
(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
(j)

(1) The non-Federal entity may use a time-and-materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time-and-materials type contract means a contract whose cost to a non-Federal entity is the sum of:

(i) The actual cost of materials; and

(ii) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

(2) Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the non-Federal entity awarding such a contract must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

(k) The non-Federal entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a Federal concern. Violations of law will be referred to the local, state, or Federal authority having proper jurisdiction.

[85 FR 49543, Aug. 13, 2020, as amended at 86 FR 10440, Feb. 22, 2021]

**§ 200.319 Competition.**
(a) All procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition consistent with the standards of this section and § 200.320.
(b) In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

(1) Placing unreasonable requirements on firms in order for them to qualify to do business;

(2) Requiring unnecessary experience and excessive bonding;

(3) Noncompetitive pricing practices between firms or between affiliated companies;

(4) Noncompetitive contracts to consultants that are on retainer contracts;

(5) Organizational conflicts of interest;

(6) Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement; and

(7) Any arbitrary action in the procurement process.

(c) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.
The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

(1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and

(2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.



Contractor Initials _____
Date 10/12/23

(e) The non-Federal entity must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the non-Federal entity must not preclude potential bidders from qualifying during the solicitation period.
(f) Noncompetitive procurements can only be awarded in accordance with § 200.320(c).

**§ 200.320 Methods of procurement to be followed.**
The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the simplified acquisition threshold (SAT), as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include:

(1) *Micro-purchases* –

(i) ***Distribution.*** The acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (See the definition of *micro-purchase* in § 200.1). To the maximum extent practicable, the non-Federal entity should distribute micro-purchases equitably among qualified suppliers.

(ii) ***Micro-purchase awards.*** Micro-purchases may be awarded without soliciting competitive price or rate quotations if the non-Federal entity considers the price to be reasonable based on research, experience, purchase history or other information and documents it files accordingly. Purchase cards can be used for micro-purchases if procedures are documented and approved by the non-Federal entity.

(iii) ***Micro-purchase thresholds.*** The non-Federal entity is responsible for determining and documenting an appropriate micro-purchase threshold based on internal controls, an evaluation of risk, and its documented procurement procedures. The micro-purchase threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or tribal laws or regulations. Non-Federal entities may establish a threshold higher than the Federal threshold established in the Federal Acquisition Regulations (FAR) in accordance with paragraphs (a)(1)(iv) and (v) of this section.

(iv) ***Non-Federal entity increase to the micro-purchase threshold up to $50,000.*** Non-Federal entities may establish a threshold higher than the micro-purchase threshold identified in the FAR in accordance with the requirements of this section. The non-Federal entity may self-certify a threshold up to $50,000 on an annual basis and must maintain documentation to be made available to the Federal awarding agency and auditors in accordance with § 200.334. The self-certification must include a justification, clear identification of the threshold, and supporting documentation of any of the following:

(A) A qualification as a low-risk auditee, in accordance with the criteria in § 200.520 for the most recent audit;

(B) An annual internal institutional risk assessment to identify, mitigate, and manage financial risks; or,

(C) For public institutions, a higher threshold consistent with State law.

(v) ***Non-Federal entity increase to the micro-purchase threshold over $50,000.*** Micro-purchase thresholds higher than $50,000 must be approved by the cognizant agency for indirect costs. The non-federal entity must submit a request with the requirements included in paragraph (a)(1)(iv) of this section. The increased threshold is valid until there is a change in status in which the justification was approved.

(2) *Small purchases* –

(i) ***Small purchase procedures.*** The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity.

(ii) ***Simplified acquisition thresholds.*** The non-Federal entity is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk and its documented procurement procedures which must not exceed the threshold established in the FAR. When applicable, a lower simplified acquisition threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or tribal laws or regulations.

(b) ***Formal procurement methods.*** When the value of the procurement for property or services under a Federal financial assistance award exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate:

(1) ***Sealed bids.*** A procurement method in which bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bids method is the preferred method for procuring construction, if the conditions.

(i) In order for sealed bidding to be feasible, the following conditions should be present:



Contractor Initials
Date 10/12/23

(A) A complete, adequate, and realistic specification or purchase description is available;
(B) Two or more responsible bidders are willing and able to compete effectively for the business; and
(C) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(ii) If sealed bids are used, the following requirements apply:
(A) Bids must be solicited from an adequate number of qualified sources, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;
(B) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
(C) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
(D) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
(E) Any or all bids may be rejected if there is a sound documented reason.

(2) ***Proposals.*** A procurement method in which either a fixed price or cost-reimbursement type contract is awarded. Proposals are generally used when conditions are not appropriate for the use of sealed bids. They are awarded in accordance with the following requirements:
(i) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Proposals must be solicited from an adequate number of qualified offerors. Any response to publicized requests for proposals must be considered to the maximum extent practical;
(ii) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and making selections;
(iii) Contracts must be awarded to the responsible offeror whose proposal is most advantageous to the non-Federal entity, with price and other factors considered; and
(iv) The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby offeror's qualifications are evaluated and the most qualified offeror is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms that are a potential source to perform the proposed effort.

(c) ***Noncompetitive procurement.*** There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:
(1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);
(2) The item is available only from a single source;
(3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
(4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or
5) After solicitation of a number of sources, competition is determined inadequate.

**§ 200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms.**
(a) The non-Federal entity must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.
(b) Affirmative steps must include:
(1) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
(2) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
(3) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
(4) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;
(5) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
(6) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (b)(1) through (5) of this section.



Contractor Initials
Date 10/12/23

**§ 200.322 Domestic preferences for procurements.**

(a) As appropriate and to the extent consistent with law, the non-Federal entity should, to the greatest extent practicable under a Federal award, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). The requirements of this section must be included in all subawards including all contracts and purchase orders for work or products under this award.

(b) For purposes of this section:

(1) "Produced in the United States" means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.

(2) "Manufactured products" means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

**§ 200.323 Procurement of recovered materials.**

A non-Federal entity that is a state agency or agency of a political subdivision of a state and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds $10,000 or the value of the quantity acquired during the preceding fiscal year exceeded $10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

**§ 200.340 Termination**

(a) The Federal award may be terminated in whole or in part as follows:

(1) By the Federal awarding agency or pass-through entity, if a non-Federal entity fails to comply with the terms and conditions of a Federal award;

(2) By the Federal awarding agency or pass-through entity, to the greatest extent authorized by law, if an award no longer effectuates the program goals or agency priorities;

(3) By the Federal awarding agency or pass-through entity with the consent of the non-Federal entity, in which case the two parties must agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated;

(4) By the non-Federal entity upon sending to the Federal awarding agency or pass-through entity written notification setting forth the reasons for such termination, the effective date, and, in the case of partial termination, the portion to be terminated. However, if the Federal awarding agency or pass-through entity determines in the case of partial termination that the reduced or modified portion of the Federal award or subaward will not accomplish the purposes for which the Federal award was made, the Federal awarding agency or pass-through entity may terminate the Federal award in its entirety; or

(5) By the Federal awarding agency or pass-through entity pursuant to termination provisions included in the Federal award.

(b) A Federal awarding agency should clearly and unambiguously specify termination provisions applicable to each Federal award, in applicable regulations or in the award, consistent with this section.

(c) When a Federal awarding agency terminates a Federal award prior to the end of the period of performance due to the non-Federal entity's material failure to comply with the Federal award terms and conditions, the Federal awarding agency must report the termination to the OMB-designated integrity and performance system accessible through SAM (currently FAPIIS).

(1) The information required under paragraph (c) of this section is not to be reported to designated integrity and performance system until the non-Federal entity either—

(i) Has exhausted its opportunities to object or challenge the decision, see § 200.342; or

(ii) Has not, within 30 calendar days after being notified of the termination, informed the Federal awarding agency that it intends to appeal the Federal awarding agency's decision to terminate.

(2) If a Federal awarding agency, after entering information into the designated integrity and performance system about a termination, subsequently:

(i) Learns that any of that information is erroneous, the Federal awarding agency must correct the information in the system within three business days;

(ii) Obtains an update to that information that could be helpful to other Federal awarding agencies, the Federal awarding agency is strongly encouraged to amend the information in the system to incorporate the update in a timely way.

(3) Federal awarding agencies, must not post any information that will be made publicly available in the non-public segment of designated integrity and performance system that is covered by a disclosure exemption under the Freedom of Information Act. If the non-Federal entity asserts within seven calendar days to the Federal awarding agency who posted the information, that some of the information made publicly available is covered by a disclosure exemption under the Freedom of Information Act, the Federal awarding agency who posted the information must remove the posting within seven calendar days of receiving the



Contractor Initials _____

Date 10/12/23

assertion. Prior to reposting the releasable information, the Federal agency must resolve the issue in accordance with the agency's Freedom of Information Act procedures.

(d) When a Federal award is terminated or partially terminated, both the Federal awarding agency or pass-through entity and the non-Federal entity remain responsible for compliance with the requirements in §§ 200.344 and 200.345.

**§ 200.414 Indirect (F&A) costs.**

(a) ***Facilities and administration classification.*** For major Institutions of Higher Education (IHE) and major nonprofit organizations, indirect (F&A) costs must be classified within two broad categories: "Facilities" and "Administration." "Facilities" is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable). For nonprofit organizations, library expenses are included in the "Administration" category; for IHEs, they are included in the "Facilities" category. Major IHEs are defined as those required to use the Standard Format for Submission as noted in appendix III to this part, and Rate Determination for Institutions of Higher Education paragraph C. 11. Major nonprofit organizations are those which receive more than $10 million dollars in direct Federal funding.

(b) ***Diversity of nonprofit organizations.*** Because of the diverse characteristics and accounting practices of nonprofit organizations, it is not possible to specify the types of cost which may be classified as indirect (F&A) cost in all situations. Identification with a Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards. However, typical examples of indirect (F&A) cost for many nonprofit organizations may include depreciation on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.

(c) ***Federal Agency Acceptance of Negotiated Indirect Cost Rates.*** (See also § 200.306.)

(1) The negotiated rates must be accepted by all Federal awarding agencies. A Federal awarding agency may use a rate different from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification as described in paragraph (c)(3) of this section.

(2) The Federal awarding agency head or delegate must notify OMB of any approved deviations.

(3) The Federal awarding agency must implement, and make publicly available, the policies, procedures and general decision-making criteria that their programs will follow to seek and justify deviations from negotiated rates.

(4) As required under § 200.204, the Federal awarding agency must include in the notice of funding opportunity the policies relating to indirect cost rate reimbursement, matching, or cost share as approved under paragraph (e)(1) of this section. As appropriate, the Federal agency should incorporate discussion of these policies into Federal awarding agency outreach activities with non-Federal entities prior to the posting of a notice of funding opportunity.

(d) Pass-through entities are subject to the requirements in § 200.332(a)(4).

(e) Pass-through entities are subject to the requirements in § 200.332(a)(4).

(1) Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs);

(2) Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations;

(3) Appendix V to Part 200—State/Local Governmentwide Central Service Cost Allocation Plans;

(4) Appendix VI to Part 200—Public Assistance Cost Allocation Plans;

(5) Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals; and

(6) Appendix IX to Part 200—Hospital Cost Principles.

(f) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that does not have a current negotiated (including provisional) rate, except for those non-Federal entities described in appendix VII to this part, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. No documentation is required to justify the 10% de minimis indirect cost rate. As described in § 200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

(g) Any non-Federal entity that has a current federally-negotiated indirect cost rate may apply for a one-time extension of the rates in that agreement for a period of up to four years. This extension will be subject to the review and approval of the cognizant agency for indirect costs. If an extension is granted the non-Federal entity may not request a rate review until the extension period ends. At the end of the 4-year extension, the non-Federal entity must re-apply to negotiate a rate. Subsequent one-time extensions (up to four years) are permitted if a renegotiation is completed between each extension request.

(h) The federally negotiated indirect rate, distribution base, and rate type for a non-Federal entity (except for the Indian tribes or tribal organizations, as defined in the Indian Self Determination, Education and Assistance Act, 25 U.S.C. 450b(l)) must be available publicly on an OMB-designated Federal website.



Contractor Initials _____

Date 10/12/23

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014; 85 FR 49563, Aug. 13, 2020]

**Appendix II to Part 200 - Contract Provisions for Non-Federal Entity Contracts Under Federal Awards**

In addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable.

(A) Contracts for more than the simplified acquisition threshold, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

(B) All contracts in excess of $10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement.

(C) Equal Employment Opportunity. Except as otherwise provided under 41 CFR Part 60, all contracts that meet the definition of "federally assisted construction contract" in 41 CFR Part 60–1.3 must include the equal opportunity clause provided under 41 CFR 60–1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964–1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."

D) Davis-Bacon Act, as amended (40 U.S.C. 3141–3148). When required by Federal program legislation, all prime construction contracts in excess of $2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141–3144, and 3146–3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency. The contracts must also include a provision for compliance with the Copeland "Anti-Kickback" Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency.

(E) Contract Work Hours and Safety Standards Act (40 U.S.C. 3701–3708). Where applicable, all contracts awarded by the non-Federal entity in excess of $100,000 that involve the employment of mechanics or laborers must include a provision for compliance with 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5). Under 40 U.S.C. 3702 of the Act, each contractor must be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week. The requirements of 40 U.S.C. 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

(F) Rights to Inventions Made Under a Contract or Agreement. If the Federal award meets the definition of "funding agreement" under 37 CFR § 401.2 (a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that "funding agreement," the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

(G) Clean Air Act (42 U.S.C. 7401–7671q.) and the Federal Water Pollution Control Act (33 U.S.C. 1251–1387), as amended—Contracts and subgrants of amounts in excess of $150,000 must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401–7671q) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251–1387). Violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

(H) Debarment and Suspension (Executive Orders 12549 and 12689)—A contract award (see 2 CFR 180.220) must not be made to parties listed on the governmentwide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR part 1986 Comp., p. 189) and 12689 (3 CFR part 1989 Comp., p. 235), "Debarment and Suspension." SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.



Contractor Initials
Date 10/12/23

(I) Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)—Contractors that apply or bid for an award exceeding $100,000 must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Each tier must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the non-Federal award.
(J) See § 200.323.
(K) See § 200.216.
(L) See § 200.322.
[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75888, Dec. 19, 2014; 85 FR 49577, Aug. 13, 2020]

**I understand that failure to comply with applicable Federal statutes and regulations may subject State officials to civil or criminal penalties and/or place the State in a high-risk grantee status in accordance with 2 CFR 200.**

**I sign these Certifications and Assurances based on personal knowledge, after appropriate inquiry, and I understand that the Government will rely on these representations in awarding grant funds.**

**Authorized Contract Signatory:** _____ **Date:** 10/12/23

**Signors Printed Name:** Eric Ayer **Signors Title:** President



Contractor Initials _____
Date 10/12/23

## EXHIBIT B

THE SERVICES

Employment of Contractor; Services to be performed

The Contractor, AAA Northern New England, shall coordinate and execute the Community Outreach & Betterment (COB) Grant as approved by the Office of Highway Safety. The Contractor will primarily outreach to,

1. Refugees & New Americans
2. Low-income neighborhood
3. Older drivers, low vision, and hearing-impaired drivers
4. Youth Drivers
5. Limited English Proficiency (LEP) Groups
6. Elementary/High Schools/Driver Ed Schools

The Contractor will coordinate and conduct in person COB Grant PowerPoint presentations on NH Traffic Laws; Chapter 265 "RULES OF THE ROAD" and NH Safe Streets for All (NHSS4A) to the above identified groups and to educate and inform about safe driving, bicycling, walking, and rolling while utilizing NH roadways. This contract will be effective upon Governor and Council Approval through September 30, 2024. The total cost of this contract shall not exceed $9,500.00.

The Contractor will coordinate and conduct a minimum of five (5) COB Grant highway safety presentations to the above referenced groups throughout the 2024 Federal Fiscal Year.
COB Grant highway safety presentations will not exceed four (4) hours in duration.
The Contractor will be responsible to maintain the COB Grant budget to ensure funds are adequate to complete the minimum required five (5) COB presentations during the FFY24 grant year.

The Contractor will incur any costs not covered in the COB Grant scope of work associated with developing additional materials, props, equipment, etc. for these COB Grant highway safety presentations. These related costs may be applied towards match.

## Community Outreach & Betterment (COB) Grant

The Office of Highway Safety has awarded your agency/organization this COB Grant to coordinate and conduct a **minimum** of **five (5)** COB Grant highway safety presentations to the below specified sectors of the public throughout the 2024 Federal Fiscal Year.

COB Grant presentations will not exceed **four (4)** hours in duration including travel time, setup and breakdown of the COB Grant presentation location.

*The Subrecipient or their designee will be responsible to maintain the COB Grant budget to ensure funds are adequate to complete the minimum required **five (5)** COB presentations during the grant year.*



Contractor Initials
Date 10/12/23

*COB grant funds cannot be utilized for enforcement patrols or in conjunction with any other federal funding.*

**********

The purpose of the Community Outreach & Betterment (COB) Grant is to bring the highway safety message via an in-person PowerPoint presentation to traditionally underserved New Hampshire drivers and vulnerable road users while fostering positive law enforcement/public interactions by:

1. Outreach to Refugee/New American Groups
2. Outreach to Low-income neighborhoods
3. Outreach to Older drivers, low vision, and hearing-impaired drivers
4. Outreach to Youth Drivers
5. Outreach to Limited English Proficiency (LEP) Groups
6. Outreach to Elementary/High Schools/Driver Ed Schools

Since persons with disabilities are members of the above groups, the Subrecipient should make every effort to encourage their inclusion in COB Grant Presentations.

*The Subrecipient may not select the same COB Grant specified group more than twice during the same grant year without authorization from their NHOHS field representative.*

Due to the highly specialized and sensitive nature of the COB Grant presentations, the official in charge or their designees will have the sole responsibility of assigning the appropriate personnel to conduct the COB presentations.

Grantee must utilize the "NH Safe Streets and Roads for All (NHSS4A)" PowerPoint Presentation provided by the NHOHS during COB Grant Presentations. The Subrecipient may conduct their own community specific traffic safety related presentation in conjunction with the "NH Safe Streets and Roads for All (NHSS4A)" PowerPoint Presentation within the reimbursable four (4) hour COB Grant presentation window. Any COB Grant related hourly overage of the four (4) hour maximum presentation time may be utilized as match in support of this grant.

At the conclusion of each COB Grant Presentation the NHOHS Highway Safety Survey will be offered to the COB Grant attendees as a paper form or by QR Code. Any paper NHOHS Highway Safety Survey forms will be collected by the Grantees and emailed to the NHOHS at: hwysafetymail@dos.nh.gov



Contractor Initials GH
Date 10/12/23

A maximum of two (2) members of the Subrecipient's agency may be reimbursed while conducting a COB Grant presentation due to logistical requirements. If additional support personnel are required to assist a COB Grant presentation the associated costs may be utilized as "match" in support of this grant.

**COB Related Expenses**

If required, Interpretation/Translation services will be a reimbursable expense for translation of COB Grant presentation PowerPoint or for direct on-site interpretation services for COB Grant presentations. Grantees may use their own previously contracted Interpretation/Translation services or select Interpretation/Translation services from the resources list provided in the COB Grant Excel workbook.

Purchases of light refreshments* may be a reimbursable expense for attendees of COB Grant Presentations up to a cap of **$150** per presentation or may be utilized as "match" in support of this grant. Please contact your NHOHS Field Representative for clarification prior to purchase.
**41 CFR 301 74.2(e) "Light refreshments are defined to include, but not be limited to, coffee, tea, milk, juice, soft drinks, donuts, bagels, fruit, pretzels, cookies, chips, or muffins". When purchasing light refreshments, whenever possible consideration should be given to accommodate the various religious or cultural dietary restrictions of the COB Grant Presentation attendees.*

Printing of COB Grant related handouts in support of a COB Grant Presentation may be a reimbursable expense up to **$150** per presentation or may be utilized as "match" in support of this grant.

Should a hall usage fee be necessary to obtain a location for a COB Grant Presentation, such fee will be a reimbursable expense up to **$150** per presentation. Any location fee that exceeds the **$150** per presentation cap the Subrecipient must seek prior approval from their NHOHS Field representative. Whenever possible COB Grant Presentation location should be accessible and within proximity of mass transit.

**Reimbursement**

The Subrecipient must use the COB Grant Excel workbook Activity logs to keep track of all COB Grant Related Payroll, Communications, Presentations and Expenses in support of this grant. The Subrecipient must submit a copy of the COB Grant Excel workbook with that quarter's COB Grant activity along with grant related payroll forms and any receipts/invoices along with the NHOHS HS-1 and HS-22 Forms on a quarterly basis to obtain reimbursement.



Contractor Initials SN
Date 10/12/23

Any additional costs incurred by the Subrecipient in support of the COB Grant may be utilized as "match" providing those costs are not simultaneously funded by another federal grant.

The Subrecipient must retain the records of **all** COB Grant communications, activities and/or services and invoices at the Subrecipient's agency. These records must be maintained for a period of **three (3)** years in a manner that accurately reflects and supports the documented activity. These supporting documents are required to be available during a review or site monitoring visit.



Contractor Initials _____
Date 10/12/23

## EXHIBIT C

Terms of Payment

The appropriate account number(s) is as follows:

02-23-23-231010-75410000

The Agency (OHS) agrees to compensate the Contractor an amount not to exceed $9,500.00 to cover the costs related to carrying out the services as stipulated in Exhibit B for the account listed above. The Office of Highway Safety reserves the right to reject any costs not approved within this contract or not eligible under the National Highway Traffic Safety Administration Grant Program.

**Community Outreach & Betterment (COB) Grant**

**FFY2024**

| | |
|---|---|
| 02-23-23-231010 | Dept. of Safety |
| 75410000 | $9,500.00 |

Vouchers

The contractor shall submit their reimbursement request to the office of Highway Safety, on a quarterly basis, along with the updated COB Grant Activity Excel Workbook and any claimed payroll expenditures, receipts and/or invoices for coordinating and presenting the COB Grant activities dedicated to highway safety issues as stipulated in Exhibit B. The Office of Highway Safety agrees to pay the Contractor a total payment of $9,500 covering October 1, 2023 through September 30, 2024

Email invoices: HWYSAFETYMAIL@dos.nh.gov.

