

NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA

STATE OF NORTH CAROLINA
COUNTY OF WAKE

BEFORE THE COMMISSIONER
OF INSURANCE

IN THE MATTER OF THE LICENSURE
OF ATLANTIC AUTOMOBILE
ASSOCIATION, INC.

VOLUNTARY SETTLEMENT
AGREEMENT

NOW COME Atlantic Automobile Association, Inc., also known as Atlantic Motor Club (hereinafter, "Atlantic"), and the North Carolina Department of Insurance (hereinafter, the "Department"), and hereby voluntarily and knowingly enter into the following Voluntary Settlement Agreement (hereinafter, the "Agreement");

WHEREAS, the Department has the authority and responsibility for enforcement of insurance laws of this State, and for regulating and licensing motor clubs; and

WHEREAS, Atlantic is a South Carolina Corporation that is licensed to do business in the State of North Carolina; and

WHEREAS, J. Leon Hix (hereinafter, "Hix") is President of Atlantic, and is duly authorized to execute this Agreement on Atlantic's behalf; and

WHEREAS, the Department contends that its examinations revealed that consumers who purchased Atlantic's motor club memberships were charged motor club membership fees not in accordance with Atlantic's fee schedule, in violation of Article 63 of Chapter 58 of the North Carolina General Statutes; and that its examinations revealed that agents representing Atlantic sold motor club memberships to consumers without their knowledge, in violation of Article 63 of Chapter 58 of the North Carolina General Statutes; and

WHEREAS, Atlantic and Hix deny the foregoing allegations; and

WHEREAS, pursuant to the terms set forth herein, Atlantic and the Department desire to resolve the disputes between and among them relating to the foregoing issues; and

WHEREAS, pursuant to N.C. Gen. Stat. § 58-2-70(g), the Commissioner and the Department have the express authority to negotiate a mutually acceptable agreement with any person as to the status of the person's license or certificate or as to any civil penalty or restitution;

NOW THEREFORE, in consideration of the promises and agreements set out herein, the Department, Atlantic and Hix hereby agree to the following:

1. Atlantic certifies that as of January 26, 2007, it ceased and desisted from any and all sales of motor club memberships in North Carolina. Contemporaneously with the signing of this Agreement, Atlantic shall execute and deliver to the Department an immediate license surrender document, which the Department's counsel shall hold in escrow until June 30, 2007. The executed surrender document is attached hereto as Exhibit A. Neither Atlantic nor any proprietorship, corporation, partnership, or other entity owned or controlled by Hix, in whole or in part, shall at any time apply for a license to operate a motor club in the State of North Carolina. This paragraph shall not apply to any publicly traded company in which Hix owns stock or any other equity interest.

2. Through June 30, 2007, Atlantic must honor all contractual obligations with regard to active motor club memberships sold on or prior to January 26, 2007, but may not renew those memberships. After June 30, 2007, Atlantic must make pro-rata refunds to all customers with active, unexpired motor club memberships. No later than September 30, 2007, Atlantic shall certify in writing to the Department that it has paid or attempted to pay all refunds required by this paragraph.

3. Hix, in his individual capacity, shall not apply for any license issued by the Department. However, corporations, partnerships, or other entities owned, in whole or in part, by Hix may apply for any license issued by the Department, except as set forth in Paragraph 1 above.

4. No proprietorship, corporation, partnership, or other entity owned or controlled, in whole or in part, by Hix shall offer to sell, directly or indirectly, any motor club product whatsoever in North Carolina to residents of the State of North Carolina. This paragraph shall not apply to any publicly traded company in which Hix owns stock or any other equity interest.

5. The Department agrees that it will not proceed to an administrative hearing against Atlantic, or take any administrative action against Atlantic and/or Hix other than as set forth herein, based on allegations arising out of the Department's investigations of the sale of motor club memberships of Atlantic in North Carolina to residents of North Carolina.

6. If Atlantic breaches any of the terms of this Agreement, the parties agree that the Department may, upon five business days' notice to Atlantic and its counsel, declare the surrender of Atlantic's license to be in immediate effect.

7. Atlantic and Hix acknowledge that prior to entering into this Agreement, they have discussed fully with their legal counsel, Nelson Mullins Riley & Scarborough LLP, the effects and consequences of this settlement, and that they execute this Agreement willingly and with full understanding of its terms and conditions, and with knowledge of Atlantic's right to proceed to an administrative hearing in lieu of entering into this Agreement.

8. The Department reserves and retains the right to take any administrative action authorized by law, including revocation of licenses, against any and all individual licensees or former licensees who work for, or formerly worked for, any agency formerly or currently

owned or operated by Poinsett Insurance Agency, Inc. and/or Hix; and this settlement shall not in any way bar the Department from instituting or prosecuting administrative actions against any such individual licensees or former licensees. This settlement shall not in any way preclude the State of North Carolina from instituting or prosecuting any criminal proceedings against any persons.

9. The parties stipulate and agree that the Department, by entering into this Agreement, shall not be construed as approving or validating any aspect of any settlement that may be reached between the parties to Perry v. Poinsett Insurance, et al., Guilford County Superior Court, Case No. 04 CVS 11834, nor shall this Agreement be construed as affecting the legal rights of any non-party to this Agreement.

10. Atlantic and Hix are entering into this Agreement for the purpose of settling a disputed claim, and nothing contained herein shall be taken as or construed to be an admission or concession by Atlantic or Hix of any violation of law, or of any liability or wrongdoing.

11. This Agreement shall have the full force and effect of an Order of the Commissioner.

12. This Voluntary Settlement Agreement, when finalized, will be a public record and is not confidential. Any and all licenses issued by the Department to the licensee shall reflect that Regulatory Action has been taken against the licensee following the execution of this Agreement. The Department is free to disclose the contents of this Agreement to third parties upon request or pursuant to any law or policy providing for such disclosure. The Department routinely provides copies of voluntary settlement agreements to all companies that have appointed the licensee.

13. This Agreement contains the entire agreement between the parties with respect to the foregoing issues. All prior understandings, representations, and agreements with regard to the settlement are merged in this Agreement, and this Agreement shall not be modified in any manner, except by written instrument signed by all parties hereto.

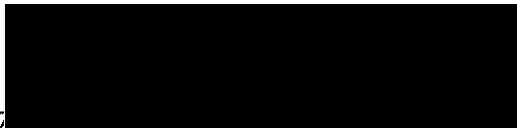
14. Hix signs this Agreement to demonstrate his consent to the undertakings made by him herein.

15. This Agreement shall become effective when signed by Atlantic, Hix individually, and the Department.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

ATLANTIC AUTOMOBILE ASSOCIATION, INC.

By:



J. Leon Hix, President

Date: 3-26-07

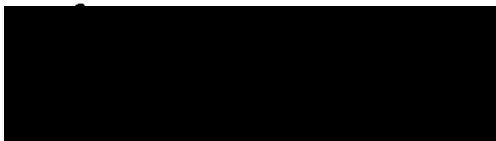
J. LEON HIX, Individually



Date: 3-26-07

NORTH CAROLINA DEPARTMENT OF INSURANCE

By:



Angela Ford
Senior Deputy Commissioner

Date: 3-30-07