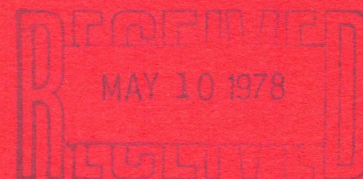


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SUPREME COURT OF VIRGINIA



RICHMOND, VIRGINIA

IN THE
Supreme Court of Virginia
AT RICHMOND

RECORD NO. 771792

PHILIP THOMAS DUDLEY
and
RICHARD W. WALTERS,

.....Appellants

v.

ESTATE LIFE INSURANCE COMPANY
OF AMERICA,

.....Appellee

APPENDIX

Tommy Joe Williams, Esq.
KING, FULGHUM, RENICK & BOUNDS
112 West Kirk Avenue
Roanoke, Virginia 24011

Counsel for Appellants

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Judgment appealed from Estate Life Insurance Company

The motion to strike the evidence after the conclusion of the Plaintiff's testimony, sustained by the trial court, is appealed.

* * * *

Assignment of Error

The trial court erred when it sustained, at the conclusion of the Plaintiff's evidence, Estate Life Insurance Company of America's motion to strike for failure to show Estate Life Insurance Company of America's agent perpetrated the alleged fraud while acting within the apparent scope of his authority.

V I R G I N I A:

IN THE CIRCUIT COURT FOR THE CITY OF ROANOKE

PHILIP THOMAS DUDLEY

Plaintiff

v.

ESTATE LIFE INSURANCE COMPANY
OF AMERICA

412 Shenandoah Building
Roanoke, Virginia

FORREST WILLIAMS, Individually
and as Chairman and Director of
Estate Life Insurance
Company of America

DONALD E. BURKS, individually
and as President and Director of
Estate Life Insurance Company
of America

EMMETT W. LINDSEY, individually
and as Director of
Estate Life Insurance
Company of America

T. C. FITZGERALD, individually
and as Director of
Estate Life Insurance
Company of America

FIRST ESTATE BUILDERS, INC.

GEORGE W. BLOOD

and

JOANNE BLOOD

Defendants

AMENDED MOTION FOR
JUDGMENT

The undersigned plaintiff, Philip Thomas Dudley, respectfully moves the Circuit Court of the City of Roanoke for judgment against the defendants, individually and in their capacities as officers, agents or directors of the defendant corporations for the sum of \$510,600.00, together with the costs incident to this proceeding, for damages arising out of fraud, and in support thereof, represents as follows:

(1) THAT Estate Life Insurance Company of America conducted business within the Commonwealth of Virginia in 1972 and 1973.

(2) THAT Estate Life Insurance Company of America, in order to conduct business in the Commonwealth of Virginia, appointed certain officers, directors and representatives to act on behalf of the corporation.

(3) THAT Estate Life Insurance Company of America brought George W. Blood to the Roanoke area to be the company's Director of Special Marketing, representative and agent.

(4) THAT George W. Blood and Estate Life Insurance Company of America advertised and held out to the general public that George W. Blood was the company's Director of Special Marketing, representative and agent.

(5) THAT during 1972 and 1973 Donald E. Burks was, for at least a portion of those years, the president of Estate Life Insurance Company of America and a director on the company's board of directors.

(6) THAT the board of directors of Estate Life Insurance Company of America knew, or should have known, the positions of George W. Blood and Donald E. Burks with Estate Life Insurance Company of America, and the efforts they were making on behalf of the company, the activities in which they were engaged on behalf of Estate Life Insurance Company of America and the kinds and types of business that they were initiating through and on behalf of the company.

(7) THAT Estate Life Insurance Company of America knew, or should have known, the types of officers and representatives George W. Blood and Donald E. Burks were, their background, their reputation for truth, veracity, honesty and good business.

(8) THAT George W. Blood and Donald E. Burks, in their positions as representatives of Estate Life Insurance Company of America, entered into a written agreement with Philip Thomas Dudley, entitled "Marketing Director Contract".

(9) THAT George W. Blood and Donald E. Burks represented that Estate Life Insurance Company of America, in exchange for \$10,000.00 and the purchase of one unit of the GP-800 series of insurance, would enter into an addendum contract with Philip Thomas Dudley in which the company would grant one-fourth of one percent of all GP-800 insurance premiums to Philip Thomas Dudley.

(10) THAT relying upon the representations made in

the previous paragraph, Philip Thomas Dudley entered into the addendum contract on or about February 28th, 1973, with Estate Life Insurance Company of America and, pursuant to Donald E. Burks' and George W. Blood's representations and demands, delivered the consideration of \$10,000.00 and purchased one unit of the GP-800 series of insurance.

(11) THAT George W. Blood and Donald E. Burks knew when they made the representations that they were untrue, and that the sale to him was in fact a fraud and a scheme or method of activity intended to defraud him of his money and that they further attempted to perpetrate this fraud upon others in the community immediately prior to George W. Blood's leaving town with the money.