Hard copies: Office of Highway Safety Room 208 33 Hazen Drive Concord, NH 03305

**Billing Inquiries:**

Julia Wayland, Accountant

NH Office of Highway Safety

33 Hazen Drive

Concord, NH 03305

603-271-2109

**Contract Inquiries:**

Paul Ruggiero

NH Office of Highway Safety

33 Hazen Drive

Concord, NH 03305

603-223-8358



Contractor Initials _____

Date 10/12/23

| |
|---|
| **Awarding Agency:** Office of Highway Safety (OHS) |
| **Federal Awarding Agency:** National Highway Traffic Safety Administration (NHTSA), US DOT NHTSA Region 1 55 Broadway, RTV-8E Cambridge, MA 02142 |
| **FAIN Number: 69A37521300004020NH0/69A3752230SUP4020NH0/ 69A3752230000402NHO/69A3752330SUP4020NH0/69A3752330000402NHO/ 69A3752430000402NHO/69A3752430SUP4020NH0** |
| **Project Title & Number: AAA Northern New England 24-265** |
| **PSP & Task: 24-09-03** |
| **Assistance Listing Number: 20.600** |
| **Funding Source: BIL/SUP NHTSA 402 (402/402CP)** |
| **UEI #: URMCV1EYKKL9** |
| **Award Title:** 402 |
| **In Kind Match: $2,375.00**<br>**In Kind Match to support this project shall be met using highway safety education or related work.** |

**Printed Name of Authorized Official**

**Signature of Authorized Official** **Date Signed**



Contractor Initials CM
Date 10/14/24

# State of New Hampshire
# Department of State

CERTIFICATE

I, David M. Scanlan, Secretary of State of the State of New Hampshire, do hereby certify that AAA NORTHERN NEW ENGLAND is a Maine Nonprofit Corporation registered to transact business in New Hampshire on September 11, 2002. I further certify that all fees and documents required by the Secretary of State's office have been received and is in good standing as far as this office is concerned.

Business ID: **413240**
Certificate Number: **0006342282**

IN TESTIMONY WHEREOF,
I hereto set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 6th day of November A.D. 2023.

David M. Scanlan
Secretary of State

AAA Northern New England
Officer's Certificate
and Certificate of Incumbency

---

The undersigned, Eric J. Cyr, hereby certifies the following as of September 23, 2022:

1. That I am the duly elected and qualified President of AAA Northern New England, a nonprofit mutual benefit corporation created and existing under the laws of the State of Maine (the "Company"), whose corporate headquarters is 68 Marginal Way, Portland, ME 04101.

2. I (an "Authorized Agent") am authorized to execute any documents as required by the State of New Hampshire ("State") in order to give effect to that State of New Hampshire Highway Safety Project Grant Agreement (Impaired, Distracted Driving and Slow Down Move Over Media Campaigns: October 1, 2022 - September 30, 2022) (the "Agreement") by and between the Company and State, and all transactions thereunder.

**AAA Northern New England**

By: _____
Eric J. Cyr
President

The undersigned, Gail C. Louis, hereby certifies the following as of the 26th day of September 2022:

1. That I am duly elected and qualified Corporate Secretary of the Company.

2. That the following is the true specimen signature of the within named Authorized Agent of said Company, and that such Authorized Agent is now employed by Company, and is duly authorized to execute the Agreement and any document on behalf of the Company in connection with the Agreement:

| Officer | Title | Specimen Signature |
|---|---|---|
| Eric J. Cyr | President | _____ |

**IN WITNESS WHEREOF**, the undersigned has signed this Certificate of Incumbency as of the 26th day of September 2022.

_____
Gail C. Louis
Corporate Secretary

AUTOCLU-01 TBROWN

# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 10/24/2023

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

| | |
|---|---|
| PRODUCER License # 0D25325<br>D.L.D. Insurance Brokers, Inc.<br>17712 Mitchell North<br>Irvine, CA 92614 | CONTACT NAME:<br>PHONE (A/C, No, Ext): (949) 221-1788 FAX (A/C, No): (949) 221-1799<br>E-MAIL ADDRESS: info@dldins.com |
| | INSURER(S) AFFORDING COVERAGE — NAIC # |
| | INSURER A : Old Republic — 24139 |
| INSURED<br>AAA Northern New England<br>68 Marginal Way<br>Portland, ME 04101 | INSURER B :<br>INSURER C :<br>INSURER D :<br>INSURER E :<br>INSURER F : |

**COVERAGES** **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| INSR LTR | TYPE OF INSURANCE | ADDL INSD | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS | |
|---|---|---|---|---|---|---|---|---|
| | COMMERCIAL GENERAL LIABILITY | | | | | | EACH OCCURRENCE | $ |
| | ☐ CLAIMS-MADE ☐ OCCUR | | | | | | DAMAGE TO RENTED PREMISES (Ea occurrence) | $ |
| | | | | | | | MED EXP (Any one person) | $ |
| | | | | | | | PERSONAL & ADV INJURY | $ |
| | GEN'L AGGREGATE LIMIT APPLIES PER: | | | | | | GENERAL AGGREGATE | $ |
| | ☐ POLICY ☐ PRO-JECT ☐ LOC | | | | | | PRODUCTS - COMP/OP AGG | $ |
| | ☐ OTHER: | | | | | | | $ |
| | AUTOMOBILE LIABILITY | | | | | | COMBINED SINGLE LIMIT (Ea accident) | $ |
| | ☐ ANY AUTO | | | | | | BODILY INJURY (Per person) | $ |
| | ☐ OWNED AUTOS ONLY ☐ SCHEDULED AUTOS | | | | | | BODILY INJURY (Per accident) | $ |
| | ☐ HIRED AUTOS ONLY ☐ NON-OWNED AUTOS ONLY | | | | | | PROPERTY DAMAGE (Per accident) | $ |
| | | | | | | | | $ |
| | ☐ UMBRELLA LIAB ☐ OCCUR | | | | | | EACH OCCURRENCE | $ |
| | ☐ EXCESS LIAB ☐ CLAIMS-MADE | | | | | | AGGREGATE | $ |
| | ☐ DED ☐ RETENTION $ | | | | | | | $ |
| A | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N | | | MWC-314410-22 | 12/31/2022 | 12/31/2023 | X PER STATUTE ☐ OTH-ER | |
| | ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? ☐ (Mandatory in NH) | N / A | | | | | E.L. EACH ACCIDENT | $ 1,000,000 |
| | If yes, describe under DESCRIPTION OF OPERATIONS below | | | | | | E.L. DISEASE - EA EMPLOYEE | $ 1,000,000 |
| | | | | | | | E.L. DISEASE - POLICY LIMIT | $ 1,000,000 |
| | | | | | | | | |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Certificate is issued as evidence of workers' compensation coverage.

**CERTIFICATE HOLDER**

New Hampshire Dept. of Safety
Office of Highway Safety
33 Hazen Drive, Room 109A
Concord, NH 03305

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE , THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Tim S. Brun

# 2022

# ANNUAL REPORT

# 2022 ANNUAL REPORT

## Financial Report

Attached is a complete financial report prepared in conformity with Section 8321 of the California Nonprofit Corporation Law and audited by independent certified public accountants, Ernst & Young LLP.

## Current Members

The names and addresses of current members of the Automobile Club of Southern California are located at the Club's Administrative Offices, 3333 Fairview Road, Costa Mesa, CA 92626.

Automobile Club of Southern California and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

## Contents

EY
Building a better working world

Ernst & Young LLP
Suite 1600
560 Mission Street
San Francisco, CA 94105-2907

Tel: +1 415 894 8000
Fax: +1 415 894 8099
ey.com

# Report of Independent Auditors

The Board of Directors
Automobile Club of Southern California and Subsidiaries

## Opinion

We have audited the consolidated financial statements of Automobile Club of Southern California and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive (loss) income, members' equity and noncontrolling interests and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood

that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development for periods prior to the most recent period (not to exceed nine prior periods) and the average annual percentage payout of incurred claims disclosed on pages 45 to 48 be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

April 27, 2023

# Automobile Club of Southern California and Subsidiaries

## Consolidated Balance Sheets
*(In Thousands)*

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Investments in fixed-income securities (VIE portion of $8,079,496 and $9,274,902) | $ 8,488,600 | $ 9,701,767 |
| Investments in marketable equity securities (VIE portion of $5,895,374 and $7,400,734) | 6,902,440 | 8,676,963 |
| Investments in equity-method investees (VIE portion of $51,935 and $63,019) | 101,461 | 123,629 |
| Other investments (VIE portion of $15,000 and $5,335) | 15,251 | 39,029 |
| Total investments | 15,507,752 | 18,541,388 |
| Cash and cash equivalents (VIE portion of $345,168 and $158,277) | 424,510 | 208,030 |
| Receivables: | | |
| VIE premiums receivable, net | 1,148,516 | 956,187 |
| Other receivables (VIE portion of $241,774 and $154,992) | 526,836 | 416,200 |
| Total receivables | 1,675,352 | 1,372,387 |
| Deferred acquisition costs (VIE portion of $734,181 and $602,850) | 756,931 | 625,505 |
| Property and equipment, net (VIE portion of $276,337 and $297,282) | 602,775 | 624,598 |
| Deferred income tax asset, net (VIE portion of $0 and $0) | 1,787 | 2,164 |
| Goodwill and intangible assets, net (VIE portion of $10,027 and $11,991) | 223,658 | 225,622 |
| Other assets (VIE portion of $64,417 and $44,358) | 484,271 | 354,016 |
| Total assets | $ 19,677,036 | $ 21,953,710 |
| **Liabilities, members' equity and noncontrolling interests** | | |
| Club liabilities: | | |
| Accrued payroll and employee benefits | $ 343,210 | $ 329,445 |
| Postemployment and retiree benefits | 236,691 | 699,803 |
| Accrued liabilities and accounts payable | 181,972 | 191,966 |
| Deferred income tax liability, net | 130,498 | 206,706 |
| Unearned membership dues | 548,567 | 555,344 |
| Other liabilities | 238,739 | 134,088 |
| Total Club liabilities | 1,679,677 | 2,117,352 |
| VIE liabilities: | | |
| Reserves for losses and loss adjustment expenses | 2,541,779 | 2,106,740 |
| Policy reserves | 1,498,096 | 1,395,258 |
| Unearned premiums | 2,429,156 | 2,189,714 |
| Accrued policyholder dividends | 179,446 | 196,476 |
| Deferred income tax liability, net | 563,774 | 1,071,477 |
| Accrued liabilities and accounts payable | 251,803 | 193,735 |
| Other liabilities | 168,542 | 155,730 |
| Total VIE liabilities | 7,632,596 | 7,309,130 |
| Total liabilities | 9,312,273 | 9,426,482 |
| **Members' equity:** | | |
| Members' equity | 1,639,924 | 1,816,199 |
| Accumulated other comprehensive loss, net | (146,515) | (112,115) |
| Total members' equity | 1,493,409 | 1,704,084 |
| Noncontrolling interests | 8,871,354 | 10,823,144 |
| Total members' equity and noncontrolling interests | 10,364,763 | 12,527,228 |
| Total liabilities, members' equity and noncontrolling interests | $ 19,677,036 | $ 21,953,710 |

*See accompanying notes.*

# Automobile Club of Southern California and Subsidiaries

## Consolidated Statements of Operations
*(In Thousands)*

| | Year Ended December 31, 2022 | 2021 |
|---|---|---|
| **Revenues:** | | |
| Net premiums earned | $ 5,080,969 | $ 4,878,411 |
| Membership | 1,076,456 | 1,046,162 |
| Membership services | 198,027 | 184,703 |
| Travel services | 174,680 | 106,696 |
| Investment income: | | |
| Net investment income | 377,794 | 361,903 |
| Net realized investment (losses) gains | (101,618) | 198,660 |
| Net unrealized (losses) gains on equity investments | (1,704,213) | 1,384,826 |
| Total investment (loss) income | (1,428,037) | 1,945,389 |
| Other income, net | 163,347 | 152,599 |
| Total revenues | 5,265,442 | 8,313,960 |
| **Expenses:** | | |
| Insurance losses and loss adjustment expenses | 4,250,025 | 3,505,540 |
| Other underwriting expenses | 580,185 | 559,244 |
| Policyholder dividends | 309,462 | 423,002 |
| Salaries and benefits | 984,968 | 939,050 |
| Emergency road service expenses | 784,235 | 679,893 |
| Printing, supplies, and travel materials | 60,281 | 54,079 |
| Facilities, taxes, and insurance | 266,538 | 251,345 |
| Advertising and public relations | 87,097 | 81,255 |
| Other | 143,127 | 123,217 |
| Total expenses | 7,465,918 | 6,616,625 |
| (Loss) income before income taxes | (2,200,476) | 1,697,335 |
| Federal and state income tax (benefit) expense | (486,362) | 349,959 |
| **Net (loss) income** | (1,714,114) | 1,347,376 |
| Less: net (loss) income attributable to noncontrolling interests | (1,537,839) | 1,173,503 |
| Net (loss) income attributable to members | $ (176,275) | $ 173,873 |

*See accompanying notes.*

# Automobile Club of Southern California and Subsidiaries

## Consolidated Statements of Comprehensive (Loss) Income
*(In Thousands)*

| | Year Ended December 31, 2022 | 2021 |
|---|---|---|
| Net (loss) income | $ (1,714,114) | $ 1,347,376 |
| Other comprehensive (loss) income: | | |
| Unrealized holding losses during the year, net of taxes of $(235,269) and $(55,936) | (836,863) | (202,226) |
| Change in liability related to postemployment and retiree benefit obligations, net of taxes of $113,377 and $89,937 | 388,512 | 305,690 |
| Other comprehensive (loss) income, net of tax | (448,351) | 103,464 |
| Comprehensive (loss) income | (2,162,465) | 1,450,840 |
| Less: comprehensive (loss) income attributable to noncontrolling interests | (1,951,790) | 1,216,115 |
| Comprehensive (loss) income attributable to members | $ (210,675) | $ 234,725 |

*See accompanying notes.*

# Automobile Club of Southern California and Subsidiaries

## Consolidated Statements of Members' Equity and Noncontrolling Interests
*(In Thousands)*

| | Members' Equity | Accumulated Other Comprehensive (Loss) Income | Total Members' Equity | Noncontrolling Interests | Total Members' Equity and Noncontrolling Interests |
|---|---|---|---|---|---|
| Balance at January 1, 2021 | $ 1,642,326 | $ (172,967) | $ 1,469,359 | $ 9,607,029 | $ 11,076,388 |
| Net income | 173,873 | – | 173,873 | 1,173,503 | 1,347,376 |
| Other comprehensive income, net of tax | – | 60,852 | 60,852 | 42,612 | 103,464 |
| Balance at December 31, 2021 | 1,816,199 | (112,115) | 1,704,084 | 10,823,144 | 12,527,228 |
| Net loss | (176,275) | – | (176,275) | (1,537,839) | (1,714,114) |
| Other comprehensive loss, net of tax | – | (34,400) | (34,400) | (413,951) | (448,351) |
| Balance at December 31, 2022 | $ 1,639,924 | $ (146,515) | $ 1,493,409 | $ 8,871,354 | $ 10,364,763 |

*See accompanying notes.*

# Automobile Club of Southern California and Subsidiaries

## Consolidated Statements of Cash Flows
*(In Thousands)*

| | Year Ended December 31, 2022 | 2021 |
|---|---|---|
| **Operating activities** | | |
| Net (loss) income | $ (1,714,114) | $ 1,347,376 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 113,013 | 109,911 |
| Amortization of fixed-income securities | 67,312 | 73,636 |
| Net realized investment losses (gains) | 101,618 | (198,660) |
| Change in net unrealized losses (gains) on equity investments | 1,704,213 | (1,384,826) |
| (Gains) losses on disposal of property and equipment | (5,096) | 653 |
| Deferred income taxes | (396,939) | 290,897 |
| Changes in operating assets and liabilities: | | |
| Other receivables | (90,832) | (46,197) |
| Deferred acquisition costs | (54,319) | (57,194) |
| Other assets, net | (99,240) | (118,145) |
| Other liabilities, net | 124,399 | 256,751 |
| Unearned membership dues | (6,777) | 22,937 |
| Premiums receivable, net | (192,620) | (24,656) |
| Accrued liabilities and accounts payable | 38,370 | 100,094 |
| Reserve for losses and loss adjustment expenses and policy reserves | 537,876 | 342,267 |
| Unearned premiums | 239,442 | 40,497 |
| Accrued policyholder dividends | (17,030) | (11,164) |
| Net cash provided by operating activities | 349,276 | 744,177 |
| **Investing activities** | | |
| Purchases of fixed-income securities | (2,983,933) | (3,661,459) |
| Purchases of marketable equity securities | (729,636) | (546,778) |
| Purchases of other investments | (15,000) | – |
| Purchases of property and equipment | (92,329) | (78,072) |
| Proceeds from sales, maturities, and calls of investments in fixed-income securities | 2,800,115 | 2,970,718 |
| Proceeds from sales of marketable equity securities | 833,516 | 439,019 |
| Proceeds from sale of other investments | 47,881 | – |
| Proceeds from sales of property and equipment | 6,302 | 5,826 |
| Distribution from other investments | 288 | 741 |
| Net cash used in investing activities | (132,796) | (870,005) |
| **Financing activities** | | |
| Dividends paid | – | (6,722) |
| Net cash used in financing activities | – | (6,722) |
| Net increase (decrease) in cash and cash equivalents | 216,480 | (132,550) |
| Cash and cash equivalents at beginning of year | 208,030 | 340,580 |
| Cash and cash equivalents at end of year | $ 424,510 | $ 208,030 |
| **Supplemental disclosure of cash flow information** | | |
| Cash payments during the year for: | | |
| Interest | $ – | $ – |
| Income taxes | $ 3,016 | $ 84,726 |

*See accompanying notes.*

Automobile Club of Southern California and Subsidiaries

Notes to Consolidated Financial Statements
*(In Thousands)*

December 31, 2022

## 1. Summary of Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of Automobile Club of Southern California (ACSC) and its wholly owned subsidiaries, ACSC Management Services, Inc. (Management Services), Auto Club Services, LLC (Club Services), AAA Texas, LLC (AAA Texas), AAA New Mexico, LLC (AAA New Mexico), AAA Hawaii, LLC (AAA Hawaii), and Auto Club Enterprises (ACE). In addition, the consolidated financial statements include the following entities and their wholly owned subsidiaries; Alabama Motorists Association, Inc. (AMA), Automobile Club of Missouri (ACMO), AAA Northern New England (NNE), AAA East Central (EC), and Tidewater Automobile Association of Virginia, Inc. (Tidewater). The consolidated financial statements also include the accounts of its majority-owned subsidiary, Pleasant Travel Holding Company, LLC (PTHC) and its wholly owned subsidiary, Pleasant Holidays, LLC (PH) and its wholly owned subsidiary Hawaii World LLC (HW). ACSC is a nonprofit mutual benefit corporation incorporated in the State of California. Collectively, the above companies are referred to as "the Club."

The consolidated financial statements also include the accounts of the Club's variable interest entities (VIEs) (see VIE Consolidation below), which include Interinsurance Exchange of the Automobile Club (Exchange) and its wholly owned subsidiaries, and Automobile Club Inter-Insurance Exchange (MO Exchange) and its wholly owned subsidiary. Exchange's wholly owned subsidiaries include Auto Club Casualty Company (Casualty) and Auto Club Indemnity Company (Indemnity), and MO Exchange's wholly owned subsidiary is Auto Club Family Insurance Company (Family). Additionally, the accounts of Auto Club County Mutual Insurance Company (ACCM) and Motor Club Insurance Company (MCIC) are included in the consolidated financial statements as they are considered a VIE and a voting interest entity, respectively, of Exchange. Collectively, the above companies are referred to as "Property and Casualty VIEs."

ACSC and Exchange each own a 50% interest in Automobile Club of Southern California Life Insurance Company (ACSC Life). The accounts of ACSC Life are included in the consolidated financial statements. ACSC Life is referred to as "Life Insurance VIE."

**1. Summary of Significant Accounting Policies (continued)**

Collectively, the "Property and Casualty VIEs" and the "Life Insurance VIE" are referred to as "the VIEs." "Noncontrolling interests" refers to the interests in the VIEs and voting interest entities held for the benefit of their respective policyholders. Collectively, the Club and the VIEs are referred to as "the Company."

ACSC, Management Services, Club Services, AAA Texas, AAA New Mexico, AAA Hawaii, ACE, AMA, NNE, EC, and Tidewater are collectively referred to as ACSC Club.

ACMO and its wholly owned subsidiary Club Exchange Corporation (Club Exchange) are collectively referred to as ACMO Club.

ACSC and Exchange each own a 13.15% interest in ACLI Acquisition Company (ACLI Life), which is a holding company that owns all the outstanding shares of AAA Life Insurance Company (AAA Life). AAA Life's primary business is the sale of individual term and universal life insurance and annuity products. The investments in ACLI Life are accounted for using the equity method as ACSC and Exchange, evaluated as a combined entity, are not the primary beneficiary of, nor do they control, ACLI Life.

The Exchange has a 100% quota share assumption reinsurance agreement with Auto Club Insurance Association (ACIA) covering the automobile, homeowner, and personal umbrella business in the states of Ohio, West Virginia, and Kentucky by insurance companies managed by ACIA. Starting on August 1, 2020, Indemnity started writing insurance policies in the states of West Virginia and Ohio. Starting on June 1, 2021, Indemnity started writing insurance policies in the state of Kentucky.

Exchange owns a 50% interest in MCIC, a Rhode Island domiciled insurer, and effectively owns a majority voting interest over operational decisions. AAA Northeast Holding, Inc. (ANEH), a wholly owned subsidiary of AAA Northeast (ANE), owns a 50% interest in MCIC. Exchange, ACSC, MCIC, ANE, and ANEH are collectively referred to as the "Alliance Parties". The Alliance Parties have entered into an alliance agreement pursuant to which MCIC offers homeowner and automobile insurance to members of ANE. In accordance with the requirements of Accounting Standards Codification (ASC) 810, *Consolidation*, the accounts of MCIC are included in the consolidated financial statements as a voting interest entity of Exchange and a noncontrolling interest is recorded for the 50% of the entity not owned by Exchange.

**1. Summary of Significant Accounting Policies (continued)**

**VIE Consolidation**

Based on the Company's application of ASC 810, ACSC has determined that it has a variable interest in, and is deemed to be the primary beneficiary of, Exchange through the fees generated from the management agreement with Management Services and ACSC's exclusive right to the residual interest in the Exchange. ACSC has the power to direct the activities that most significantly impact Exchange's economic performance, as well as the right to receive the expected residual returns of Exchange. As a result, Exchange's financial results are consolidated with ACSC.

Exchange has a reinsurance agreement with ACCM to assume 100% of ACCM's direct written premiums, policy risks, and operating expenses. In addition, under a management service agreement between ACCM and Exchange, Exchange has the power to manage the activities of ACCM. In consideration for providing these management services, ACCM has agreed to pay Exchange its net income less investment income, subject to certain adjustments. As a result of these arrangements, Exchange is deemed the primary beneficiary of ACCM and ACCM's financial results are consolidated with those of Exchange in the accompanying consolidated financial statements. Exchange's variable interest in ACCM is primarily attributable to the reinsurance and management service agreements between Exchange and ACCM.

Exchange has entered into a quota-share reinsurance agreement with MCIC to assume 100% of its direct premium written, policy risks, and operating expenses. The Exchange has also entered into a retrocession agreement with Motor Club Insurance Captive, LLC (Captive), a wholly owned subsidiary of ANE, to retrocede to Captive 50% of the direct premium written, policy risks, and operating expenses assumed from MCIC.

An affiliation agreement (Affiliation Agreement) has been executed among ACSC, ACE, ACMO, Exchange, MO Exchange, Management Services, and Club Exchange. Pursuant to the Affiliation Agreement, Exchange has the power to direct the activities that most significantly impact MO Exchange's economic performance. Under the pooling agreement, the participants pool all of their net underwriting business after cessions to nonaffiliated reinsurers and share various underwriting assets and liabilities. Investments and investment-related operating items, income taxes, and noninsurance-related assets and liabilities are excluded from pooling. As a result of these arrangements and in accordance with ASC 810, Exchange is deemed the primary beneficiary of MO Exchange and MO Exchange's financial results are consolidated with those of Exchange in

**1. Summary of Significant Accounting Policies (continued)**

the accompanying consolidated financial statements. Exchange's variable interest in MO Exchange is primarily attributable to the pooling arrangement between Exchange and MO Exchange.

The Company has consolidated Club's and Property and Casualty VIEs' financial position and operating results. Furthermore, upon consolidation, 100% of the ownership of ACSC Life is included within the consolidated entity. Exchange is deemed the primary beneficiary of ACSC Life as the insurance business activities of ACSC Life more closely resemble Exchange's insurance business activities as compared to ACSC's business activities. As a result, ACSC Life's financial results are consolidated with Exchange. The consolidated financial statements and notes to the consolidated financial statements presented reflect guidance under ASC 810.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and include the accounts of the Club and the VIEs. All intercompany accounts and transactions have been eliminated in consolidation.

*Presentation of Assets and Liabilities*

ASC 810 does not require separate presentation of the VIEs' assets. However, because the VIEs' assets can only be used to settle the obligations of the VIEs, the VIEs' assets are presented parenthetically on the accompanying consolidated balance sheets. Under ASC 810, liabilities are required to be presented separately for the VIEs on the consolidated balance sheets as the VIEs' creditors do not have recourse to the general credit of the Club, likewise the Club's creditors do not have recourse to the general credit of the VIE.

*Disclosure Aggregation*

As ASC 810 permits aggregation of disclosures for similar entities in situations in which separate reporting would not provide information that is more useful to financial statement users, disclosures within these consolidated financial statements have been aggregated to include both the Club and VIEs unless otherwise stated.

**1. Summary of Significant Accounting Policies (continued)**

**Summary of Operations**

The primary objective of the Club (excluding PH) is to provide members with services that meet their motoring and travel needs. These services include, but are not limited to, emergency road service, travel services, automotive services, financial services, travel publications, and map distribution. The Club provides services through branch offices located throughout southern California, Texas, New Mexico, Alabama, Hawaii, Missouri, Arkansas, Louisiana, Mississippi, eastern Kansas, southern Illinois, southern Indiana, Maine, New Hampshire, Vermont, eastern and western Pennsylvania, West Virginia, northeastern and south central Ohio, southwestern New York, western Kentucky, and southern Virginia, and through telephone service and internet programs.

The primary operations of PH are to provide packaged tour sales to various travel destinations. These packaged tours are primarily sold through a network of agents, wholesale brokers, and the internet.

The Property and Casualty VIEs offer automobile, homeowner, watercraft, and personal excess liability insurance to members of the Club and ANE.

Management Services and Club Exchange are the corporate attorneys-in-fact for Exchange and MO Exchange, respectively. These entities perform functions related to the acquisition and issuance of insurance and the administrative activities associated with the insurance business. In return for such services, Management Services and ACMO each are reimbursed for salaries, employee benefits, and the administrative costs of running the business through the management service fee.

The Life Insurance VIE is a life insurance company that reinsures life and annuity products sold by AAA Life, an affiliated life insurance company that is not included in the consolidated financial statements of the Company.

**Allocation of Expenses**

Certain operating expenses are incurred jointly by ACSC Club and Exchange and ACMO Club and MO Exchange. Such expenses are allocated among the entities, respectively, based on the nature of the expense and the related utilization by the entity.

**1. Summary of Significant Accounting Policies (continued)**

**Recognition of Revenue**

*The Club*

Membership revenue consists of membership dues and enrollment fees. Membership dues are received at the beginning of each membership term and one-time enrollment fees are received at the beginning of the initial membership term. Membership dues are recognized as revenue on a pro rata basis over the membership term, as the Club's performance obligation to provide services that are included in the price of membership is satisfied over the membership term. Enrollment fees are deferred and recognized as revenue over a 60-month period, representing the average determined period of membership, as the Club's performance obligation to renew membership without an additional fee in excess of membership dues is satisfied over the entire period of membership.

Membership services revenue consists of payments from members or commissions from vendors for various services offered by the Club that are not included in the price of membership including automobile battery sale commissions, insurance agency commissions, and various point-of-sale member transactions. With the exception of insurance agency commissions, membership services revenue is recorded at the time of the transaction, as the time of payment coincides with the Club's satisfaction of its performance obligation to provide the service.

Travel services revenue primarily consists of commissions for arranging travel for members on behalf of airfare, hotel, cruise, and tour operators. Travel commission payments are generally received either upon final payment by the customer or the departure of the applicable trip. Travel commissions are recognized as revenue at the departure date of the applicable trip, as the Club's performance obligation to provide a traveling member to the operator is satisfied when the trip commences. Travel commissions are generally recognized as revenue on a net basis, as the Club acts as an agent and does not control or assume inventory risk of the service before it is transferred to the customer. If the Club acts as a principal by controlling the service before it is transferred to the customer, such as when it assumes inventory risk for certain hotel accommodations, the Club recognizes revenue on a gross basis.

Insurance agency commission payments from third-party insurers are received by the Club upon the insurer's receipt of premium payments from the insured. The Club recognizes revenue at the policy effective date, as the Club's performance obligation to provide an effective policy is

*(In Thousands)*

**1. Summary of Significant Accounting Policies (continued)**

satisfied on that date. For commissions earned on "guaranteed renewable" multi-year life insurance contracts, the Club estimates as variable consideration the most likely amount of future commissions that is expected to be received for policies currently in force. The Club recognizes as revenue the estimated variable consideration that is not deemed to be constrained based on historical experience, industry trends, and other economic factors. The Club recognizes revenue for future commissions on an undiscounted basis, as the related contracts do not contain a significant financing component.

The Club's revenue recognized from contracts with customers, disaggregated by timing of revenue recognition, is as follows for the years ending December 31:

| | 2022 | 2021 |
|---|---|---|
| Products and services transferred over time | $ 1,076,456 | $ 1,046,162 |
| Products and services transferred at a point in time | 372,707 | 291,399 |
| | $ 1,449,163 | $ 1,337,561 |

Revenue from performance obligations satisfied over time consists of membership revenue. Revenue from performance obligations satisfied at a point in time consists of travel services and membership services revenue.

Receivables, contract assets, and contract liabilities from contracts with customers are as follows as of December 31:

| | 2022 | 2021 |
|---|---|---|
| Receivables | $ 2,375 | $ 1,803 |
| Contract assets | 193,772 | 184,790 |
| Contract liabilities | 552,996 | 589,074 |

**1. Summary of Significant Accounting Policies (continued)**

*Property and Casualty VIEs*

Direct premiums written are earned on a pro rata basis over the terms of the insurance policies. The portion of premiums written applicable to the unexpired terms of the policies is recorded as unearned premiums. Premiums received in advance of the policy's effective date are recorded as advance premiums and included in other liabilities on the accompanying consolidated balance sheets. Exchange and MO Exchange record a bad debt allowance for receivables they believe are uncollectible, which was $6,290 and $3,767 at December 31, 2022 and 2021, respectively.

*Life Insurance VIE*

For investment contracts without mortality risk (such as deferred annuities and immediate annuities with benefits paid for a certain period), the Life Insurance VIE records premium deposits and benefit payments as increases or decreases in a liability account rather than as revenue or expense. The Life Insurance VIE records as revenue any amounts charged against the liability account for the cost of insurance, policy administration, and surrender penalties. For investment contracts with mortality risk, the Life Insurance VIE records premium deposits and benefit payments as revenue or expense.

For traditional life insurance contracts, premiums are recognized as income when due. Benefits and expenses are recognized as a level percentage of earned premiums, accomplished by providing for future policy benefits and by amortizing the deferred acquisition costs (DAC).

Accident and health premiums are earned pro rata over the term of the policies.

**Deferred Acquisition Costs**

*The Club*

Deferred membership acquisition costs, primarily consisting of commissions that are incremental costs of obtaining the contract and that are expected to be recovered. Such costs are capitalized and amortized ratably over a 60-month period, representing the average determined period of membership. Advertising expenses, including direct mail advertising, are expensed as incurred.

**1. Summary of Significant Accounting Policies (continued)**

*Property and Casualty VIEs*

DAC consists primarily of commissions paid to sales staff, premium taxes, and certain underwriting costs that vary with and are primarily related to the successful acquisition of new and renewal insurance policies and are deferred and amortized over one year to match the revenue generated. Property and casualty advertising expenses are not deferred. The amount of costs to be deferred would be reduced to the extent future policy premiums do not exceed related losses, expenses, and policyholder dividends. There was no reduction in costs deferred in 2022 and 2021.

The DAC profitability is analyzed at least annually to assess recoverability. Anticipated losses and expenses are considered in determining whether the balance is recoverable. No such deficiencies were identified in 2022 and 2021.

*Life Insurance VIE*

The costs directly related to the successful acquisition of new or renewing insurance contracts are deferred. These deferred costs are reported as an asset on the balance sheet and amortized using the interest rate credited to the underlying policy in relation to future anticipated gross profits or premium revenue. The recoverability of the unamortized balance of the DAC is evaluated annually. Estimated future gross profits or future premiums, expected mortality or morbidity interest earned and credited rates, persistency, and expenses are considered in determining whether the balance is recoverable. No such deficiencies were determined for 2022 or 2021.

Estimated future gross profits or future premiums, expected mortality or morbidity, interest earned, and credited rates, persistency, and expenses are considered in determining whether the balance is recoverable. No such deficiencies were identified in 2022 and 2021.

Certain costs are deferred related to the sale inducements offered on sales to new customers, principally on investment contracts and primarily in the form of additional credits to the customer's account value or enhancements to interest credited for a specified period which are beyond amounts currently being credited to existing contracts. All other sales inducements are expensed as incurred and are included in interest credited to contract holders' funds as part of policy benefits. Deferred sales inducements are amortized using the same methodology and assumptions as DAC, and are included in interest credited to contract holders' funds as part of policy benefits. Deferred

**1. Summary of Significant Accounting Policies (continued)**

sales inducements included in DAC are periodically reviewed for recoverability and written down when necessary. There was no reduction in costs deferred in 2022 and 2021.

**Advertising**

In addition to advertising costs for membership acquisition, the Company utilizes television, radio, and newspaper to advertise its other products and services. These advertising costs are expensed as incurred. The Company participates in cooperative advertising arrangements whereby third-party hotels, car rental and cruise companies, and airlines agree to pay a predetermined portion of the advertising costs incurred by the Company. The Company records its portion of the cooperative advertising as advertising and public relations expense in the consolidated statements of operations. Club advertising expense recorded within advertising and public relations in the consolidated statements of income was $79,030 and $75,061 for the years ended December 31, 2022 and 2021, respectively. Property and Casualty VIE advertising expense recorded within other underwriting expense in the consolidated statements of income was $100,510 and $105,052 for the years ended December 31, 2022 and 2021, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents include funds invested in U.S. Treasury Bills, money market accounts, demand deposits and other investments with original maturity of 90 days or less at the time of purchase.

**Investments**

The Company's investments in fixed-income securities are classified as available-for-sale and recorded at fair value. The Company's equity-method investments are recorded at the cost of the investment adjusted for the Company's respective share of earnings or losses of the investee and any distributions received.

Investments in private entities in which the Company holds less than 20% ownership interest and where the Company does not have the ability to significantly influence the operations of the investee are accounted for using the cost method of accounting. In accordance with the cost method, the Company's initial investment is recorded at cost and dividend income is recorded when applicable dividends are declared. Cost-method investments are reported as other investments in the accompanying consolidated balance sheets.

**1. Summary of Significant Accounting Policies (continued)**

Investments are reviewed periodically to determine whether a decline in fair value below the carrying value is other than temporary. Temporary unrealized investment gains and losses on securities available-for-sale are credited or charged directly to equity as accumulated other comprehensive income, net of applicable tax effects. When a decline in the value of investments is considered other than temporary, a loss is recognized in the consolidated statements of income. The other-than-temporary impairment (OTTI) is based on certain criteria for each group of invested assets, such as security-specific analysis and other factors, which include the duration and extent of unrealized losses, intent to sell or the likelihood of the Company being required to sell the investments before recovery of the cost basis. For the years ended December 31, 2021 and 2020, equity securities were excluded from the OTTI analysis, as unrealized investment gains and losses on equity securities were recognized in the consolidated statements of operations.

Realized gains and losses are included in the consolidated statements of operations based upon the specific-identification method.

**Fair Value of Financial Instruments**

The fair values of financial instruments presented in the consolidated balance sheets and the applicable notes to the Company's consolidated financial statements are estimates of the fair values at a specific point in time using available market information and appropriate valuation methodologies. The carrying value of receivables, accounts payable, and other liabilities approximates the fair value of those items.

Cash equivalents are carried either at cost or amortized cost, which approximates fair value due to their short-term maturities. Money market funds recorded within cash and cash equivalents was $317,125 and $158,779 at December 31, 2022 and 2021, respectively. Money market funds are valued based on quoted market prices, or $1 per share, which is generally the net asset value of the fund.

Financial instruments related to insurance-related products are specifically exempted from fair value disclosure requirements.

*(In Thousands)*

**1. Summary of Significant Accounting Policies (continued)**

**Property and Equipment, Net**

Property and equipment, net is comprised of the following as of December 31:

| | 2022 | 2021 |
|---|---|---|
| Land, buildings, and leasehold improvements | $ 674,125 | $ 659,641 |
| Furniture, fixtures, and equipment | 377,281 | 366,574 |
| Computer software | 738,533 | 682,149 |
| | 1,789,939 | 1,708,364 |
| Less: accumulated depreciation and amortization | (1,187,164) | (1,083,766) |
| Property and equipment, net | $ 602,775 | $ 624,598 |

Property and equipment, including leasehold and other improvements that extend an asset's useful life, and computer software costs are stated at cost and are depreciated over their estimated useful lives using the straight-line method, ranging from three years to seven years for certain furniture, fixtures, equipment, and computer software costs, and 40 years for buildings. Leasehold improvements are amortized over the lesser of seven years, which is the estimated useful life, or the lease term. Maintenance and repair costs are expensed as incurred. Property and equipment and the related accumulated depreciation are recorded by the entity that purchased the related asset. The depreciation expense incurred by the Company was $49,212 and $54,886 for the years ended December 31, 2022 and 2021, respectively.

The Company capitalized software development costs for internal use of $53,908 and $50,230 for the years ended December 31, 2022 and 2021, respectively. Amortization expense incurred by the Company was $63,801 and $55,025 for the years ended December 31, 2022 and 2021, respectively.

The Company periodically reviews its furniture, fixtures, equipment, and buildings for any existing condition, situation, or set of circumstances involving possible impairment. No such conditions were identified for the years ended December 31, 2022 and 2021.

**1. Summary of Significant Accounting Policies (continued)**

**Goodwill**

Goodwill (see Note 5) represents the residual value of acquired assets in excess of their estimated fair value at the time of an acquisition or affiliation. Goodwill is reviewed for impairment annually or more frequently if indicators of possible impairment arise in accordance with ASC 350, *Intangibles – Goodwill and Other*. ASC 350 gives companies the option to perform a qualitative assessment that may allow them to skip the annual goodwill two-step impairment test. Potential impairment is indicated when the book value of a reporting unit, including goodwill, exceeds its fair value. If potential impairment exists, the fair value of the reporting unit is compared to the fair value of its assets and liabilities, excluding goodwill, to estimate the implied value of the reporting unit's goodwill. An impairment loss is recognized for any excess of the book value of the reporting unit's goodwill over the implied fair value. No goodwill impairment loss was recorded for the years ended December 31, 2022 and 2021.

**Intangible Assets, Net**

Intangible assets (see Note 5) are carried at cost less accumulated amortization. Intangible assets are reviewed periodically for impairment or more frequently if indicators of impairment arise. For assets with determinable useful lives, amortization is computed using the straight-line method over the estimated economic lives of the respective intangible assets ranging from five to ten years. Long-lived assets, including intangibles, are reviewed annually or more frequently if indicators of possible impairment arise. Write downs, if any, are recorded through a charge against current earnings when the asset is deemed impaired. Amortization periods are adjusted when management determines that the estimated life of the asset has been reduced.

**Reserves for Losses and Loss Adjustment Expenses and Policy Reserves**

*Property and Casualty VIEs*

The Property and Casualty VIEs establish reserves for losses and loss adjustment expenses (LAE) for reported claims on a case basis and for incurred but not reported claims on the basis of historically established statistical data. The reserves are based upon estimates and, as such, are subject to an inherent degree of variability. The Property and Casualty VIEs' ultimate liability may be greater or less than the stated loss reserves. Reserves are closely monitored and reviewed quarterly by the Loss Reserve Committee, which consists of selected members of the actuarial,

**1. Summary of Significant Accounting Policies (continued)**

claims, accounting, and executive staff. Changes in estimates are reflected in operations during the year in which the change is made. The Property and Casualty VIEs do not discount to present value that portion of their loss reserves expected to be paid in future periods. Although no assurances can be made that the ultimate liability will not differ from such estimates, management believes that, in the aggregate, the reserves for losses and LAE are adequate. Salvage and subrogation recoverables are estimated using historically established recoverable statistical data. Salvage and subrogation amounts deducted from the reserves for losses and LAE were $282,481 and $210,475 at December 31, 2022 and 2021, respectively (see Note 4).

*Life Insurance VIE*

ACSC Life's reserves for investment-type contracts are based either on the contract account balance (if future benefit payments in excess of the account balance are not guaranteed) or on the present value of future benefit payments (if such payments are guaranteed). Additions to insurance liabilities are made if it is determined that future cash flows (including investment income) are insufficient to cover future benefits and expenses.

Reserves for traditional life contracts are generally calculated using the net level premium method, based on assumptions as to mortality, morbidity, and investment yields ranging from 2.33% to 6.25% in both 2022 and 2021. These assumptions are generally made at the time the contract is issued or at the purchase date. These assumptions are based on projections from past experience, making allowances for possible unfavorable deviation. Discount rates vary by product line and issue year, with lower rates in more recent years to reflect the current interest rate environment.

Benefit reserves for universal life products are computed in accordance with the retrospective deposit method and represent policy account balances before applicable surrender charges. Interest crediting rates for universal life products ranged from 3.00% to 4.00% in 2022 and 2021.

**Premium Deficiency Reserves**

Premium deficiency reserves are established for the amount of the anticipated losses, LAE, commissions, and other acquisition costs and maintenance costs in excess of the recorded unearned premium reserve and future installment premiums on existing policies that have not previously been expensed. The Property and Casualty VIEs do not consider anticipated investment income when calculating their premium deficiency reserves. No premium deficiency reserves were recorded by the Property and Casualty VIEs at December 31, 2022 and 2021.

**1. Summary of Significant Accounting Policies (continued)**

**Dividends**

For the Property and Casualty VIEs, savings or credits may be returned to their respective shareholders or policyholders irrespective of the source from which such savings or credits accrue whenever such returns do not constitute an impairment of the assets or minimum capital and surplus reserves required to be maintained. Indemnity and Casualty paid no dividends for the years ended 2022 and 2021. All other Property and Casualty VIEs recorded total policyholder dividends of $309,462 and $423,002 for the years ended 2022 and 2021, respectively.

ACSC Life and Family are subject to the financial capacity guidelines established by their domiciliary states. The payment of dividends to their respective shareholders from statutory unassigned surplus is restricted, subject to certain statutory limitations. For 2022, ACSC Life and Family were permitted to pay approximately $0 and $6,880 respectively, in dividends without the prior approval of the Department of Insurance (DOI) of their states of domicile. For 2021, ACSC Life and Family were permitted to pay approximately $0 and $8,228, respectively, in dividends without the prior approval of the Department of Insurance (DOI) of their states of domicile. The above statutory regulations may have the effect of indirectly limiting the ability of ACSC Life and Family to pay dividends to their respective shareholders. ACSC Life and Family paid no dividends for the years ended 2022 and 2021.

**Reinsurance**

*Property and Casualty VIEs*

Reinsurance is purchased by the Property and Casualty VIEs to control exposure to potential losses arising from large risks and to reduce the losses that may arise from catastrophes. The Property and Casualty VIEs currently have excess-of-loss catastrophe reinsurance coverage in all states.

Reinsurance treaties entered into by the Property and Casualty VIEs provide coverage on a per occurrence basis after covered catastrophe losses for the Property and Casualty VIEs as a group exceed a retention limit. As of December 31, 2022 and 2021, the Property and Casualty VIEs retention limit was $200,000 for the California market and $100,000 for markets other than California. For the 12 months ending June 30, 2023 the first $150,000 of excess losses are shared pro-rata with 38.05% coverage by the reinsurers and 61.95% retention by the Property and Casualty VIEs. Excess losses from $150,000 to $200,000 are shared pro-rata with 86% coverage

**1. Summary of Significant Accounting Policies (continued)**

by the reinsurers and 14% retention by the Property and Casualty VIEs. Excess losses from $200,000 to $350,000 are covered 96.5% by the reinsurers and 3.5% retention by the Property and Casualty VIEs, and excess losses from $350,000 to $1,554,000 are covered 100% by the reinsurers. For the 12 months ending June 30, 2022, all excess losses over the retention limits for the next $1,500,000 in losses are covered 100% by the reinsurers.

Reinsurance contracts do not relieve the Property and Casualty VIEs from their primary obligations to policyholders. The Property and Casualty VIEs evaluate the financial condition of their reinsurers and monitor concentrations of credit risk to minimize their exposure to significant losses from reinsurer insolvencies. In addition, the Property and Casualty VIEs' reinsurance agreements help to mitigate credit risk by requiring unauthorized reinsurers to fund their outstanding obligations via funds withheld, cash advances, trust agreements or letters of credit. The Property and Casualty VIEs had $11,940 and $7,330 in outstanding reinsurance recoverables as of December 31, 2022 and 2021, respectively, which are included in other receivables in the accompanying consolidated balance sheets.

The Exchange has a 100% quota share assumption reinsurance agreement with ACIA covering the automobile, homeowner, and personal umbrella business in the states of Ohio, West Virginia, and Kentucky by insurance companies managed by ACIA. Starting on August 1, 2020, Indemnity started writing insurance policies in the states of West Virginia and Ohio. Starting on June 1, 2021, Indemnity started writing insurance policies in the state of Kentucky.

*Life Insurance VIE*

ACSC Life participates in an expense-sharing agreement with AAA Life. In accordance with the expense-sharing agreement, expenses are allocated based upon specific identification, new business policy activity, and in-force policy activity. The expense-sharing agreement is integrated with the reinsurance agreements such that costs are ultimately allocated based on the volume of new business processed and existing policies in force. In conjunction with the reinsurance and expense-sharing agreements, amounts incurred by ACSC Life in 2022 and 2021 were $94,299 and $96,059, respectively.

Under the coinsurance reinsurance agreements, ACSC Life participates in all aspects of the original policy, including the risk regarding investment, mortality, terminations, and other risks of the policy. The cost of reinsurance is recognized over the life of the reinsurance policies on the same basis used by the ceding companies for the underlying policies.

**1. Summary of Significant Accounting Policies (continued)**

**Income Taxes**

The Company has multiple tax-filing groups in both the motor club and insurance operations. The Company accounts for income taxes using the asset and liability method, whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred income taxes are recognized for the future tax consequences of temporary differences using enacted statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Temporary differences include the difference between the financial statement carrying amounts and the tax basis of existing assets and liabilities and operating loss and tax credit carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized in future tax returns.

*The Club*

Under the Internal Revenue Code (the Code), the various clubs file separate federal income tax returns at rates comparable to those applicable to other corporate taxpayers. ACSC, ACMO, and NNE each file consolidated federal tax returns with their wholly owned subsidiaries. ACE, AMA, EC (including each of its subsidiaries), Tidewater, and HW each file separate tax returns. PTHC files a partnership return that includes the income of PH.

*Property and Casualty VIEs*

Exchange and MO Exchange are reciprocal insurers organized under the laws of the states of California and Missouri, respectively. Under the Code, the income of Exchange and MO Exchange (subject to certain adjustments and deductions as defined by the Code) is subject to federal income taxes.

Exchange's federal income tax return is consolidated with Casualty and Indemnity, and MO Exchange's federal tax return is consolidated with Family. The method of allocation between the

**1. Summary of Significant Accounting Policies (continued)**

companies is subject to written agreement. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled within 30 days of the filing of the consolidated tax return or when tax payments are remitted to the Internal Revenue Service (IRS). ACCM and MCIC file stand-alone federal income tax returns.

*Life Insurance VIE*

ACSC Life is a California-domiciled life insurance company and files a separate federal tax return.

**Postemployment and Retirement Benefits**

The Company's postemployment and retirement benefit costs and obligations include various assumptions. The Company's major assumptions relate primarily to discount rates, mortality rates, expected increases in compensation levels, and the expected long-term return on plan assets.

The Company generally amortizes unrecognized actuarial gains and losses on a straight-line basis over the average remaining estimated service life of participants. Postemployment and retirement assumptions are reviewed annually by senior management with the assistance of outside actuaries.

These assumptions are adjusted as appropriate to reflect changes in market rates and outlook. The discount rate assumptions are based on current investment yields of high-quality fixed-income securities with maturities similar to the expected benefits payment period. Mortality rates help predict the expected life of plan participants. See Note 7 for additional description of these plans and the accounting and funding policies.

**Self-Insurance**

The Club (excluding EC) is partially self-insured for workers' compensation insurance with a loss threshold up to $2,000 per occurrence. The self-insured portion of the liability for unpaid claims and associated expenses, including claims incurred but not reported, is determined using actuarial valuations provided by an independent actuarial consulting firm. The liability for the workers' compensation claims is $29,531 and $27,892 as of December 31, 2022 and 2021, respectively, and is included in accrued payroll and employee benefits in the accompanying consolidated balance sheets. For the years ended December 31, 2022 and 2021, EC was fully insured through third-party providers for its workers' compensation insurance.

**1. Summary of Significant Accounting Policies (continued)**

The Club (excluding AAA Hawaii) is self-insured for medical insurance. As of December 31, 2022, the Club has excess loss insurance to limit its exposure, which will reimburse the Club up to $1,000 for covered expenses that exceed $1,000 per covered person incurred from January 1, 2021 through December 31, 2022, and paid from January 1, 2022 through December 31, 2022.

Self-insured losses are accrued based on the Club's estimates of the aggregate liability for uninsured claims incurred using actuarial valuations prepared by an independent actuarial consulting firm. As of December 31, 2022 and 2021, the accrued liability for self-insured medical losses included in accrued payroll and employee benefits in the accompanying consolidated balance sheets is approximately $9,164 and $7,453, respectively. A third-party administrator is used to track and evaluate actual claims experience to ensure the consistency of the data used in the annual actuarial valuation.

**Cash Value of Life Insurance**

The Club has life insurance policies covering key employees for which the Club is the beneficiary. At December 31, 2022 and 2021, the cash surrender value of these policies was $187,594 and $191,796, respectively, and is included in other assets in the accompanying consolidated balance sheets. Changes in the cash surrender value of these policies have been recognized in net investment income for the years ended December 31, 2022 and 2021.

**Comprehensive Income**

Comprehensive income consists of net income, change in liabilities related to postemployment and retirement benefits (net of tax), and change in net unrealized holding gains/losses on equity-method investments and fixed-income securities available-for-sale (net of tax).

*(In Thousands)*

**1. Summary of Significant Accounting Policies (continued)**

Changes in accumulated other comprehensive income, net of taxes, are as follows for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Balance as of January 1 | $ (112,115) | $ (172,967) |
| Other comprehensive loss before reclassifications: | | |
| Unrealized holding losses during the year | (137,710) | (17,199) |
| Change in liability related to postretirement and retiree benefit obligations | 104,933 | 88,988 |
| Total other comprehensive (loss) income before reclassifications | (32,777) | 71,789 |
| Less: Reclassification adjustment for amounts realized in net (loss) income: | | |
| Net realized investment gains | 1,623 | 10,937 |
| Total reclassification adjustment for amounts realized in net (loss) income | 1,623 | 10,937 |
| Total other comprehensive (loss) income | (34,400) | 60,852 |
| Balance as of December 31 | $ (146,515) | $ (112,115) |

**Use of Management Estimates**

In preparing the consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and revenues and expenses for the period. Actual results could differ materially from those estimates.

Significant items subject to such estimates and assumptions include the valuation of goodwill and intangible assets, pension liabilities, reserves for losses and LAE and policy reserves, valuation of investments in fixed-income and marketable equity securities, deferred income taxes, and variable consideration recognized as revenue for life insurance agency commissions.

**1. Summary of Significant Accounting Policies (continued)**

**Concentration of Risks**

*Geographic*

Exchange's business is primarily written in southern California, which exposes the Company to market, regulatory, and catastrophe risk in that market. Exchange continues to execute its strategic plan to mitigate its risk by growing its existing markets outside of California and expanding its business into new markets.

MO Exchange writes the majority of its premiums in the state of Missouri, which is subject to market, regulatory, and earthquake risk. MO Exchange participates in the Property and Casualty VIEs' reinsurance program to help manage its risk.

*Catastrophe*

The Property and Casualty VIEs purchase reinsurance to protect against catastrophic risks, including earthquakes in California and the New Madrid earthquake zone in southeast Missouri. Exchange does not underwrite earthquake insurance directly in California; instead, Exchange is a participant in the California Earthquake Authority (CEA). As a CEA member, Exchange is liable for assessments in the event of a major earthquake. Any potential contingent assessments would be based on market share at the time of the event and approximates $108,492 (see Note 13). This estimate is updated annually by the CEA and is provided to Exchange for informational purposes. Exchange would also be liable for any losses from fires following a major earthquake. Such losses, as well as any potential CEA assessments, are covered under Exchange's reinsurance program. No major earthquakes were experienced in 2022 or 2021 that would result in an assessment from the CEA.

In Texas, the Property and Casualty VIEs transfers its exposure to loss due to hurricanes for the first tier of counties along the coast to the Texas Windstorm Insurance Association (TWIA). However, the TWIA may still assess the Property and Casualty VIEs based on its share of the statewide homeowner premium. The hurricane losses in the counties inland of those directly adjacent to the Gulf of Mexico are covered by the homeowner policy. Hurricane losses for automobiles are covered by the comprehensive coverage in the automobile policy regardless of location. Exchange accrued $0 and $307 as of December 31, 2022 and 2021, respectively, for assessments from the TWIA.

**1. Summary of Significant Accounting Policies (continued)**

The frequency and severity of catastrophes are unpredictable and, as such, the Property and Casualty VIEs could be materially adversely affected by one or several large catastrophes despite the programs implemented to manage the risk of loss.

**Affiliations**

Affiliations are accounted for using the acquisition method of the FASB. The acquisition method requires the reporting entity to determine the acquisition date (affiliation date), recognize and measure the identifiable assets obtained and the liabilities assumed, and recognize and measure goodwill from the affiliation. The results of the affiliated entity are included in the Company's consolidated financial statements from the date of each respective affiliation. Assets obtained and liabilities assumed are recorded at their fair values and the excess of the fair value of the affiliated entity over the amounts assigned is recorded as goodwill.

**Leases**

The Company only has operating leases which include branch offices, other facilities, and equipment that expire in various years through February 2058. Operating lease agreements may contain tenant improvement allowance, rent holidays, rent escalation clauses, and rent abatements. These are charged to expense on a straight-line basis over the lease term. The lease agreements contain lease and non-lease components, which are accounted for together as a single lease component. Additionally, the Company records variable lease expense that includes expenses such as common area maintenance, utilities, and repairs and maintenance.

For any new or modified leases, the Company determines whether a contract is or contains a lease at the inception of the contract. As of December 31, 2022, the Company recognizes a right-of-use asset ("ROU") of $82,294 within other assets and a lease liability of $86,543 within other liabilities in the accompanying consolidated balance sheet. The ROU asset and lease liability are only recognized for operating leases with a contractual term greater than 12 months at the time of lease inception. The ROU asset is measured at the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, initial direct costs, and any tenant improvement allowances received. The lease liability represents the present value of future lease payments over the lease term.

The Company does not record leases with an initial term of 12 months or less on the consolidated balance sheet but continues to record rent expense on a straight-line basis over the lease term.

**1. Summary of Significant Accounting Policies (continued)**

Leases often include options to extend or terminate at the Company's sole discretion and is included in the determination of the lease term when reasonably certain and determinable.

As the rate implicit in the Company's leases is not easily determinable, the Company's risk-free rate is used in calculating the present value of the sum of the lease payments.

**Adopted Accounting Pronouncements**

*Leases*

On January 1, 2022, the Company adopted ASU 2016-02, *Leases (Topic 842)*, which supersedes the legacy lease accounting standard under ASC 840, Leases. The most significant change with Topic 842 is its lessee model that brings most leases, including operating leases, onto the balance sheet. It also addresses other concerns regarding the lessee accounting model under ASC 840, including the elimination of the required use of bright-line tests for determining lease classification.

As permitted under the new FASB lease guidance, the Company elected the package of practical expedients, which allowed it to retain prior conclusions regarding lease identification, classification, and initial direct costs. For lease agreements with lease and non-lease components, the Company elected the practical expedient to account for these as a single lease component for all underlying classes of assets. Additionally, the Company did not elect to use hindsight for existing leases. For short-term leases with an initial lease term of 12 months or less and with purchase options the Company is reasonably certain will not be exercised, the Company elected to not record ROU assets or corresponding lease obligations on the consolidated balance sheet. The Company will continue to record rent expense for each short-term lease on a straight-line basis over the lease term. The Company adopted the new guidance using the modified retrospective approach. As a result, the prior period information reported under the previous lease guidance has not been restated.

The adoption of the new FASB lease guidance was not significant to the consolidated balance sheet or consolidated statement of operations. The impact to the consolidated balance sheet was the recognition of ROU assets of $80,081 upon adoption, with corresponding lease liabilities of $84,088 relating to operating leases. Existing deferred rent and tenant improvement allowances of approximately $3,935, previously recorded within other liabilities, were recorded as an offset to gross operating lease ROU assets. The ROU asset and related lease liabilities are included in other

*(In Thousands)*

## 1. Summary of Significant Accounting Policies (continued)

assets and other liabilities within the consolidated balance sheet. Refer to Note 10 of the Consolidated Financial Statements for information regarding leases.

## 2. Investments

The cost or amortized cost and fair value of investments are as follows as of December 31, 2022:

| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **Fixed-income securities** | | | | |
| Investments available-for-sale: | | | | |
| U.S. government obligations: | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ 1,032,039 | $ 1,031 | $ (110,521) | $ 922,549 |
| Loan-backed securities of U.S. government and federal agencies | 556,135 | 236 | (62,099) | 494,272 |
| Total U.S. government obligations | 1,588,174 | 1,267 | (172,620) | 1,416,821 |
| Debt securities issued by foreign governments | 29,114 | – | (5,171) | 23,943 |
| Municipal securities: | | | | |
| Obligations of states | 309,640 | 1,708 | (14,211) | 297,137 |
| Political subdivisions | 459,236 | 2,147 | (10,590) | 450,793 |
| Special revenue | 2,249,536 | 9,688 | (78,591) | 2,180,633 |
| Total municipal securities | 3,018,412 | 13,543 | (103,392) | 2,928,563 |
| Industrial and miscellaneous securities: | | | | |
| Corporate debt securities | 4,058,439 | 5,196 | (521,811) | 3,541,824 |
| Residential mortgage-backed securities | 284,339 | 423 | (38,743) | 246,019 |
| Commercial mortgage-backed securities | 211,665 | 42 | (24,981) | 186,726 |
| Other debt obligations (structured securities) | 152,761 | 81 | (9,263) | 143,579 |
| Other invested assets | 1,720 | – | (595) | 1,125 |
| Total industrial and miscellaneous securities | 4,708,924 | 5,742 | (595,393) | 4,119,273 |
| Total fixed-income securities | $ 9,344,624 | $ 20,552 | $ (876,576) | $ 8,488,600 |

*(In Thousands)*

## 2. Investments (continued)

The cost or amortized cost and fair value of investments are as follows as of December 31, 2021:

| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **Fixed-income securities** | | | | |
| Investments available-for-sale: | | | | |
| U.S. government obligations: | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ 966,301 | $ 19,011 | $ (19,892) | $ 965,420 |
| Loan-backed securities of U.S. government and federal agencies | 568,463 | 8,098 | (5,858) | 570,703 |
| Total U.S. government obligations | 1,534,764 | 27,109 | (25,750) | 1,536,123 |
| Debt securities issued by foreign governments | 43,282 | 2,269 | (817) | 44,734 |
| Municipal securities: | | | | |
| Obligations of states | 303,781 | 23,280 | (203) | 326,858 |
| Political subdivisions | 383,670 | 20,825 | (134) | 404,361 |
| Special revenue | 2,358,600 | 123,310 | (1,901) | 2,480,009 |
| Total municipal securities | 3,046,051 | 167,415 | (2,238) | 3,211,228 |
| Industrial and miscellaneous securities: | | | | |
| Corporate debt securities | 4,096,695 | 187,350 | (29,470) | 4,254,575 |
| Residential mortgage-backed securities | 255,488 | 1,820 | (2,499) | 254,809 |
| Commercial mortgage-backed securities | 224,554 | 5,401 | (1,721) | 228,234 |
| Other debt obligations (structured securities) | 170,233 | 838 | (791) | 170,280 |
| Other invested assets | 1,722 | 62 | – | 1,784 |
| Total industrial and miscellaneous securities | 4,748,692 | 195,471 | (34,481) | 4,909,682 |
| Total fixed-income securities | $ 9,372,789 | $ 392,264 | $ (63,286) | $ 9,701,767 |

*(In Thousands)*

**2. Investments (continued)**

The cost or amortized cost and fair value of fixed-income securities for the year ended December 31, 2022, by contractual maturity, are shown below:

| | Cost or Amortized Cost | Fair Value |
|---|---|---|
| **Investments available-for-sale** | | |
| Mature in one year or less | $ 327,317 | $ 323,394 |
| Mature after one year through five years | 2,297,394 | 2,173,129 |
| Mature after five years through ten years | 2,967,835 | 2,702,308 |
| Mature after ten years | 2,547,178 | 2,219,173 |
| Subtotal | 8,139,724 | 7,418,004 |
| Loan-backed securities | 1,204,900 | 1,070,596 |
| Total | $ 9,344,624 | $ 8,488,600 |

*(In Thousands)*

## 2. Investments (continued)

### Unrealized Losses

The following tables show the gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2022:

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| **Fixed-income securities** | | | | | | |
| Investments available-for-sale: | | | | | | |
| U.S. government obligations: | | | | | | |
| U.S. Treasury securities and obligations of U.S. government agencies | $ 365,826 | $ (41,759) | $ 478,295 | $ (68,762) | $ 844,121 | $ (110,521) |
| Loan-backed securities of U.S. government and federal agencies | 244,901 | (17,958) | 235,535 | (44,141) | 480,436 | (62,099) |
| Total U.S. government obligations | 610,727 | (59,717) | 713,830 | (112,903) | 1,324,557 | (172,620) |
| Debt securities issued by foreign governments | 16,828 | (2,290) | 7,115 | (2,881) | 23,943 | (5,171) |
| Municipal securities: | | | | | | |
| Obligations of states | 208,047 | (14,047) | 2,178 | (164) | 210,225 | (14,211) |
| Political subdivisions | 244,004 | (10,097) | 5,884 | (493) | 249,888 | (10,590) |
| Special revenue | 1,356,492 | (64,577) | 83,684 | (14,014) | 1,440,176 | (78,591) |
| Total municipal securities | 1,808,543 | (88,721) | 91,746 | (14,671) | 1,900,289 | (103,392) |
| Industrial and miscellaneous securities: | | | | | | |
| Corporate debt securities | 2,415,392 | (321,718) | 909,572 | (200,093) | 3,324,964 | (521,811) |
| Residential mortgage-backed securities | 83,849 | (8,049) | 143,126 | (30,694) | 226,975 | (38,743) |
| Commercial mortgage-backed securities | 125,029 | (12,788) | 53,554 | (12,193) | 178,583 | (24,981) |
| Other debt obligations (structured securities) | 60,489 | (3,202) | 75,929 | (6,061) | 136,418 | (9,263) |
| Other invested assets | 1,125 | (595) | – | – | 1,125 | (595) |
| Total industrial and miscellaneous securities | 2,685,884 | (346,352) | 1,182,181 | (249,041) | 3,868,065 | (595,393) |
| Total fixed-income securities | $ 5,121,982 | $ (497,080) | $ 1,994,872 | $ (379,496) | $ 7,116,854 | $ (876,576) |

*(In Thousands)*

## 2. Investments (continued)

The following tables show the gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2021:

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| **Fixed-income securities** | | | | | | |
| Investments available-for-sale: | | | | | | |
| U.S. government obligations: | | | | | | |
| U.S. Treasury securities and obligations of U.S. government agencies | $ 467,099 | $ (6,882) | $ 203,108 | $ (13,010) | $ 670,207 | $ (19,892) |
| Loan-backed securities of U.S. government and federal agencies | 338,707 | (5,080) | 33,823 | (778) | 372,530 | (5,858) |
| Total U.S. government obligations | 805,806 | (11,962) | 236,931 | (13,788) | 1,042,737 | (25,750) |
| Debt securities issued by foreign governments | 21,561 | (779) | 227 | (38) | 21,788 | (817) |
| Municipal securities: | | | | | | |
| Obligations of states | 29,931 | (203) | – | – | 29,931 | (203) |
| Political subdivisions | 28,836 | (134) | – | – | 28,836 | (134) |
| Special revenue | 241,329 | (1,901) | – | – | 241,329 | (1,901) |
| Total municipal securities | 300,096 | (2,238) | – | – | 300,096 | (2,238) |
| Industrial and miscellaneous securities: | | | | | | |
| Corporate debt securities | 1,372,631 | (23,453) | 77,605 | (6,017) | 1,450,236 | (29,470) |
| Residential mortgage-backed securities | 206,435 | (2,434) | 3,410 | (65) | 209,845 | (2,499) |
| Commercial mortgage-backed securities | 66,890 | (1,166) | 11,444 | (555) | 78,334 | (1,721) |
| Other debt obligations (structured securities) | 118,904 | (791) | – | – | 118,904 | (791) |
| Total industrial and miscellaneous securities | 1,764,860 | (27,844) | 92,459 | (6,637) | 1,857,319 | (34,481) |
| Total fixed-income securities | $ 2,892,323 | $ (42,823) | $ 329,617 | $ (20,463) | $ 3,221,940 | $ (63,286) |

Investments in an unrealized loss position did not meet OTTI criteria and were considered temporarily impaired. The causes of the impairments are fluctuations in the financial markets over time and changes in interest rates. The Company does not intend to sell the investments in fixed-income securities, and it is not more likely than not that the Company will be required to sell these investments before recovery of their amortized cost basis, which may be at maturity.

*(In Thousands)*

**2. Investments (continued)**

**Net Unrealized Investment Gains**

Net unrealized investment (losses) gains on fixed-income securities classified as available-for-sale and equity-method investments are included in the consolidated balance sheets as a component of accumulated other comprehensive income (AOCI). Changes in these amounts include reclassification adjustments to exclude from comprehensive (loss) income those items that are included as part of net (loss) income for a period that had been part of comprehensive income in earlier periods. Such amounts were $24,885 and $62,528 for the years ended December 31, 2022 and 2021, respectively.

Net unrealized (losses) gains on equity securities recognized are as follows for the years-ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Net unrealized (losses) gains during the period on equity securities | $ (1,661,256) | $ 1,526,191 |
| Less: Net gains recognized on equity securities sold during the period | (42,957) | (141,365) |
| Net unrealized (losses) gains during the period on equity securities still held at period end | $ (1,704,213) | $ 1,384,826 |

*(In Thousands)*

**2. Investments (continued)**

**Realized Gains**

Net realized investment (losses) gains are as follows for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Fixed-income securities: | | |
| Gross realized gains on sales | $ 11,319 | $ 76,390 |
| Gross realized losses on sales | (153,580) | (18,812) |
| OTTI | (2,314) | (140) |
| Subtotal | (144,575) | 57,438 |
| Equity securities: | | |
| Gross realized gains on sales | 209,752 | 200,846 |
| Gross realized losses on sales | (166,795) | (59,481) |
| Subtotal | 42,957 | 141,365 |
| Other securities: | | |
| Gross realized losses on sales | – | (143) |
| Subtotal | – | (143) |
| Net realized investment (losses) gains before income taxes | $ (101,618) | $ 198,660 |

Proceeds from sales of fixed income securities (excluding calls, maturities, paydowns, conversions, redemptions, and spin-offs) were $2,045,456 and $2,040,879 for the years ended December 31, 2022 and 2021, respectively.

*(In Thousands)*

**2. Investments (continued)**

**Net Investment Income**

Net investment income is summarized as follows for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Interest | $ 297,915 | $ 289,034 |
| Dividends | 103,656 | 98,061 |
| Other investment income | 1,275 | 865 |
| | 402,846 | 387,960 |
| Less: investment expenses | (25,052) | (26,057) |
| Total | $ 377,794 | $ 361,903 |

**Equity-Method Investments**

Equity-method investments are comprised of the following:

| | 2022 | Percentage Ownership | 2021 | Percentage Ownership |
|---|---|---|---|---|
| ACLI Life | $ 99,052 | 26.30% | $ 121,222 | 26.30% |

The following is a condensed summary of the combined assets, liabilities, and equity of the unconsolidated entity accounted for under the equity method as of December 31:

| | 2022 | 2021 |
|---|---|---|
| Assets | $ 4,163,442 | $ 4,024,160 |
| Liabilities | $ 3,786,889 | $ 3,563,327 |
| Equity | 376,553 | 460,833 |
| | $ 4,163,442 | $ 4,024,160 |

*(In Thousands)*

**2. Investments (continued)**

The condensed results of operations of the unconsolidated entity accounted for under the equity method as of December 31, are as follows:

| | 2022 | 2021 |
|---|---|---|
| Revenues | $ 301,029 | $ 303,235 |
| Expenses | 276,500 | 280,872 |
| Net income | $ 24,529 | $ 22,363 |

In accordance with the equity method of accounting, the proportionate share of net income reflected in other income, net in the accompanying consolidated statements of operations was $6,346 and $5,882 for the years ended December 31, 2022 and 2021, respectively.

**Other Investments**

The carrying value of the Company's cost method investments was $15,251 and $39,029 as of December 31, 2022 and 2021, respectively. No impairments were recognized on other investments in 2022 or 2021, respectively.

**Special Deposits and Restricted Investments**

The Property and Casualty VIEs have investments placed on deposit with the insurance departments of the various states in which they do business. These deposits are part of the licensing process. The assets are reflected in the appropriate investment schedules but are restricted by the applicable state insurance department.

The fair values of restricted fixed income securities at December 31, 2022 and 2021, were $9,407 and $10,674, respectively. The total value of restricted Federal Home Loan Bank stock at December 31, 2022 and 2021, were $15,000 and $0, respectively.

The Company may from time to time invest in securities that may be restricted in whole or in part. As of December 31, 2022 and 2021, the Company did not hold any significant positions in investments for which its sale was restricted.

**3. Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The following are the levels of the hierarchy and a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets where the specific security is traded.

- Level 2 – Inputs other than Level 1 that are based on observable market data. These include quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, inputs that are observable that are not quoted prices (such as interest rates, credit risks, etc.), and inputs that are derived from or corroborated by observable markets. Financial models are often used to develop these prices.

- Level 3 – Developed from unobservable data, reflecting the Company's assumptions.

When quoted prices in active markets for identical assets are available, these quoted market prices are used to determine the fair value of financial assets and these assets are classified as Level 1, primarily common equity securities and U.S. Treasury securities. In other cases where a quoted market price for identical assets in an active market is either not available or not observable, fair value is estimated using valuation methodologies based on available and observable market information or by using a matrix pricing model. These financial assets would be classified as Level 2. If quoted market prices are not available, fair value is determined by using nonbinding broker quotes or an analysis of each investment's financial statements and cash flow projections. In these instances, financial assets will be classified based upon the lowest level of the inputs that are most significant to the valuation. Thus, financial assets may be classified in Level 3 even though there may be some significant inputs that may be readily available.

**3. Fair Value Measurements (continued)**

The following is a description of the valuation methodologies used for financial assets measured at fair value, including the general classification of such assets pursuant to the valuation hierarchy:

**Fixed-Income Securities** – Where quoted prices are available in an active market, fixed-income securities are classified in Level 1 of the fair value hierarchy. Level 1 fixed-income securities are comprised primarily of U.S. Treasury securities. If Level 1 valuations are not available, the fair value is determined using models such as matrix pricing, which uses quoted market prices of fixed-income securities with similar characteristics or discounted cash flows to estimate value based on observable market inputs. The value of U.S. government agency, U.S. corporate securities, emerging market debt, mortgage-backed and other asset-backed obligations, and tax-exempt municipal securities is based on these Level 2 inputs.

**Equity Securities** – Publicly traded securities, including common equity securities, exchange-traded funds, and mutual funds, are classified as Level 1 because quoted prices are available for these securities in an active market. Preferred equity securities are classified as Level 2 because fair value is determined using models that estimate fair value based on observable market inputs such as U.S. Treasury yield curves. Hedge funds are classified as Level 2 because fair value is based upon the Company's ownership interest in the net asset value of the partnership.

*(In Thousands)*

## 3. Fair Value Measurements (continued)

The financial assets for the Company that are measured at fair value were as follows as of December 31, 2022:

| | Total | Fair Value Measurements at Reporting Date Using Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Fixed-income securities** | | | | |
| U.S. government obligations: | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ 922,549 | $ 893,655 | $ 28,894 | $ – |
| Loan-backed securities of U.S. government and federal agencies | 494,272 | – | 494,272 | – |
| Total U.S. government obligations | 1,416,821 | 893,655 | 523,166 | – |
| Debt securities issued by foreign governments | 23,943 | – | 23,943 | – |
| Municipal securities: | | | | |
| Obligations of states | 297,137 | – | 297,137 | – |
| Political subdivisions | 450,793 | – | 450,793 | – |
| Special revenue | 2,180,633 | – | 2,180,633 | – |
| Total municipal securities | 2,928,563 | – | 2,928,563 | – |
| Industrial and miscellaneous securities: | | | | |
| Corporate debt securities | 3,541,824 | – | 3,541,824 | – |
| Residential mortgage-backed securities | 246,019 | – | 246,019 | – |
| Commercial mortgage-backed securities | 186,726 | – | 186,726 | – |
| Other debt obligations (structured securities) | 143,579 | – | 143,579 | – |
| Other invested assets | 1,125 | – | 1,125 | – |
| Total industrial and miscellaneous securities | 4,119,273 | – | 4,119,273 | – |
| Total fixed-income securities | 8,488,600 | 893,655 | 7,594,945 | – |
| **Equity securities** | | | | |
| Common equities: | | | | |
| Large cap | 55 | 55 | – | – |
| Small cap value | 61,624 | 61,624 | – | – |
| Small cap growth | 580,906 | 580,906 | – | – |
| Small cap core | 1,549,628 | 1,549,628 | – | – |
| Passive index | 4,254,194 | 4,254,194 | – | – |
| International | 413,049 | 413,049 | – | – |
| Total common equities | 6,859,456 | 6,859,456 | – | – |
| Preferred equities | 2,959 | – | 2,959 | – |
| Exchange traded funds | 5,329 | 5,329 | – | – |
| Mutual funds | 34,696 | 34,287 | 409 | – |
| Total equity securities | 6,902,440 | 6,899,072 | 3,368 | – |
| Total | $ 15,391,040 | $ 7,792,727 | $ 7,598,313 | $ – |

*(In Thousands)*

## 3. Fair Value Measurements (continued)

The financial assets for the Company that are measured at fair value were as follows as of December 31, 2021:

| | Total | Fair Value Measurements at Reporting Date Using Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Fixed-income securities** | | | | |
| U.S. government obligations: | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ 965,420 | $ 932,685 | $ 32,735 | $ – |
| Loan-backed securities of U.S. government and federal agencies | 570,703 | – | 570,703 | – |
| Total U.S. government obligations | 1,536,123 | 932,685 | 603,438 | – |
| Debt securities issued by foreign governments | 44,734 | – | 44,734 | – |
| Municipal securities: | | | | |
| Obligations of states | 326,858 | – | 326,858 | – |
| Political subdivisions | 404,361 | – | 404,361 | – |
| Special revenue | 2,480,009 | – | 2,480,009 | – |
| Total municipal securities | 3,211,228 | – | 3,211,228 | – |
| Industrial and miscellaneous securities: | | | | |
| Corporate debt securities | 4,254,575 | – | 4,254,575 | – |
| Residential mortgage-backed securities | 254,809 | – | 254,809 | – |
| Commercial mortgage-backed securities | 228,234 | – | 228,234 | – |
| Other debt obligations (structured securities) | 170,280 | – | 170,280 | – |
| Other invested assets | 1,784 | – | 1,784 | – |
| Total industrial and miscellaneous securities | 4,909,682 | – | 4,909,682 | – |
| Total fixed-income securities | 9,701,767 | 932,685 | 8,769,082 | – |
| **Equity securities** | | | | |
| Common equities: | | | | |
| Large cap | 63 | 63 | – | – |
| Small cap value | 1,972,808 | 1,972,808 | – | – |
| Small cap growth | 778,860 | 778,860 | – | – |
| Passive index | 5,372,527 | 5,372,527 | – | – |
| International | 502,064 | 502,064 | – | – |
| Total common equities | 8,626,322 | 8,626,322 | – | – |
| Preferred equities | 3,552 | – | 3,552 | – |
| Mutual funds | 47,089 | 7,089 | 40,000 | – |
| Total equity securities | 8,676,963 | 8,633,411 | 43,552 | – |
| Total | $ 18,378,730 | $ 9,566,096 | $ 8,812,634 | $ – |

*(In Thousands)*

**4. Reserves for Losses and Loss Adjustment Expenses**

*Property and Casualty VIEs*

Activity in the liability for unpaid losses and LAE is summarized as follows:

| | 2022 | 2021 |
|---|---|---|
| Reserves for losses and LAE, gross of reinsurance, at beginning of year | $ 2,106,740 | $ 1,842,894 |
| Less: reinsurance recoverables | (8,156) | (6,253) |
| Net reserves for losses and LAE at beginning of year | 2,098,584 | 1,836,641 |
| Incurred related to: | | |
| Current year | 4,076,687 | 3,438,781 |
| Prior years | 87,131 | (25,348) |
| Total incurred | 4,163,818 | 3,413,433 |
| Paid related to: | | |
| Current year | 2,499,644 | 2,171,760 |
| Prior years | 1,231,523 | 979,730 |
| Total paid | 3,731,167 | 3,151,490 |
| Net reserves for losses and LAE at end of year | 2,531,235 | 2,098,584 |
| Plus reinsurance recoverables | 10,544 | 8,156 |
| Reserves for losses and LAE, gross of reinsurance, at end of year | $ 2,541,779 | $ 2,106,740 |

The incurred losses and LAE for prior accident years increased by $87,131 and decreased by $25,348 in 2022 and 2021, respectively. Increases or decreases of this nature result from claims settlements during the year at an amount greater than or less than expected as additional information is received regarding unpaid individual claims. During 2022, Property and Casualty VIEs had an adverse development of $87,131 on prior accident years primarily due to higher California trends in the auto bodily injury, collision, and property damage coverages, delayed reporting of claims, and increased claim severity. During 2021, Property and Casualty VIEs had favorable development of $25,348 on prior accident years primarily due to subrogation and salvage recoveries in automobile and homeowner lines.

## 4. Reserves for Losses and Loss Adjustment Expenses (continued)

The following is information as of December 31, 2022, about the development of incurred and paid claims, net of recoverables, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts for Property and Casualty VIEs' major product lines. Recoverables include reinsurance and salvage and subrogation. Property and Casualty VIEs' three major product lines are automobile private passenger liability and medical, automobile physical damage, and homeowners. The cumulative number of reported claims represents open claims, claims closed with payment, and claims closed without payment. It does not include an estimated amount for unreported claims. The number of claims is measured by claimant (an individual claim event, e.g., car accident, may result in more than one reported claim). The Property and Casualty VIEs consider a claim that does not result in a liability as a claim closed without payment.

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Recoverables**
**Automobile Insurance – Private Passenger Liability/Medical**
*(Dollars in Thousands)*

| | For the Years Ended December 31, | | | | | | | | | | As of December 31, 2022 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident Year | 2013[1] | 2014[1] | 2015[1] | 2016[1] | 2017[1] | 2018[1] | 2019[1] | 2020[1] | 2021[1] | 2022 | Incurred But Not Reported Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
| 2013 | $835,843 | $ 820,407 | $ 822,798 | $ 830,997 | $ 833,719 | $ 834,740 | $ 835,197 | $ 835,274 | $ 836,098 | $ 836,386 | $ (33) | 202,074 |
| 2014 | | 865,247 | 871,329 | 878,552 | 883,928 | 890,332 | 894,161 | 894,765 | 897,753 | 898,023 | (42) | 209,009 |
| 2015 | | | 912,154 | 963,055 | 966,106 | 979,979 | 988,368 | 991,997 | 994,154 | 998,057 | 797 | 216,676 |
| 2016 | | | | 1,037,398 | 1,041,047 | 1,060,470 | 1,074,482 | 1,075,919 | 1,077,656 | 1,081,656 | 3,220 | 221,637 |
| 2017 | | | | | 1,120,244 | 1,165,991 | 1,190,777 | 1,190,872 | 1,197,842 | 1,204,806 | 6,562 | 233,580 |
| 2018 | | | | | | 1,278,347 | 1,308,993 | 1,307,877 | 1,314,983 | 1,316,860 | 16,842 | 248,039 |
| 2019 | | | | | | | 1,405,132 | 1,432,958 | 1,444,988 | 1,450,661 | 47,463 | 250,527 |
| 2020 | | | | | | | | 1,162,072 | 1,107,027 | 1,101,647 | 86,928 | 164,809 |
| 2021 | | | | | | | | | 1,432,847 | 1,480,785 | 225,924 | 197,226 |
| 2022 | | | | | | | | | | 1,765,417 | 615,689 | 180,544 |
| | | | | | | | | | Total | $12,134,298 | | |

[1] The information for the years 2013 to 2021 is presented as unaudited supplemental information.

## 4. Reserves for Losses and Loss Adjustment Expenses (continued)

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Recoverables Automobile Insurance – Private Passenger Liability/Medical**
*(Dollars in Thousands)*

| Accident Year | For the Years Ended December 31, 2013[1] | 2014[1] | 2015[1] | 2016[1] | 2017[1] | 2018[1] | 2019[1] | 2020[1] | 2021[1] | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ 353,378 | $ 608,897 | $ 731,404 | $ 790,945 | $ 818,188 | $ 827,206 | $ 832,551 | $ 834,070 | $ 835,624 | $ 836,025 |
| 2014 | | 364,292 | 654,108 | 786,927 | 843,300 | 873,936 | 887,256 | 892,287 | 896,061 | 896,930 |
| 2015 | | | 382,515 | 712,564 | 847,963 | 926,261 | 962,762 | 978,666 | 985,419 | 993,721 |
| 2016 | | | | 415,504 | 755,041 | 929,127 | 1,013,721 | 1,049,735 | 1,064,479 | 1,072,525 |
| 2017 | | | | | 442,385 | 837,240 | 1,032,932 | 1,114,321 | 1,158,130 | 1,183,710 |
| 2018 | | | | | | 481,012 | 917,659 | 1,126,830 | 1,220,354 | 1,271,362 |
| 2019 | | | | | | | 505,193 | 999,461 | 1,227,773 | 1,341,405 |
| 2020 | | | | | | | | 375,804 | 757,704 | 930,855 |
| 2021 | | | | | | | | | 444,048 | 999,865 |
| 2022 | | | | | | | | | | 527,026 |
| | | | | | | | | | Total | $10,053,424 |

[1] The information for the years 2013 to 2021 is presented as unaudited supplemental information.

| | Automobile Insurance-Liability |
|---|---|
| Incurred losses and allocated loss adjustment expenses, net of recoverables | $ 12,134,298 |
| Cumulative paid losses and allocated loss adjustment expenses, net of recoverables | (10,053,424) |
| All outstanding liabilities before 2013, net of recoverables | 1,000 |
| Loss and allocated loss adjustment expense reserves, net of recoverables | $ 2,081,874 |

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Recoverables Automobile Insurance – Physical Damage**
*(Dollars in Thousands)*

| Accident Year | For the Years Ended December 31, 2021[1] | 2022 | As of December 31,2022 Total of Incurred But Not Reported Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
|---|---|---|---|---|
| 2021 | $ 984,383 | $ 993,339 | $ (12,572) | 482,301 |
| 2022 | | 1,243,610 | (137,165) | 517,697 |
| | Total | $ 2,236,949 | | |

[1] The information for 2021 is presented as unaudited supplemental Information

## 4. Reserves for Losses and Loss Adjustment Expenses (continued)

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Recoverables Automobile Insurance – Physical Damage**
*(Dollars in Thousands)*

| | For the Years Ended December 31,2022 | |
|---|---|---|
| Accident Year | 2021[1] | 2022 |
| 2021 | $ 962,760 | $ 1,004,660 |
| 2022 | | 1,209,210 |
| | Total | $ 2,213,870 |

[1] The information for 2021 is presented as unaudited supplemental Information

| | Automobile Insurance-Physical Damage |
|---|---|
| Incurred losses and allocated loss adjustment expenses, net of recoverables | $ 2,236,949 |
| Cumulative paid losses and allocated loss adjustment expenses, net of recoverables | (2,213,870) |
| All outstanding liabilities before 2021, net of recoverables | (6,152) |
| Loss and allocated loss adjustment expense reserves, net of recoverables | $ 16,927 |

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Recoverables Homeowners' Insurance**
*(Dollars in Thousands)*

| | For the Years Ended December 31, | | | | | | | | | | As of December 31, 2022 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident Year | 2013[1] | 2014[1] | 2015[1] | 2016[1] | 2017[1] | 2018[1] | 2019[1] | 2020[1] | 2021[1] | 2022 | Incurred But Not Reported Liabilities Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
| 2013 | $391,799 | $ 378,603 | $ 375,984 | $ 376,011 | $ 376,376 | $ 375,764 | $ 375,098 | $ 375,203 | $ 375,304 | $ 375,311 | $ – | 71,414 |
| 2014 | | 425,140 | 406,864 | 404,699 | 404,307 | 404,926 | 404,891 | 404,978 | 405,200 | 405,195 | – | 77,990 |
| 2015 | | | 402,943 | 390,532 | 389,529 | 394,819 | 397,392 | 397,708 | 397,409 | 397,382 | – | 70,433 |
| 2016 | | | | 473,880 | 469,838 | 471,079 | 470,588 | 471,052 | 470,113 | 470,207 | – | 81,216 |
| 2017 | | | | | 572,739 | 549,620 | 549,659 | 500,639 | 502,065 | 502,267 | (3,816) | 87,756 |
| 2018 | | | | | | 437,728 | 448,360 | 427,583 | 426,947 | 428,362 | 514 | 70,819 |
| 2019 | | | | | | | 460,406 | 451,879 | 447,517 | 450,226 | 2,058 | 78,526 |
| 2020 | | | | | | | | 468,539 | 463,737 | 464,922 | 4,884 | 71,102 |
| 2021 | | | | | | | | | 588,389 | 590,689 | 16,666 | 77,823 |
| 2022 | | | | | | | | | | 601,716 | 94,762 | 62,459 |
| | | | | | | | | | | Total | $4,686,277 | |

[1] The information for the years 2013 to 2021 is presented as unaudited supplemental information

## 4. Reserves for Losses and Loss Adjustment Expenses (continued)

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Recoverables (Homeowners' Insurance)**
*(Dollars in Thousands)*

| Accident Year | For the Years Ended December 31, 2013[1] | 2014[1] | 2015[1] | 2016[1] | 2017[1] | 2018[1] | 2019[1] | 2020[1] | 2021[1] | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ 286,054 | $ 358,871 | $ 369,033 | $ 371,900 | $ 374,268 | $ 374,826 | $ 375,119 | $ 375,206 | $ 375,343 | $ 375,350 |
| 2014 | | 326,324 | 388,473 | 397,975 | 400,801 | 403,425 | 404,241 | 404,421 | 404,676 | 405,179 |
| 2015 | | | 304,535 | 371,771 | 381,797 | 390,535 | 395,154 | 396,781 | 397,024 | 397,052 |
| 2016 | | | | 376,254 | 447,624 | 459,663 | 466,145 | 467,751 | 468,457 | 469,277 |
| 2017 | | | | | 387,758 | 492,496 | 519,634 | 489,557 | 494,625 | 501,155 |
| 2018 | | | | | | 327,889 | 412,259 | 423,823 | 420,787 | 426,396 |
| 2019 | | | | | | | 350,661 | 424,297 | 436,521 | 442,087 |
| 2020 | | | | | | | | 342,979 | 438,283 | 453,891 |
| 2021 | | | | | | | | | 451,143 | 559,763 |
| 2022 | | | | | | | | | | 433,750 |
| | | | | | | | | | Total | $ 4,463,900 |

[1] The information for the years 2013 to 2021 is presented as unaudited supplemental information

| | Home Insurance |
|---|---|
| Incurred losses and allocated loss adjustment expenses, net of recoverables | $ 4,686,277 |
| Cumulative paid losses and allocated loss adjustment expenses, net of recoverables | (4,463,900) |
| All outstanding liabilities before 2013, net of recoverables | 1,177 |
| Loss and allocated loss adjustment expense reserves, net of recoverables | $ 223,554 |

The following is unaudited supplementary information about average historical claims duration as of December 31, 2022.

**Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance**

| Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Automobile Insurance | | | | | | | | | | |
| Private Passenger Liability/Medical | 36.2% | 33.3% | 15.3% | 7.3% | 3.5% | 1.5% | 0.7% | 0.5% | 0.1% | 0.0% |
| Physical Damage | 97.1% | 4.2% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Homeowner Insurance | 76.7% | 18.1% | 3.0% | -0.1% | 0.9% | 0.4% | 0.1% | 0.0% | 0.1% | 0.0% |

*(In Thousands)*

**4. Reserves for Losses and Loss Adjustment Expenses (continued)**

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses (net of reinsurance recoverables and salvage and subrogation) in the consolidated balance sheets as of December 31, 2022, is as follows:

| | |
|---|---|
| Net outstanding liabilities (recoverables): | |
| Automobile insurance – private passenger liability/medical | $ 2,081,874 |
| Automobile insurance – physical damage | 16,927 |
| Homeowners' insurance | 223,554 |
| Other short-duration insurance lines | 29,628 |
| Loss and loss adjustment expense reserves, net of reinsurance | 2,351,983 |
| | |
| Reinsurance recoverable on unpaid claims: | |
| Automobile insurance – private passenger liability/medical | 8,580 |
| Automobile insurance – physical damage | 363 |
| Homeowners' insurance | 1,601 |
| Total reinsurance recoverable on unpaid claims | 10,544 |
| | |
| Unallocated claims adjustment expenses | 179,252 |
| Total gross loss and loss adjustment expense reserves | $ 2,541,779 |

*Life Insurance VIE*

Policy reserves at December 31, consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Annuities | $ 510,110 | $ 518,353 |
| Universal life | 231,598 | 206,260 |
| Whole life and term | 586,580 | 506,016 |
| Group life | 98,178 | 92,850 |
| Deposit type contracts | 2,208 | 2,208 |
| Accident and health | 21,245 | 18,339 |
| Pending policyholder claims | 48,177 | 51,232 |
| Total | $ 1,498,096 | $ 1,395,258 |

*(In Thousands)*

**5. Goodwill and Intangible Assets**

Included in the accompanying consolidated balance sheets is goodwill that resulted from the prior acquisitions of PH and HW; the acquisition of the rights to operate American Automobile Association (AAA) motor clubs in the states of Texas, New Mexico, Hawaii, Mississippi, and Louisiana; and the Club's affiliation with NNE, EC and Tidewater. The goodwill balance is $182,742 as of both December 31, 2022 and 2021. The results of the Company's qualitative assessment confirmed that it is not more likely than not that the fair value of any reporting unit is less than its carrying amount, and no goodwill impairment losses were recognized in 2022 or 2021.

Management considers trade names and some operating agreements to have an indefinite life; therefore, trade names and some operating agreements are not being amortized but are reviewed annually for impairment. The remaining operating agreements have been fully amortized. The intangible assets for customer relationships and territory rights are amortized on a straight-line basis over five and ten years, respectively. For finite-lived intangible assets, the weighted average amortization period was 7.5 years as of December 31, 2022 and 2021.

The results of the Company's qualitative assessment confirmed that it is not more likely than not that the fair value of the intangible assets is less than the carrying amount, and no intangible asset impairment losses were recognized in 2022 and 2021.

Intangible assets, net as of December 31, are as follows:

| | 2022 | 2021 |
|---|---|---|
| Trade names | $ 30,890 | $ 30,890 |
| Customer relationships | 16,208 | 16,208 |
| Operating agreement – definite life | 6,457 | 6,457 |
| Operating agreement – indefinite life | 750 | 750 |
| Territory rights | 16,500 | 16,500 |
| Accumulated amortization | (29,889) | (27,925) |
| Intangible assets, net | $ 40,916 | $ 42,880 |

Aggregated amortization expense for intangible assets for the years ended December 31, 2022 and 2021, was $1,964 and $1,964, respectively.

*(In Thousands)*

**5. Goodwill and Intangible Assets (continued)**

The future estimated aggregated amortization expense of amortizing intangible assets as of December 31, 2022, is as follows:

| | | |
|---|---|---|
| 2023 | $ | 1,964 |
| 2024 | | 1,964 |
| 2025 | | 1,710 |
| 2026 | | 1,650 |
| 2027 | | 1,650 |
| Thereafter | | 338 |
| Total | $ | 9,276 |

**6. Related Parties**

Exchange and MO Exchange reimburse Management Services and ACMO, respectively, for salaries, other employee-related costs, and common selling and administrative costs through their respective management service fees. Additionally, a portion of certain employee benefit costs is allocated to Exchange and MO Exchange. See Note 7 for further discussion of employee benefits. During 2022 and 2021, Management Services received a management service fee in the amount of $799,689 and $743,346, respectively, from Exchange. During 2022 and 2021, ACMO received a management service fee in the amount of $4,106 and $4,000, respectively, from MO Exchange. The management service fees, which consist primarily of reimbursable expenses, were eliminated in the accompanying consolidated statements of income.

The Club has agency agreements with AAA Life to sell life insurance policies. Commissions related to these life insurance policies that were recognized in the years ended December 31, 2022 and 2021, were $60,027 and $57,708, respectively. Commissions to be received in future years that were recognized as revenue in the year ended December 31, 2022 and 2021, were $8,981 and $18,824, respectively. Life insurance agency commissions are included in membership services revenue in the accompanying consolidated statements of income.

## 7. Postemployment and Retirement Benefits

### Pension

ACSC sponsors a qualified noncontributory defined benefit pension plan (Club Pension Plan) covering certain employees of the ACSC Club (excluding EC) and ACMO. The benefits of the Club Pension Plan are generally based on the employee's credited years of service, eligible earnings, and, for certain employees hired before January 1, 2011, primary Social Security benefits.

### Pension Augmentation

ACSC and ACMO also each sponsor nonqualified supplemental noncontributory defined benefit retirement plans covering certain eligible key employees. The benefits of such plans are generally based on the employee's credited years of service, average earnings, primary Social Security benefits (for certain employees hired before January 1, 2011 under the plan sponsored by ACSC) and Average Social Security Wage Base (for the plan sponsored by ACMO), and the Club Pension Plan's benefits. These plans are maintained for the purpose of restoring retirement benefits that are precluded from the applicable qualified pension plan due to benefit limitations imposed by the IRS and/or underlying pension plan. Additionally, EC sponsors a nonqualified supplemental noncontributory defined benefit retirement plan that consists of individual contractual agreements based on terms agreed to with the individual at the time the agreement was signed. Collectively, these plans are referred to as the Augmentation Plans.

### Postretirement Benefits

In addition to providing retirement benefits, ACSC Club (excluding NNE, AMA, EC, and Tidewater) provides certain life insurance and health care benefits to eligible retired employees and their dependents (the Postretirement Plans). Eligible ACSC Club (excluding NNE, AMA, EC, and Tidewater) employees hired before January 1, 2002, become eligible for these benefits when they retire, subject to certain conditions. No such benefits are provided to ACSC Club (excluding NNE, AMA, EC, and Tidewater) employees hired on or after January 1, 2002. Certain of the postretirement health care benefits provided by ACSC Club are paid by the Club Retiree Medical and Dental Plan Trust (the Retiree VEBA Trust), which is established pursuant to Section 501(c)(9) of the Code.

**7. Postemployment and Retirement Benefits (continued)**

The Postretirement Plan provides most Medicare-eligible retirees with individual coverage offered through a private retiree exchange. The Postretirement Plan subsidizes retiree medical coverage by establishing a Health Reimbursement Arrangement for Medicare-eligible retirees.

ACMO provides certain health care benefits to eligible retirees and their dependents. ACMO employees hired before January 1, 2011, become eligible for these benefits when they retire, subject to certain conditions. Retired employees electing these benefits are required to pay 100% of the premiums and costs for coverage under the plan.

EC and Tidewater provide certain health care and life insurance benefits to eligible former/retired employees and their spouses and dependents which are unfunded.

**Postemployment Benefits**

A variety of postemployment benefits are provided to inactive employees of ACSC Club (excluding EC) and ACMO Club. These benefits may include short-term disability income, long-term disability income, medical and life insurance continuation for temporarily disabled employees, medical and life insurance continuation for permanently disabled employees, and workers' compensation benefits.

The postemployment benefit obligation for each of the years ended December 31, 2022 and 2021 was $240. There was no net periodic benefit cost for each of the years ended December 31, 2022 and 2021.

*(In Thousands)*

**7. Postemployment and Retirement Benefits (continued)**

The following table sets forth information regarding the Club Pension Plan, the Augmentation Plans, and Postretirement Plans as of and for the years ended December 31:

| | Pension | Pension Augmentation | Postretirement | Other Plans | Total |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Projected benefit obligation | $ 2,288,816 | $ 168,626 | $ 86,485 | $ 13,470 | $ 2,557,397 |
| Fair value of plan assets | 2,268,878 | – | 52,065 | – | 2,320,943 |
| Funded status | $ (19,938) | $ (168,626) | $ (34,420) | $ (13,470) | $ (236,454) |
| Accumulated benefit obligation | $ 2,168,959 | $ 160,656 | $ 86,485 | $ 13,470 | $ 2,429,570 |
| Employer contributions | – | 10,244 | 105 | 1,908 | 12,257 |
| Participant contributions | – | – | 1,660 | – | 1,660 |
| Benefits paid | (93,570) | (10,244) | (5,030) | (1,908) | (110,752) |
| **2021** | | | | | |
| Projected benefit obligation | $ 3,255,533 | $ 218,250 | $ 117,868 | $ 17,405 | $ 3,609,056 |
| Fair value of plan assets | 2,849,235 | – | 60,258 | – | 2,909,493 |
| Funded status | $ (406,298) | $ (218,250) | $ (57,610) | $ (17,405) | $ (699,563) |
| Accumulated benefit obligation | $ 3,032,971 | $ 202,596 | $ 117,868 | $ 17,405 | $ 3,370,840 |
| Employer contributions | – | 10,120 | 43 | 1,412 | 11,575 |
| Participant contributions | – | – | 1,751 | – | 1,751 |
| Benefits paid | (85,793) | (10,120) | (4,540) | (1,412) | (101,865) |

Contributions for these plans for the 2022 plan year can be made through the third quarter of 2023. The Company has not yet determined the final contributions for the 2022 plan year.

*(In Thousands)*

## 7. Postemployment and Retirement Benefits (continued)

The pretax amounts recognized in other comprehensive income for the years ended December 31, consist of the following:

| | Pension | Pension Augmentation | Postretirement | Other Plans | Total |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Amounts arising during the year: | | | | | |
| Net recognized loss (gain) | $ (375,135) | $ (47,605) | $ (23,253) | $ (1,067) | $ (447,060) |
| Prior service cost | – | – | – | – | – |
| Amortization of: | | | | | |
| Prior service credit | – | 11 | 10,749 | – | 10,760 |
| Net recognized loss | (56,055) | (9,227) | (11) | (135) | (65,428) |
| Net pretax amount recognized | $ (431,190) | $ (56,821) | $ (12,515) | $ (1,202) | $ (501,728) |
| **2021** | | | | | |
| Amounts arising during the year: | | | | | |
| Net recognized loss (gain) | $ (306,669) | $ 689 | $ (5,794) | $ (204) | $ (311,978) |
| Prior service cost | – | – | – | – | – |
| Amortization of: | | | | | |
| Prior service credit | 141 | 11 | 10,788 | – | 10,940 |
| Net recognized loss | (83,644) | (10,537) | (296) | (132) | (94,609) |
| Net pretax amount recognized | $ (390,172) | $ (9,837) | $ 4,698 | $ (336) | $ (395,647) |

*(In Thousands)*

**7. Postemployment and Retirement Benefits (continued)**

The amounts included in AOCI that have not yet been recognized as components of net periodic benefit cost as of December 31, consist of the following:

| | Pension | Pension Augmentation | Postretirement | Other Plans | Total |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Prior service credit | $ – | $ 25 | $ 6,452 | $ – | $ 6,477 |
| Accumulated loss | (57,949) | (32,663) | 15,030 | (1,209) | (76,791) |
| Total | $ (57,949) | $ (32,638) | $ 21,482 | $ (1,209) | $ (70,314) |
| **2021** | | | | | |
| Prior service credit | $ – | $ 36 | $ 17,201 | $ – | $ 17,237 |
| Accumulated loss | (489,139) | (89,496) | (8,234) | (2,410) | (589,279) |
| Total | $ (489,139) | $ (89,460) | $ 8,967 | $ (2,410) | $ (572,042) |

The amounts recognized in the accompanying consolidated balance sheets as of December 31, are as follows:

| | Pension | Pension Augmentation | Postretirement | Other Plans | Post-employment | Total |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Assets | $ – | $ – | $ – | $ – | $ – | $ – |
| Liabilities | (19,939) | (168,622) | (34,420) | (13,470) | (240) | (236,691) |
| Total | $ (19,939) | $ (168,622) | $ (34,420) | $ (13,470) | $ (240) | $ (236,691) |
| **2021** | | | | | | |
| Assets | $ – | $ – | $ – | $ – | $ – | $ – |
| Liabilities | (406,298) | (218,250) | (57,610) | (17,405) | (240) | (699,803) |
| Total | $ (406,298) | $ (218,250) | $ (57,610) | $ (17,405) | $ (240) | $ (699,803) |

*(In Thousands)*

## 7. Postemployment and Retirement Benefits (continued)

The components of aggregate annual net periodic benefit costs, which are included in salaries and benefits expenses on the accompanying consolidated statements of income at December 31, are as follows:

| | Pension | Pension Augmentation | Postretirement | Other Plans | Total |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Service cost | $ 72,717 | $ 1,479 | $ 767 | $ – | $ 74,963 |
| Interest cost | 98,441 | 6,745 | 3,447 | 207 | 108,840 |
| Expected return on plan assets | (182,383) | – | (2,351) | – | (184,734) |
| Amortization of: | | | | | |
| Prior service credit | – | (11) | (10,749) | – | (10,760) |
| Recognized loss | 56,055 | 9,227 | 11 | 135 | 65,428 |
| Net periodic pension cost (benefit) | $ $44,830 | $ $17,440 | $ (8,875) | $ 342 | $ 53,737 |
| **2021** | | | | | |
| Service cost | $ 77,901 | $ 1,439 | $ 923 | $ – | $ 80,263 |
| Interest cost | 92,296 | 6,348 | 3,296 | 212 | 102,152 |
| Expected return on plan assets | (167,392) | – | (2,399) | – | (169,791) |
| Amortization of: | | | | | |
| Prior service credit | (141) | (11) | (10,788) | – | (10,940) |
| Recognized loss | 83,646 | 10,537 | 296 | 132 | 94,611 |
| Net periodic pension cost (benefit) | $ 86,310 | $ 18,313 | $ (8,672) | $ 344 | $ 96,295 |

The Company expects the following future benefit payments for the years presented:

| | Pension | Pension Augmentation | Postretirement | Other Plans | Total |
|---|---|---|---|---|---|
| 2023 | $ 100,413 | $ 10,725 | $ 5,675 | $ 582 | $ 117,395 |
| 2024 | 106,190 | 10,684 | 5,753 | 570 | 123,197 |
| 2025 | 112,056 | 10,657 | 5,768 | 556 | 129,037 |
| 2026 | 117,977 | 12,251 | 5,815 | 540 | 136,583 |
| 2027 | 123,625 | 12,322 | 5,914 | 522 | 142,383 |
| 2028 through 2032 | 770,107 | 63,179 | 29,992 | 2,293 | 865,571 |
| Total | $ 1,330,368 | $ 119,818 | $ 58,917 | $ 5,063 | $ 1,514,166 |

*(In Thousands)*

**7. Postemployment and Retirement Benefits (continued)**

Weighted-average assumptions used to determine the benefit obligation as of December 31, are:

| | Pension | Pension Augmentation | Postretirement | Other Plans |
|---|---|---|---|---|
| **2022** | | | | |
| Discount rate | 5.50% | 5.50% | 5.50%–5.55% | 5.50% |
| Pensions-in-payment increase | N/A | N/A–2.00 | N/A | N/A |
| Rate of compensation increase | 4.30 | N/A–4.30 | N/A–Varies by age | N/A |
| **2021** | | | | |
| Discount rate | 3.04% | 3.04% | 2.67%–3.04% | 3.04% |
| Pensions-in-payment increase | N/A | N/A–2.00 | N/A | N/A |
| Rate of compensation increase | 4.30 | N/A–4.30 | N/A–Varies by age | N/A–Varies by age |

Weighted-average assumptions used to determine the net period benefit costs as of December 31, are:

| | Pension | Pension Augmentation | Postretirement | Other Plans |
|---|---|---|---|---|
| **2022** | | | | |
| Discount rate | 3.04% | 3.04% | 3.04% | N/A–3.04% |
| Expected return on plan assets | 7.50 | N/A | N/A–4.00 | N/A |
| Rate of compensation increase | 4.30 | N/A–4.30 | N/A–Varies by age | N/A |
| **2021** | | | | |
| Discount rate | 2.86% | 2.86% | 2.15%–2.86% | N/A–2.86% |
| Expected return on plan assets | 7.50 | N/A | N/A–4.00 | N/A |
| Rate of compensation increase | 4.30 | N/A–4.30 | N/A–Varies by age | N/A |

**7. Postemployment and Retirement Benefits (continued)**

Reasons for significant gains affecting the benefit obligation as of December 31, 2022, are:

- Pension – Gains were primarily due to the discount rate increase from 3.04% to 5.50%.
- Pension Augmentation – Gains were primarily due to an increase in discount rate, offset by losses in experience.
- Postretirement – Gains were primarily due to an increase in discount rate.
- Other Plans – Gains were primarily due to an increase in discount rate, offset by loss for survival.

Reasons for significant gains and losses affecting the benefit obligation as of December 31, 2021, are:

- Pension – Gains were primarily due to the discount rate increase from 2.86% to 3.04%.
- Pension Augmentation – Losses were primarily due to salary increases and survival, offset by gains from an increase in discount rate.
- Postretirement – Gains were primarily due to an increase in discount rate and updated retirees premiums and contributions.
- Other Plans – Gains were primarily due to death of a participant.

**Pension**

The expected return on pension plan assets is based on the range of historical portfolio returns. In 2022 and 2021, the rate of 7.5% was selected to reflect the future expected returns based on the Company's best estimate.

The net periodic pension cost is comprised of several components that reflect different aspects of the entities' financial arrangements as well as the costs of benefits earned by employees. These components are determined using the projected-unit-credit-actuarial-cost method.

*(In Thousands)*

**7. Postemployment and Retirement Benefits (continued)**

The asset allocation at December 31, 2022 and 2021, for the Postretirement Plans is 100% fixed-income securities and money market funds. The asset allocations at December 31, for the Club Pension Plan are as follows:

| | 2022 | 2021 |
|---|---|---|
| Equities | 75% | 74% |
| Fixed-income, including cash, and other investments | 20 | 23 |
| Real estate | 5 | 3 |
| Total | 100% | 100% |

The Club Pension and Postretirement Plans' general classification of its assets carried at fair value, pursuant to the fair value hierarchy (discussed in Note 3), includes fixed-income securities of U.S. Treasury securities, equity securities of publicly traded common equities, interest-bearing cash deposits, interests in registered investment companies, and money market funds, which are classified as Level 1 inputs as quoted prices are available for these securities in an active market. If Level 1 valuations are not available, the fair value is determined using models such as matrix pricing, which uses quoted market prices of fixed-income securities with similar characteristics of discounted cash flows to estimate value based on observable market inputs. The value of fixed-income securities (excluding U.S. Treasury securities), debt securities issued by foreign governments, tax-exempt municipal securities, real estate funds, U.S. corporate securities, mortgage-backed, other asset-backed obligations, and common/collective trust funds is based on Level 2 inputs.

*(In Thousands)*

## 7. Postemployment and Retirement Benefits (continued)

The following table sets forth by level, within the fair value hierarchy, the financial assets for the pension and postretirement plans carried at fair value as of December 31, 2022:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Fixed-income securities** | | | | |
| U.S. government obligations: | | | | |
| U.S. treasury securities and obligations of U.S. government agencies | $ 60,548 | $ 59,957 | $ 591 | $ – |
| Loan-backed securities of U.S. government and federal agencies | 18,269 | – | 18,269 | – |
| Total U.S. government obligations | 78,817 | 59,957 | 18,860 | – |
| Debt securities issued by foreign governments | 1,921 | – | 1,921 | – |
| Municipal securities: | | | | |
| Obligations of states | 2,077 | – | 2,077 | – |
| Political subdivisions | 338 | – | 338 | – |
| Special revenue | 49,459 | – | 49,459 | – |
| Total municipal securities | 51,874 | – | 51,874 | – |
| Industrial and miscellaneous securities: | | | | |
| Corporate debt securities | 336,805 | – | 336,805 | – |
| Residential mortgage-backed securities | 3,484 | – | 3,484 | – |
| Commercial mortgage-backed securities | 7,803 | – | 7,803 | – |
| Other debt obligations (structured securities) | 9,988 | – | 9,988 | – |
| Total industrial and miscellaneous securities | 358,080 | – | 358,080 | – |
| Total fixed-income securities | 490,692 | 59,957 | 430,735 | – |
| **Equity securities** | | | | |
| Common equities: | | | | |
| Small cap value | 99,126 | 99,126 | – | – |
| Small cap core | 451,301 | 451,301 | – | – |
| Small cap growth | 222,383 | 222,383 | – | – |
| Common/collective trust funds | 790,238 | – | 790,238 | – |
| Interest in registered investment companies | 110,517 | 110,517 | – | – |
| Total equity securities | 1,673,565 | 883,327 | 790,238 | – |
| Other investments (real estate fund) | 104,910 | – | 104,910 | – |
| Other short-term investments (money market funds) | 46,444 | 46,444 | – | – |
| Total | $ 2,315,611 | $ 989,728 | $ 1,325,883 | $ – |

*Note:* Accrued interest, net of payables, of $5,332 is not included in the above table.

*(In Thousands)*

## 7. Postemployment and Retirement Benefits (continued)

The following table sets forth by level, within the fair value hierarchy, the financial assets for the pension and postretirement plans carried at fair value as of December 31, 2021:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Fixed-income securities** | | | | |
| U.S. government obligations: | | | | |
| U.S. treasury securities and obligations of U.S. government agencies | $ 98,646 | $ 97,150 | $ 1,496 | $ – |
| Loan-backed securities of U.S. government and federal agencies | 31,512 | – | 31,512 | – |
| Total U.S. government obligations | 130,158 | 97,150 | 33,008 | – |
| Debt securities issued by foreign governments | 3,722 | – | 3,722 | – |
| Municipal securities: | | | | |
| Obligations of states | 2,127 | – | 2,127 | – |
| Political subdivisions | 936 | – | 936 | – |
| Special revenue | 58,922 | – | 58,922 | – |
| Total municipal securities | 61,985 | – | 61,985 | – |
| Industrial and miscellaneous securities: | | | | |
| Corporate debt securities | 443,910 | – | 443,910 | – |
| Residential mortgage-backed securities | 6,081 | – | 6,081 | – |
| Commercial mortgage-backed securities | 13,666 | – | 13,666 | – |
| Other debt obligations (structured securities) | 12,291 | – | 12,291 | – |
| Total industrial and miscellaneous securities | 475,948 | – | 475,948 | – |
| Total fixed-income securities | 671,813 | 97,150 | 574,663 | – |
| **Equity securities** | | | | |
| Common equities: | | | | |
| Small cap value | 569,132 | 569,132 | – | – |
| Small cap growth | 302,936 | 302,936 | – | – |
| Common/collective trust funds | 1,086,708 | – | 1,086,708 | – |
| Interest in registered investment companies | 129,760 | 129,760 | – | – |
| Total equity securities | 2,088,536 | 1,001,828 | 1,086,708 | – |
| Other investments (real estate fund) | 99,114 | – | 99,114 | – |
| Other short-term investments (money market funds) | 42,940 | 42,940 | – | – |
| Total | $ 2,902,403 | $ 1,141,918 | $ 1,760,485 | $ – |

*Note:* Accrued interest, net of payables, of $7,090 is not included in the above table.

*(In Thousands)*

**7. Postemployment and Retirement Benefits (continued)**

The pension and postretirement plans' assets are managed by external managers. The investment strategy is to maximize return on investments, including income and investment appreciation, while preserving capital over a long-term horizon. For the Club Pension Plan, the Company believes that the best way to accomplish this goal is a strategy that invests in high-quality, well-diversified equity securities, fixed-income securities, and real estate securities. The asset allocation guidelines for the Club Pension Plan are as follows:

| | Allocation Range |
|---|---|
| Equity funds | 50% to 80% |
| Fixed income | 15% to 45% |
| Real estate | 0% to 5% |

For the Postretirement Plans, the Company's asset allocation guideline is to invest in 100% fixed-income securities and money market funds.

Specific guidelines are established and monitored for each manager of the pension and postretirement plans' separate accounts (commingled funds, mutual funds, and limited liability companies and other funds set their own guidelines). Leverage is not permitted in separate accounts, but may be allowed in funds, particularly real estate funds.

**Postretirement Benefits**

ACSC Club (excluding NNE, AMA, EC, and Tidewater) and ACMO accrue the postretirement benefit cost, which is primarily for health care, during the employee's active working career. The benefit obligation is determined by application of the terms of medical, dental, and life insurance plans, including the effects of established employee contributions together with relevant actuarial assumptions and health care cost trend rates projected at annual rates. The initial estimated health care trend rate assumption was 7.50% at December 31, 2022, grading down by approximately 0.28% per year to an ultimate rate of 5.00% in 2031 for both ACSC Club and ACMO. EC's initial estimated health care trend rate assumption was 7.50% at December 31, 2022, grading down by approximately 0.30% per year to an ultimate rate of 4.50% in 2032.

*(In Thousands)*

**7. Postemployment and Retirement Benefits (continued)**

It is the practice of ACSC Club (excluding NNE, AMA, EC, and Tidewater) to contribute amounts for postretirement benefits into the Retiree VEBA Trust from time to time. The Retiree VEBA Trust's assets currently include short-term money market funds and high-grade fixed-income securities.

The Retiree VEBA Trust's asset allocations at December 31, are as follows:

| | 2022 | 2021 |
|---|---|---|
| Fixed income | 97% | 97% |
| Short-term money market funds | 3 | 3 |
| Total | 100% | 100% |

The Retiree VEBA Trust's assets are primarily managed by an external manager. The investment strategy is to maximize return on investments while preserving capital over a long-term horizon. ACSC Club (excluding NNE, AMA, EC, and Tidewater) believes that the best way to accomplish this goal is a strategy that invests in high-quality, well-diversified fixed-income securities.

EC accrues the postretirement benefit cost, which is primarily for certain health care and life insurance benefits to eligible retired employees. EC's and ACMO's postretirement benefit plans are unfunded.

As of December 31, 2022 and 2021, NNE, AMA, and Tidewater do not have postretirement plans.

**Savings Plans**

ACSC sponsors a qualified defined contribution retirement plan (the Savings Plan) covering certain employees of the ACSC Club (excluding EC), ACMO, PH, and HW.

The Savings Plan provides nondiscretionary matching contributions (excluding employees of PH and its subsidiaries and Tidewater) of 100% up to a maximum of 4% of eligible compensation to both "grandfathered participants" and "non-grandfathered participants." In 2022 and 2021, eligible employees of PH and its subsidiaries are only eligible for discretionary matching contributions. Eligible employees of Tidewater are eligible for nondiscretionary matching

**7. Postemployment and Retirement Benefits (continued)**

contributions of 50% up to a maximum of 6% of eligible compensation. Additional discretionary matching contributions may also be made with applicable club's approval. Effective on April 1, 2022 and 2021, an additional discretionary matching contribution of up to 1% was approved for the following twelve-month period for ACSC Club, ACMO, PH and HW.

The Savings Plan for EC provides for nondiscretionary matching contributions of 100% up to a maximum of 6% of eligible compensation. An additional discretionary matching contribution of up to 1% of eligible compensation was also made under the EC Savings Plan, effective January 1 for the 2022 and 2021 plan years. In addition, a one-time contribution of 1.5% of eligible compensation was also made under the EC Savings Plan, effective January 1 for the 2021 plan year and for the period from January 1, 2022 to June 30, 2022. Effective July 1, 2022, the 1.5% contribution was replaced by a service-based nonelective contribution of between 2.5% and 6% of eligible compensation depending on years of service.

In 2022 and 2021, total amounts contributed to all Savings Plans were $28,386 and $26,547, respectively.

**Deferred Compensation Plans**

ACSC sponsors a nonqualified Executive Deferred Compensation & Bonus Deferral Plan (the Plan) wherein eligible key employees of ACSC and other participating employers may elect to defer a portion of their base salary and incentive compensation and subject to certain conditions, receive certain matching contributions on eligible deferrals, as well as interest on such deferrals and matching contributions. ACSC also maintains a Long-Term Incentive and Deferral Plan (together with the Plan, the Deferred Plans) wherein eligible key employees of ACSC and other participating employers may elect to defer a portion of their long-term incentive compensation and receive interest on such deferrals.

ACMO also maintains a nonqualified deferred compensation plan (ACMO Deferred Plan) for which certain key employees of ACMO are eligible to defer a portion of their base salary and incentive compensation and may receive credited earnings. No new participants are allowed for plan years after 2011, and deferrals under this plan in 2012 and thereafter are limited to certain participants.

*(In Thousands)*

**7. Postemployment and Retirement Benefits (continued)**

EC maintains nonqualified deferred compensation plans (EC Plans) for which certain current and former key employees of EC are eligible to defer a portion of their eligible earnings and, subject to certain conditions and limits, may receive employer contribution credits and credited earnings or interest. PH maintained a nonqualified deferred compensation plan (PH Plan) through the end of December 31, 2021 wherein eligible key employees had an ability to elect to defer a portion of their base salary and incentive compensation and receive a crediting rate on such deferrals.

The Deferred Plans, ACMO Deferred Plan, EC Plans, and PH Plan are unfunded and unsecured plans in which obligations are paid to participants out of the respective employer's assets.

**Other Plans**

The Company also has several individual nonqualified noncontributory retirement contracts that cover certain current and former employees.

**8. Deferred Acquisition Costs**

**The Club**

Capitalized membership acquisition costs and related amortization are as follows for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| DAC, January 1 | $ 22,655 | $ 23,172 |
| Costs capitalized | 9,463 | 9,030 |
| Amortization | (9,368) | (9,547) |
| DAC, December 31 | $ 22,750 | $ 22,655 |

The amortization of DAC is included in salaries and benefits in the accompanying consolidated statements of operations.

*(In Thousands)*

**8. Deferred Acquisition Costs (continued)**

**Property and Casualty VIEs**

Capitalized policyholder acquisition costs and related amortization are as follows for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| DAC, January 1 | $ 93,700 | $ 87,482 |
| Costs capitalized | 239,315 | 204,272 |
| Amortization | (220,614) | (198,054) |
| DAC, December 31 | $ 112,401 | $ 93,700 |

The amortization of DAC is included in other underwriting expenses in the accompanying consolidated statements of operations.

**Life Insurance VIE**

Activity in DAC for the years ended December 31, is as follows:

| | 2022 | 2021 |
|---|---|---|
| DAC, January 1 | $ 509,150 | $ 447,361 |
| Costs capitalized | 93,738 | 95,813 |
| Interest on balance | 22,557 | 20,835 |
| Amortization | (3,665) | (54,859) |
| DAC, December 31 | $ 621,780 | $ 509,150 |

The amortization of DAC is included in other underwriting expenses in the accompanying consolidated statements of operations.

*(In Thousands)*

**9. Federal Home Loan Bank Borrowings**

The Company became a member of the Federal Home Loan Bank System of San Francisco ("FHLB") in 2022 and is required to maintain a minimum level of investment in FHLB stock. The Company's investment in FHLB capital stock is carried at par value ($100 per share) and is reported in other investments. The total value of FHLB stock is $15,000 as of December 31, 2022.

The Company has the ability to borrow up to 10% of total assets for terms up to 84 months. As of December 31, 2022, the estimated borrowing capacity with the FHLB was $1,000,000, of which the Company was eligible to borrow $6,000 based on the value of collateral pledged as of the reporting date. There were no borrowed funds as of December 31, 2022. The fair value and carrying value of collateral pledged to FHLB is $6,859 and $8,124, respectively, as of December 31, 2022.

**10. Leases**

The Company leases certain branch offices, other facilities, and equipment throughout the United States.

Future minimum operating lease commitments are as follows:

| | Operating Leases |
|---|---|
| 2023 | $ 22,134 |
| 2024 | 19,860 |
| 2025 | 16,677 |
| 2026 | 12,588 |
| 2027 | 8,022 |
| Thereafter | 11,874 |
| Total lease payments | 91,155 |
| Less imputed interest | (4,612) |
| Total minimum lease payments | $ 86,543 |

Total operating lease costs was $17,878, net of sublease income of $4,779, for the year ended December 31, 2022.

*(In Thousands)*

**10. Leases (continued)**

Other lease information is as follows:

| | 2022 |
|---|---|
| Cash paid related to operating lease liabilities | $ 22,390 |
| Assets obtained in exchange for operating lease obligations | 21,691 |
| Weighted-average remaining operating lease term | 5.40 years |
| Weighted-average operating lease discount rate | 1.73% |

*Previous Lease Guidance Disclosure*

Future minimum operating lease commitments are as follows:

| | Operating Leases |
|---|---|
| 2022 | $ 21,591 |
| 2023 | 17,691 |
| 2024 | 15,438 |
| 2025 | 12,424 |
| 2026 | 9,976 |
| Thereafter | 10,533 |
| Total minimum lease payments | $ 87,653 |

The Company had $25,315 in rent expense for the year ended December 31, 2021. Rental income recognized in 2021 was $7,265.

*(In Thousands)*

## 11. Reinsurance

### Property and Casualty VIEs

The effect of reinsurance on premiums and losses and LAE as of and for the years ended December 31, is as follows:

| | 2022 | 2021 |
|---|---|---|
| Premiums written: | | |
| Direct | $ 5,077,221 | $ 4,662,813 |
| Assumed | 58 | 21,696 |
| Ceded | (96,931) | (80,094) |
| Premiums written, net | $ 4,980,348 | $ 4,604,415 |
| Premiums earned: | | |
| Direct | $ 4,834,447 | $ 4,602,412 |
| Assumed | 3,389 | 41,589 |
| Ceded | (89,314) | (79,446) |
| Premiums earned, net | $ 4,748,522 | $ 4,564,555 |
| Unearned premium reserves: | | |
| Direct | $ 2,443,251 | $ 2,192,863 |
| Assumed | 14 | 3,343 |
| Ceded | (14,109) | (6,492) |
| Unearned premium reserves, net | $ 2,429,156 | $ 2,189,714 |
| Losses and LAE incurred: | | |
| Direct | $ 4,179,522 | $ 3,403,282 |
| Assumed | 2,001 | 22,847 |
| Ceded | (17,705) | (12,696) |
| Losses and LAE incurred, net | $ 4,163,818 | $ 3,413,433 |
| Reserves for losses and LAE: | | |
| Direct | $ 2,540,903 | $ 2,090,823 |
| Assumed | 11,420 | 24,073 |
| Ceded | (10,544) | (8,156) |
| Reserves for losses and LAE, net | $ 2,541,779 | $ 2,106,740 |

*(In Thousands)*

**11. Reinsurance (continued)**

**Life Insurance VIE**

In 2022 and 2021, ACSC Life assumed 100% of its business through reinsurance agreements and did not have any direct or ceded business. Premiums earned and incurred losses and LAE are included in net premiums earned and insurance losses and LAE, respectively, in the accompanying consolidated statements of income. Aggregate reserves, reserves for losses and LAE, and unearned premium reserves are included in policy reserves in the accompanying consolidated balance sheets. ACSC Life had $332,447 and $313,856 in net premiums earned and $229,471 and $236,907 in insurance losses and LAE for the years ended December 31, 2022 and 2021, respectively.

**12. Income Taxes**

Income tax (benefit) expense is comprised of the following amounts for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Federal: | | |
| Current | $ (90,934) | $ 57,183 |
| Deferred | (383,403) | 283,617 |
| | (474,337) | 340,800 |
| State: | | |
| Current | 1,511 | 1,879 |
| Deferred | (13,536) | 7,280 |
| | (12,025) | 9,159 |
| Total | $ (486,362) | $ 349,959 |

*(In Thousands)*

**12. Income Taxes (continued)**

Income tax (benefit) expense is different from the federal income tax rate of 21% for the years ended December 31, 2022 and 2021, respectively, for the following reasons:

| | 2022 | 2021 |
|---|---|---|
| Provision for federal income taxes at statutory rate of 21% | $ (462,100) | $ 356,441 |
| Increase (decrease) from: | | |
| Tax-exempt interest | (11,679) | (11,635) |
| Nontaxable dividends | (7,551) | (6,923) |
| State income taxes, net of federal benefit | (9,496) | 7,443 |
| Other, net | 4,464 | 4,633 |
| Total | $ (486,362) | $ 349,959 |

*(In Thousands)*

**12. Income Taxes (continued)**

The income tax information provided below presents the net positions of the Company's multiple tax-filing groups in both the motor clubs and insurance operations. Temporary differences, which give rise to a significant portion of deferred tax assets and liabilities at December 31, are as follows:

| | Federal | State |
|---|---|---|
| **2022** | | |
| Deferred tax assets: | | |
| Health care and life insurance benefits | $ 9,277 | $ 1,660 |
| Other employee benefits, including deferred compensation | 86,056 | (10,702) |
| Unearned membership dues | 334 | 23,744 |
| Unearned premium reserve | 103,792 | – |
| Discounting of unpaid losses and LAE | 25,882 | – |
| Investments | 63,073 | 206 |
| Net operating loss and other carryforward benefits | 25,312 | 27,443 |
| Other | 47,738 | 1,851 |
| Deferred tax assets | 361,464 | 44,202 |
| Deferred tax liabilities: | | |
| Net unrealized gain on securities | 726,810 | 10,692 |
| DAC | 149,420 | 1,403 |
| Fixed assets | 47,471 | 3,950 |
| Goodwill | 25,641 | 6,793 |
| Salvage and subrogation recoverable | 1,263 | – |
| Life insurance agency commission receivable | 40,693 | 12,082 |
| Other | 53,719 | 18,214 |
| Deferred tax liabilities | 1,045,017 | 53,134 |
| Net deferred tax liability | $ (683,553) | $ (8,932) |

*(In Thousands)*

**12. Income Taxes (continued)**

| | Federal | State |
|---|---|---|
| **2021** | | |
| Deferred tax assets: | | |
| Health care and life insurance benefits | $ 13,407 | $ 1,839 |
| Other employee benefits, including deferred compensation | 175,070 | (956) |
| Unearned membership dues | 338 | 23,920 |
| Unearned premium reserve | 93,699 | – |
| Discounting of unpaid losses and LAE | 18,650 | – |
| Investments | 9,098 | 98 |
| Net operating loss and other carryforward benefits | 35,077 | 21,642 |
| Other | 34,948 | 2,963 |
| Deferred tax assets | 380,287 | 49,506 |
| Deferred tax liabilities: | | |
| Net unrealized gain on securities | 1,331,144 | 34,084 |
| DAC | 122,939 | 1,406 |
| Fixed assets | 63,820 | 4,226 |
| Goodwill | 25,541 | 6,723 |
| Salvage and subrogation recoverable | 1,136 | – |
| Life insurance agency commission receivable | 38,806 | 11,546 |
| Other | 47,741 | 16,700 |
| Deferred tax liabilities | 1,631,127 | 74,685 |
| Net deferred tax liability | $ (1,250,840) | $ (25,179) |

The recoverability of the deferred tax assets is dependent on the Company's ability to generate future taxable income. Management believes that it is more likely than not that the results of future operations and various tax-planning strategies will generate sufficient taxable income in the periods necessary to realize the deferred tax assets.

**12. Income Taxes (continued)**

As of December 31, 2022, the Club has total federal net operating loss carryforwards of $43,463, which begin to expire in 2030. ACSC Life has a federal net operating loss carryforward of $32,930, none of which expires. The Property and Casualty VIEs have no remaining net operating loss carryforwards to offset future taxable income. ACCM has $42 of net capital loss carryforwards to offset future capital gains, which begin to expire in 2023. Management believes that it is more likely than not that the Company will realize the full benefits of its federal net operating loss carryforwards.

As of December 31, 2022, the Club and the Property and Casualty VIEs have $33 Foreign Tax Credit (FTC) credit carryforward.

The Company's deferred tax assets also include state net operating losses which are specific to the states in which they were generated. Management believes that it is more likely than not that the Company will realize the full benefit of its state net operating loss carryforwards.

The Company recognizes potential accrued interest and penalties in income tax expense, including interest and penalties related to unrecognized tax benefits. There are no interest and penalties recognized as of December 31, 2022 and 2021.

The Company has multiple tax-filing groups in both the motor club and insurance operations. As of December 31, 2022 and 2021, the Company has reviewed all open tax years in its major tax jurisdictions and concluded there were no material uncertain federal or state tax positions. In accordance with accounting guidance, the Company does not have any unrecognized tax benefit liability as of December 31, 2022 and 2021. It is reasonably possible that the total amounts of unrecognized tax benefits will not significantly increase or decrease within 12 months of the reporting date. As of December 31, 2022, several material jurisdictions in which the Company operates are subject to examination, including the U.S. Federal Jurisdiction (Exchange), California and Texas for the tax years ended December 31, 2019 through the present.

## 13. Commitments and Contingencies

### Litigation

The Company is a defendant in various lawsuits, which are incidental to its operations. In some of these actions, plaintiffs assert claims for punitive damages. The Company intends to vigorously defend these actions. Litigation, by its very nature, is unpredictable and the outcome of these cases is uncertain. Moreover, the Company is unable to predict the precise nature or the relief that may be sought in any lawsuits that may be filed against it in the future. The Company has accrued an estimate for material cases, if any, as of December 31, 2022, as to which an unfavorable outcome is probable. Management does not expect the ultimate disposition of the remaining lawsuits to result in any material liability and, accordingly, no provision has been made in the accompanying consolidated financial statements for those lawsuits.

### Structured Settlements

The Company has no structured settlements for which it is the owner and payee. Exchange is not the owner of any immediate or future payment life annuity products. If a structured settlement is issued when an Exchange claim is settled, Exchange directs the annuitant or recipient of the structure to be the owner in fact. Thus, Exchange is not contingently liable for structured settlements or annuities provided to claimants or insureds. As of December 31, 2022 and 2021, the total value of all annuities or amounts due from any one life insurer for Exchange claims was not material.

### Guaranty Fund Assessment

Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to the policyholder and claimants. The VIEs' policy is to accrue guaranty fund assessments when notification of new and ongoing insolvencies is received from individual state guaranty associations, the event obligating the VIEs to pay has occurred, and the assessment can be reasonably estimated. These assessments are generally recoverable through a credit to premium taxes over a period up to ten years and the VIEs have established an asset for the recoverable portion of the assessments. As of December 31, 2022 and 2021, the VIEs' estimated liability for state guaranty fund assessments was not material.

**13. Commitments and Contingencies (continued)**

**Capital Requirements**

ACSC and Exchange each have a 50% ownership interest in ACSC Life. The California Department of Insurance (CA-DOI) requires that ACSC and Exchange make contributions to ACSC Life to maintain ACSC Life's minimum capital and surplus requirements. ACSC's and Exchange's capital calls totaled $8,000 and $32,900 for the years ended December 31, 2022 and 2021, respectively.

Pursuant to the Affiliation Agreement with MO Exchange, Exchange is required to maintain, at all times prior to the termination of the Pooling Agreement and subject to the receipt of any required regulatory approvals, a surplus ratio of MO Exchange at not less than 60% after giving effect to the pooling under the Pooling Agreement. This may be achieved through the purchase of additional surplus notes or through other methods as may be mutually acceptable to Exchange and MO Exchange. As of December 31, 2022 and 2021, the surplus ratio of MO Exchange exceeded the minimum requirement. Although there is no limit to Exchange's capital calls with respect to MO Exchange, future capital calls are not expected to be material to the consolidated financial statements.

ACSC and Exchange each have a 13.15% ownership interest in ACLI Life. As part of the ACLI Life Shareholder Agreement, ACSC and Exchange will contribute their share of any capital and surplus requirements to ACLI Life. No capital calls were made in the years ended December 31, 2022 and 2021, and neither ACSC nor Exchange made any capital contributions during the years ended December 31, 2022 and 2021. ACSC and Exchange's capital calls are limited to an annual maximum aggregate of $7,892.

**Letters of Credit**

ACSC's workers' compensation policy requires an irrevocable standby letter of credit drawn in favor of the insurer. As of December 31, 2022 and 2021, ACSC has irrevocable standby letters of credit drawn in favor of the insurers for $19,275 and $21,118. ACSC also has other letters of credit totaling $3,093 and $3,980 as of December 31, 2022 and 2021, respectively. All letters of credit expire between December 31, 2022 and April 23, 2024.

**13. Commitments and Contingencies (continued)**

**Preferred Travel Provider Guarantee**

ACSC guarantees the financial obligations owed by PH to other unaffiliated AAA clubs. The guarantee is limited to a maximum amount of $7,515 and includes the protection of consumer funds originating from the AAA clubs and any commissions owed to the AAA clubs. The total amount of outstanding commissions covered under the guarantee was $225 and $102 as of December 31, 2022 and 2021, respectively.

**Sponsorships**

ACSC has entered into sponsorship and naming rights agreements related to auto racing and other professional sports teams. In accordance with these agreements, maximum annual commitments for 2023, 2024, and 2025 are $2,692, $1,220, and $1,220, respectively.

**California Earthquake Authority**

In 1996, the California legislature passed a law to create the CEA, which provides a market for earthquake coverage in the state of California. In December 1996, Exchange agreed to participate in the CEA and began transferring to the CEA its in-force earthquake coverage renewing on or after June 1, 1997, as well as new business as of that date. Exchange could be subject to a contingent assessment from the CEA in the event of a major earthquake based on the homeowners' insurance market share attributable to Exchange. This estimate for the potential assessment approximates $108,492. If Exchange were levied an assessment in future years, the assessment would be covered under Exchange's reinsurance program.

**14. Statutory Information**

The VIEs prepare their statutory-basis financial statements in conformity with statutory accounting practices (SAP) prescribed or permitted by the insurance departments of their applicable states of domicile. The Property and Casualty VIEs prepare their statutory-basis financial statements on a combined basis. Prescribed SAP primarily includes those published as Statements of SAP by the National Association of Insurance Commissioners, as well as state laws, regulations, and general administrative rules.

*(In Thousands)*

**14. Statutory Information (continued)**

Permitted SAP encompasses all accounting practices not so prescribed. As of December 31, 2022 and 2021, Exchange has obtained a permitted practice relating to its passively managed equity securities portfolio.

Exchange characterizes its passively managed equity securities portfolio as one mutual fund. Exchange tests its passively managed equity securities portfolio for OTTI as a single mutual fund rather than applying its OTTI policy at the individual security level. Exchange received a permitted practice from the CA-DOI to continue to characterize its passively managed equity securities portfolio as a mutual fund for purposes of applying tests of OTTI. As of December 31, 2022 and 2021, Exchange's passive portfolio had an aggregate net unrealized gain of $2,738,357 and $3,526,618, respectively. For the years ended December 31, 2022 and 2021, the application of this permitted practice had no impact on net (loss) income or on surplus.

The following table summarizes the combined statutory net (loss) income and capital and surplus of the VIEs, as reported to regulatory authorities, for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Statutory net (loss) income | $ (359,205) | $ 155,833 |
| Statutory capital and surplus | 9,223,248 | 10,800,950 |

The California Insurance Code requires applicable insurance companies to maintain capital and surplus in the amount of $5,400. The Missouri Insurance Code requires at least $2,400 of total surplus for applicable reciprocal insurers and minimum capital and surplus amounts of $1,200 for applicable stock companies. The Texas Insurance Code requires minimum capital and surplus amounts for applicable insurance companies of $2,500 each. Rhode Island General Law requires at least $3,000 of total surplus. The investment of minimum capital and surplus is restricted to certain investments specified in the applicable Code. The statutory capital and surplus of each of the VIEs exceeded the highest level of minimum regulatory required capital and conforms to all investment restrictions.

**14. Statutory Information (continued)**

The CA-DOI and the Kansas DOI require that MO Exchange guarantee that the surplus of Family is maintained at a minimum of $20,000 and $1,250, respectively. Should the surplus of Family fall below these amounts, MO Exchange would be required to contribute an amount necessary to restore Family's surplus. As of December 31, 2022 and 2021, MO Exchange's surplus and Family's capital and surplus exceeded the minimum required amounts.

**15. Subsequent Events**

The Company has determined that there were no subsequent events identified that would require disclosure or adjustments to the accompanying consolidated financial statements through April 27, 2023, the date the financial statements were available to be issued.

**EY** | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.



ey.com

PRIVILEGED AND CONFIDENTIAL

# OFFICER AND DIRECTOR LIST*

Effective as of July 1, 2023

TO ALPHA INDEX

## Table of Contents



***This list reflects board-appointed titles and positions only**

TO TABLE OF CONTENTS

## ALPHABETICAL INDEX

TO TABLE OF CONTENTS

TO ALPHA INDEX

## AUTOMOBILE CLUB OF SOUTHERN CALIFORNIA

**(a California nonprofit mutual benefit corporation)**

| | | |
|---|---|---|
| Directors: | Robert T. Bouttier, Chair | |
| | Peter K. Barker, Vice Chair | |
| | Dennis V. Arriola | |
| | John F. Boyle | |
| | Anthony J. Buzzelli | |
| | Robert A. DeMichiei | |
| | Patrick C. Haden | |
| | Antonia Hernandez | |
| | Christopher B. Howard | |
| | Parker S. Kennedy | |
| | Cynthia Pharr Lee | |
| | Julia J. Lilly | |
| | Martha H. Munsch | |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Greg L. Backley | Chief Operating Officer |
| | Raju T. Varma | Executive Vice President |
| | Christopher M. Baggaley | Senior Vice President |
| | Katrina E. Bradley | Senior Vice President |
| | Chad D. Hourigan | Senior Vice President, Chief Financial Officer and Treasurer |
| | Malek K. Khouri | Senior Vice President |
| | Michael S. Mohamed | Senior Vice President |
| | Katherine A. Sieck | Senior Vice President, General Counsel and Assistant Secretary |
| | Christopher G. Simpson | Senior Vice President |
| | Suzanne J. Wisdom | Senior Vice President |
| | Gail C. Louis | Corporate Secretary |

---

## ACSC MANAGEMENT SERVICES, INC.

**(a California corporation)**

| | | |
|---|---|---|
| Shareholder: | Automobile Club of Southern California | |
| Directors: | Robert T. Bouttier, Chair | |
| | Parker S. Kennedy, Vice Chair | |
| | Dennis V. Arriola | |
| | John F. Boyle | |
| | Patrick C. Haden | |
| | Christopher B. Howard | |
| | Cynthia Pharr Lee | |
| | Julia J. Lilly | |
| | Raju T. Varma | |
| Officers: | John F. Boyle | President and Chief Executive Officer; Manager[1] |
| | Greg L. Backley | Chief Operating Officer |
| | Raju T. Varma | Executive Vice President |
| | Christopher M. Baggaley | Senior Vice President |
| | Katrina E. Bradley | Senior Vice President |
| | Chad D. Hourigan | Senior Vice President, Chief Financial Officer and Treasurer |
| | Malek K. Khouri | Senior Vice President |
| | Michael S. Mohamed | Senior Vice President |
| | Katherine A. Sieck | Senior Vice President, General Counsel and Assistant Secretary |
| | Christopher G. Simpson | Senior Vice President |
| | Suzanne J. Wisdom | Senior Vice President |
| | Gail C. Louis | Corporate Secretary |

---

[1] John F. Boyle also holds the board appointed position of "Manager" pursuant to Bylaw Sec. 28.2

TO TABLE OF CONTENTS

TO ALPHA INDEX

## INTERINSURANCE EXCHANGE OF THE AUTOMOBILE CLUB

**(a California interinsurance exchange or a California reciprocal insurer)**

| | | |
|---|---|---|
| Governors: | Robert T. Bouttier, Chair | Robert A. DeMichiei |
| | Antonia Hernandez, Vice Chair | Patrick C. Haden |
| | Peter K. Barker | Martha H. Munsch |
| | Anthony J. Buzzelli | |
| Officers: | Gail C. Louis | Secretary |
| | Katherine A. Sieck | Assistant Secretary |

---

## CLUB EXCHANGE CORPORATION

**(a Missouri corporation)**

| | | |
|---|---|---|
| Shareholder: | Automobile Club of Missouri | |
| Directors: | Robert T. Bouttier, Chair | Christopher B. Howard |
| | John F. Boyle | Parker S. Kennedy |
| | Anthony J. Buzzelli | Martha H. Munsch |
| | Robert A. DeMichiei | Raju T. Varma |
| | Patrick C. Haden | |
| Officers: | Terrance Ponchak Jr. | President |
| | Angela L. Nelson | Vice President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Katherine A. Sieck | Vice President, General Counsel and Assistant Secretary |
| | Gail C. Louis | Corporate Secretary |

---

## AUTOMOBILE CLUB INTER-INSURANCE EXCHANGE

**(a Missouri interinsurance exchange or a Missouri reciprocal insurer)**

| | | |
|---|---|---|
| Advisory Board Members: | Peter K. Barker, Chair | Patrick C. Haden |
| | Antonia Hernandez, Vice Chair | Cynthia Pharr Lee |
| | Robert T. Bouttier | Martha H. Munsch |
| | John F. Boyle | Raju T. Varma |
| | Anthony J. Buzzelli | |
| Officers: | Chad D. Hourigan | Treasurer |
| | Gail C. Louis | Secretary |
| | Katherine A. Sieck | Assistant Secretary |

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

## AUTO CLUB FAMILY INSURANCE COMPANY

**(a Missouri corporation)**

| | | |
|---|---|---|
| Shareholder: | Automobile Club Inter-Insurance Exchange | |
| Directors: | Greg L. Backley | Anwar M. Othman |
| | Alison K. Bischoff | Terrance Ponchak Jr. |
| | Janet M. Borje | Joseph R. Posey |
| | Michael S. Mohamed | Raju T. Varma |
| | Angela L. Nelson | |
| Officers: | Terrance Ponchak Jr. | President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Angela L. Nelson | Vice President |
| | Gail C. Louis | Secretary |

---

## AUTO CLUB SERVICES, LLC

**(a California limited liability company)**

| | | |
|---|---|---|
| Member: | Automobile Club of Southern California | |
| Directors: | John F. Boyle | |
| | Raju T. Varma | |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Greg L. Backley | Vice President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Anwar M. Othman | Vice President |
| | Katherine A. Sieck | Vice President and Assistant Secretary |
| | Suzanne J. Wisdom | Vice President |
| | Gail C. Louis | Corporate Secretary |

---

## AAA TEXAS, LLC

**(a Texas limited liability company)**

| | | |
|---|---|---|
| Member: | Auto Club Services, LLC | |
| Directors: | John F. Boyle | |
| | Raju T. Varma | |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Luis C. Alarcon | Vice President |
| | Greg L. Backley | Vice President |
| | Galen L. Grillo | Vice President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Anwar M. Othman | Vice President |
| | Katherine A. Sieck | Vice President |
| | Suzanne J. Wisdom | Vice President |
| | Gail C. Louis | Corporate Secretary |
| | Eric N. Wozniak | Assistant Secretary |

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

## AAA NEW MEXICO, LLC

**(a New Mexico limited liability company)**

| | | |
|---|---|---|
| Member: | Auto Club Services, LLC | |
| Directors: | John F. Boyle | |
| | Raju T. Varma | |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Galen L. Grillo | Vice President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Anwar M. Othman | Vice President |
| | Katherine A. Sieck | Vice President |
| | Suzanne J. Wisdom | Vice President |
| | Gail C. Louis | Corporate Secretary |
| | Thomas A. Kwiatek | Assistant Secretary |

---

## AAA HAWAII, LLC

**(a Hawaii limited liability company)**

| | | |
|---|---|---|
| Member: | Auto Club Services, LLC | |
| Directors: | John F. Boyle | |
| | Raju T. Varma | |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Anwar M. Othman | Vice President |
| | Katherine A. Sieck | Vice President |
| | Suzanne J. Wisdom | Vice President |
| | Gail C. Louis | Corporate Secretary |
| | Liane H. Sumida | Assistant Secretary |

---

## AUTO CLUB ENTERPRISES

**(a California nonprofit mutual benefit corporation)**

Corporate Member: Automobile Club of Southern California

| | | |
|---|---|---|
| Directors: | Robert T. Bouttier, Chair | Malek K. Khouri |
| | Greg L. Backley | Katherine A. Sieck |
| | Christopher M. Baggaley | Christopher G. Simpson |
| | John F. Boyle | Raju T. Varma |
| | Katrina E. Bradley | Suzanne J. Wisdom |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Greg L. Backley | Chief Operating Officer |
| | Raju T. Varma | Executive Vice President |
| | Christopher M. Baggaley | Senior Vice President |
| | Katrina E. Bradley | Senior Vice President |
| | Chad D. Hourigan | Senior Vice President, Chief Financial Officer and Treasurer |
| | Malek K. Khouri | Senior Vice President |
| | Michael S. Mohamed | Senior Vice President |
| | Katherine A. Sieck | Senior Vice President, General Counsel and Assistant Secretary |
| | Christopher G. Simpson | Senior Vice President |
| | Suzanne J. Wisdom | Senior Vice President |
| | Gail C. Louis | Corporate Secretary |

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

## ALABAMA MOTORISTS ASSOCIATION, INC.

**(an Alabama nonprofit corporation)**

Corporate Member: Auto Club Enterprises

| | | |
|---|---|---|
| Directors: | Robert T. Bouttier, Chair | John F. Boyle |
| | Greg L. Backley | Raju T. Varma |
| Officers: | Eric J. Cyr | President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Katherine A. Sieck | Vice President |
| | Gail C. Louis | Corporate Secretary |

---

## AUTOMOBILE CLUB OF MISSOURI

**(a Missouri nonprofit mutual benefit corporation)**

Corporate Member: Auto Club Enterprises

| | | |
|---|---|---|
| Directors: | Robert T. Bouttier, Chair | James J. McGrath |
| | Greg L. Backley | Raju T. Varma |
| | John F. Boyle | |
| Officers: | Terrance Ponchak Jr. | President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Angela L. Nelson | Vice President |
| | Gail C. Louis | Secretary |

---

## CLUB INSURANCE AGENCY, INC.

**(a Missouri corporation)**

Shareholder: Automobile Club of Missouri

| | | |
|---|---|---|
| Directors: | John F. Boyle | |
| | Terrance Ponchak Jr. | |
| | Raju T. Varma | |
| Officers: | Terrance Ponchak Jr. | President |
| | Luis C. Alarcon | Vice President |
| | Chad D. Hourigan | Treasurer |
| | Gail C. Louis | Secretary |

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

## AAA ARKANSAS INSURANCE AGENCY, INC.

**(an Arkansas corporation)**

Shareholder: Automobile Club of Missouri

Directors: John F. Boyle
Terrance Ponchak Jr.
Raju T. Varma

| Officers: | | |
|---|---|---|
| | Terrance Ponchak Jr. | President |
| | Luis C. Alarcon | Vice President |
| | Chad D. Hourigan | Treasurer |
| | Gail C. Louis | Secretary |

---

## AAA EAST CENTRAL

**(a Pennsylvania nonprofit corporation)**

Corporate Member: Auto Club Enterprises

| Governors: | | |
|---|---|---|
| | Robert A. DeMichiei, Chair | Christopher B. Howard |
| | Robert S. Collins, Vice Chair | Mary Beth Jenkins |
| | Glenn B. Bachman | Mary Lynn Laughlin |
| | Neil D. Bassi | Randell McShepard |
| | Robert T. Bouttier | Martha H. Munsch |
| | Debra A. Dinnocenzo | Tuck Tinsley III |
| | Gregory E. Grim | |

| Officers: | | |
|---|---|---|
| | Teresa G. Petrick | President |
| | Thomas J. Ashley | Executive Vice President |
| | Robert S. Collins | Treasurer |
| | Sheila A. Moffatt | Assistant Treasurer |
| | Neil D. Bassi | Secretary |
| | Beverly K. Powell | Assistant Secretary |

---

## AAA EAST CENTRAL INSURANCE AGENCY, INC.

**(a Pennsylvania corporation)**

Shareholder: AAA East Central

Directors: Teresa G. Petrick
Thomas J. Ashley
Beverly K. Powell

| Officers: | | |
|---|---|---|
| | Teresa G. Petrick | President |
| | Thomas J. Ashley | Vice President |
| | Sheila A. Moffatt | Treasurer |
| | Beverly K. Powell | Secretary |
| | W. Mark Sisson | Assistant Secretary |

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

## THE ASHLAND COUNTY AUTOMOBILE CLUB

**(an Ohio nonprofit corporation)**

| | | |
|---|---|---|
| Corporate Member: | AAA East Central | |
| Directors: | Teresa G. Petrick, Chair<br>Thomas J. Ashley, Vice Chair<br>Beverly K. Powell | |
| Officers: | Teresa G. Petrick<br>Thomas J. Ashley<br>Sheila A. Moffatt<br>Beverly K. Powell | President<br>Vice President<br>Treasurer<br>Secretary |

---

## THE MASSILLON AUTOMOBILE CLUB

**(an Ohio nonprofit corporation)**

| | | |
|---|---|---|
| Corporate Member: | AAA East Central | |
| Directors: | Teresa G. Petrick, Chair<br>Thomas J. Ashley, Vice Chair<br>Beverly K. Powell | |
| Officers: | Jeffrey R. Bushman<br>Teresa G. Petrick<br>Sheila A. Moffatt<br>Beverly K. Powell | President<br>Vice President<br>Treasurer<br>Secretary |

---

## AUTO CLUB DRIVING SCHOOLS, INC.

**(a Pennsylvania corporation)**

| | | |
|---|---|---|
| Shareholder: | AAA East Central | |
| Directors: | Teresa G. Petrick<br>Thomas J. Ashley<br>Beverly K. Powell | |
| Officers: | Teresa G. Petrick<br>Thomas J. Ashley<br>Sheila A. Moffatt<br>Beverly K. Powell | President<br>Vice President<br>Treasurer<br>Secretary |

---

## CONDOR CONDOMINIUM ASSOCIATION

**(a Pennsylvania Condominium Association)**

| | | |
|---|---|---|
| Executive Directors: | Thomas J. Ashley [2]<br>Caroline Perillo | |
| Officers: | Thomas J. Ashley [2]<br>Caroline Perillo | President<br>Vice President, Secretary and Treasurer |

---

[2] Serving at the request of AAA East Central and legally entitled to indemnification by AAA East Central

TO TABLE OF CONTENTS

TO ALPHA INDEX

## AAA NORTHERN NEW ENGLAND
**(a Maine nonprofit mutual benefit corporation)**

Corporate Member: Auto Club Enterprises

| | | |
|---|---|---|
| Directors: | Robert T. Bouttier, Chair | Eric J. Cyr |
| | Greg L. Backley | Raju T. Varma |
| | John F. Boyle | |
| Officers: | Eric J. Cyr | President |
| | Chad D. Hourigan | Chief Financial Officer and Treasurer |
| | Gail C. Louis | Corporate Secretary |

---

## AAA NORTHERN NEW ENGLAND INSURANCE
**(a Maine corporation)**

Shareholder: AAA Northern New England

| | | |
|---|---|---|
| Directors: | John F. Boyle | |
| | Eric J. Cyr | |
| | Raju T. Varma | |
| Officers: | Eric J. Cyr | President |
| | Chad D. Hourigan | Treasurer |
| | Gail C. Louis | Secretary |

---

## AAA CAR CARE CENTER
**(a Maine corporation)**

Shareholder: AAA Northern New England

| | | |
|---|---|---|
| Directors: | John F. Boyle | |
| | Eric J. Cyr | |
| | Raju T. Varma | |
| Officers: | Eric J. Cyr | President |
| | Chad D. Hourigan | Treasurer |
| | Gail C. Louis | Secretary |

---

## AAA DRIVING SCHOOL, INC.
**(a Maine corporation)**

Shareholder: AAA Northern New England

| | | |
|---|---|---|
| Directors: | John F. Boyle | |
| | Eric J. Cyr | |
| | Raju T. Varma | |
| Officers: | Eric J. Cyr | President |
| | Chad D. Hourigan | Treasurer |
| | Gail C. Louis | Secretary |

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

## TRIPLE A LEASING

**(a Maine corporation)**

| | | |
|---|---|---|
| Shareholder: | AAA Northern New England | |
| Directors: | John F. Boyle | |
| | Eric J. Cyr | |
| | Raju T. Varma | |
| Officers: | Eric J. Cyr | President |
| | Chad D. Hourigan | Treasurer |
| | Gail C. Louis | Secretary |

---

## HEWINS TRAVEL, LLC

**(a Maine limited liability company)**

| | | |
|---|---|---|
| Member: | AAA Northern New England | |
| Manager: | None | |
| Officers: | None | |

---

## TIDEWATER AUTOMOBILE ASSOCIATION OF VIRGINIA, INCORPORATED

**(a Virginia non-stock, not for profit corporation)**

Corporate Member: Auto Club Enterprises

| | | |
|---|---|---|
| Directors: | Robert T. Bouttier, Chair | John F. Boyle |
| | Greg L. Backley | Eric J. Cyr |
| Officers: | Eric J. Cyr | President |
| | Jeffrey W. Barr | Chief Financial Officer and Treasurer |
| | Gail C. Louis | Corporate Secretary |

---

## AAA TIDEWATER VIRGINIA CAR CARE CENTER, LLC

**(a Virginia limited liability company)**

| | | |
|---|---|---|
| Member: | Tidewater Automobile Association of Virginia, Incorporated | |
| Manager: | Tidewater Automobile Association of Virginia, Incorporated | |
| Officers: | Eric J. Cyr | President |
| | Chad A. Pence | Vice President |
| | Jeffrey W. Barr | Treasurer |
| | Gail C. Louis | Secretary |

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

AAA TIDEWATER VIRGINIA FLEET OPERATIONS, LLC
**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

TAA CHESAPEAKE BRANCH OFFICE PROPERTY, LLC
**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

TAA CORPORATE CENTER OFFICE PROPERTY, LLC
**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

TAA GREENBRIER CAR CARE CENTER PROPERTY, LLC
**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

**TAA HAMPTON BRANCH/CAR CARE CENTER PROPERTY, LLC**
**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

**TAA NEWPORT NEWS BRANCH PROPERTY, LLC**
**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

**TAA NORFOLK CAR CARE CENTER PROPERTY, LLC**
**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

**TAA SUFFOLK BRANCH/CAR CARE CENTER PROPERTY, LLC**
**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

## TAA VIRGINIA BEACH BRANCH PROPERTY, LLC

**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

## TAA WILLIAMSBURG BRANCH/CAR CARE CENTER PROPERTY, LLC

**(a Virginia limited liability company)**

Member: Tidewater Automobile Association of Virginia, Incorporated

Manager: Eric J. Cyr

Officers: None

---

## MOTOR CLUB INSURANCE COMPANY

**(a Rhode Island insurance company)**

Shareholders: AAA Northeast Holding, Inc. (Class A) and
Interinsurance Exchange of the Automobile Club (Class B)

| | | |
|---|---|---|
| Directors: | John F. Boyle, Chair | Christopher P. DiMartino |
| | Brian H. Deephouse | John R. Galvin |
| | Michael S. Mohamed | Marta Genovese |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Katherine A. Sieck | Vice President and General Counsel |
| | Gail C. Louis | Secretary |
| | T. Eric Lai | Assistant Secretary |

---

## AUTOMOBILE CLUB OF SOUTHERN CALIFORNIA LIFE INSURANCE COMPANY

**(a California corporation)**

Shareholders: Interinsurance Exchange of the Automobile Club and
Automobile Club of Southern California

| | | |
|---|---|---|
| Directors: | John F. Boyle | John P. Bybee |
| | Christopher M. Baggaley | Raju T. Varma |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Chad D. Hourigan | Vice President, Chief Financial Officer, Treasurer and Controller |
| | Anwar M. Othman | Vice President |
| | Katherine A. Sieck | Vice President and Assistant Secretary |
| | Gail C. Louis | Corporate Secretary |

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

## AUTO CLUB COUNTY MUTUAL INSURANCE COMPANY

**(a Texas county mutual insurance company)**

| | | |
|---|---|---|
| Directors: | John F. Boyle | Anwar M. Othman |
| | Greg L. Backley | Katherine A. Sieck |
| | Christopher M. Baggaley | Raju T. Varma |
| | Malek K. Khouri | |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Christopher M. Baggaley | Vice President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Anwar M. Othman | Vice President |
| | Katherine A. Sieck | Vice President and Assistant Secretary |
| | Gail C. Louis | Corporate Secretary |
| | Galen L. Grillo | Assistant Secretary |

---

## AUTO CLUB CASUALTY COMPANY

**(a Texas corporation)**

Shareholder: Interinsurance Exchange of the Automobile Club

| | | |
|---|---|---|
| Directors: | John F. Boyle | Anwar M. Othman |
| | Greg L. Backley | Katherine A. Sieck |
| | Christopher M. Baggaley | Raju T. Varma |
| | Malek K. Khouri | |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Christopher M. Baggaley | Vice President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Anwar M. Othman | Vice President |
| | Katherine A. Sieck | Vice President and Assistant Secretary |
| | Gail C. Louis | Corporate Secretary |
| | Galen L. Grillo | Assistant Secretary |

---

## AUTO CLUB INDEMNITY COMPANY

**(a Texas corporation)**

Shareholder: Interinsurance Exchange of the Automobile Club

| | | |
|---|---|---|
| Directors: | John F. Boyle | Anwar M. Othman |
| | Greg L. Backley | Katherine A. Sieck |
| | Christopher M. Baggaley | Raju T. Varma |
| | Malek K. Khouri | |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Christopher M. Baggaley | Vice President |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Anwar M. Othman | Vice President |
| | Katherine A. Sieck | Vice President and Assistant Secretary |
| | Gail C. Louis | Corporate Secretary |
| | Galen L. Grillo | Assistant Secretary |

---

TO TABLE OF CONTENTS

TO ALPHA INDEX

## PLEASANT TRAVEL HOLDING COMPANY, LLC

**(a Delaware limited liability company)**

| | | |
|---|---|---|
| Members: | Automobile Club of Southern California, and others | |
| Manager: | Automobile Club of Southern California | |
| Officers: | John F. Boyle | President and Chief Executive Officer |
| | Chad D. Hourigan | Vice President, Chief Financial Officer and Treasurer |
| | Katherine A. Sieck | Vice President and Assistant Secretary |
| | Gail C. Louis | Corporate Secretary |

---

## PLEASANT HOLIDAYS, LLC

**(a Delaware limited liability company)**

| | | |
|---|---|---|
| Member: | Pleasant Travel Holding Company, LLC | |
| Manager: | John F. Boyle | |
| Officers: | Jack E. Richards | President and Chief Executive Officer |
| | Dal D. DeWolf | Senior Vice President, Chief Financial Officer and Assistant Secretary |
| | Gail C. Louis | Corporate Secretary |

---

## HAWAII WORLD LLC

**(a California limited liability company)**

| | | |
|---|---|---|
| Member: | Pleasant Holidays, LLC | |
| Directors: | John F. Boyle | |
| | Raju T. Varma | |
| Officers: | Jack E. Richards | Chief Executive Officer |
| | Dal D. DeWolf | Treasurer, Chief Financial Officer and Assistant Secretary |
| | Gail C. Louis | Corporate Secretary |

---

Key Staff

**Daniel Goodman, Manager of Public Affairs** - Manages public affairs, public relations and government relations.

**Tom Baran,** Traffic Safety Education Specialist – Provides traffic safety education for including programs for teens, mature operators businesses and community groups.

| Name | Salary | Amount of Salary paid by contract | |
|---|---|---|---|
| Daniel Goodman | 80,000 | | 0% |
| Tom Baran | $55,000 | | 1% |