(12) THAT in fact Philip Thomas Dudley never did receive one-fourth of one per cent of all the insurance premiums of the GP-800 insurance series.

(13) THAT Philip Thomas Dudley relied upon the truth and veracity of George W. Blood and Donald E. Burks as representatives of Estate Life Insurance Company of America, and solely, as a result of this reliance, delivered and lost the sum of \$10,000.00 and the premium incurred in the purchase of one unit of GP-800 insurance policy, which sums he remitted in consideration for the execution of the addendum contract, and which sums are asked for herein as compensatory damages.

(14) THAT the actions of George W. Blood and Donald

E. Burks were wanton and oppressive actions consummated with malice.

(15) THAT Estate Life Insurance Company of America knew, or should have known, of the veracity and characteristics of George W. Blood and Donald E. Burks, and knew, or should have known, of the fraudulent representations that Donald E. Burks and George W. Blood were making on behalf of Estate Life Insurance Company of America.

(16) THAT in failing to properly supervise George W. Blood and Donald E. Burks or to properly explore their backgrounds or to properly document and regulate their activities, among other failures, Estate Life Insurance Company of America breached the duty of protection they owed to persons entrusting themselves to the agents of the corporation.

(17) THAT as a result of the malicious and wanton acts of George W. Blood and Donald E. Burks and the breach of the duty of protection owed by the corporation to individuals contracting with the corporation through George W. Blood and Donald E. Burks, Philip Thomas Dudley asks for \$500,000.00 punitive or exemplary damages against all defendants and \$10,600.00 compensatory damages.

PHILIP THOMAS DUDLEY

BY COUNSEL

KING, FULGHUM, RENICK & BOUNDS
510 Colonial American Building
Roanoke, Virginia 24011

By _____
Tommy Joe Williams

V I R G I N I A:

IN THE CIRCUIT COURT OF THE CITY OF ROANOKE

RICHARD W. WALTERS)

Plaintiff)

v.)

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OF AMERICA)

412 Shenandoah Building)
Roanoke, Virginia)

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and as President and Director of)
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and as Director of)
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FIRST ESTATE BUILDERS, INC.)

GEORGE W. BLOOD)

and)

JOANNE BLOOD)

Defendants)

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The undersigned plaintiff, Richard W. Walters, respectfully moves the Circuit Court of the City of Roanoke for judgment against the defendants, individually and in their capacities as officers, agents or directors of the defendant corporations for the sum of \$510,600.00, together with the costs incident to this proceeding, for damages arising out of fraud, and in support thereof, represents as follows:

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(6) THAT the board of directors of Estate Life Insurance Company of America knew, or should have known, the positions of George W. Blood and Donald E. Burks with Estate Life Insurance Company of America, and the efforts they were making on behalf of the company, the activities in which they were engaged on behalf of Estate Life Insurance Company of America and the kinds and types of business that they were initiating through and on behalf of the company.

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(10) THAT relying upon the representations made in the previous paragraph, Richard W. Walters entered into the

addendum contract on or about February 28th, 1973, with Estate Life Insurance Company of America and, pursuant to Donald E. Burks' and George W. Blood's representations and demands, delivered the consideration of \$10,000.00 and purchased one unit of the GP-800 series of insurance.

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RICHARD W. WALTERS

BY COUNSEL

KING, FULGHUM, RENICK & BOUNDS
510 Colonial American Building
Roanoke, Virginia 24011

By _____
Tommy Joe Williams

Mr. Philip T. Dudley

Page 28, line 25 through Page 31, line 14

Q. Did you have to buy a policy in order to sell insurance with Mr. Blood?

A. Yes.

Q. And how much did Mr. Blood require for this insurance policy that you bought?

A. Well, we paid him \$600.00 premium.

Q. \$600.00 for a premium?

A. And I bought one on my son.

Q. All right. And so that qualified you for what?

A. To enter into this GP 800, selling this insurance.

Q. Selling insurance. Now, did he give you a contract of some sort or a marketing directorship or a marketing representative; did he give you a contract to sell insurance?

A. Later on, that came.

Q. All right. And were you to receive premiums on the insurance that you sold?

A. Yes, sir.

Q. Did you, in fact, receive premiums on the insurance you sold?

A. Well, I actually never sold one insurance policy myself. All that was sold that I got any credit off of was a credit--he did all the presentation and I was just there.

Q. Mr. Blood did the presentation?

A. Yes.

Q. And you were along with him?

A. Yes.

Q. Have you ever sold insurance before?

A. No, sir.

Q. Well, was this a new experience for you?

A. Completely new.

Q. Well, did you have a license to sell insurance?

A. They got me a temporary six-months license.

It came in a week or two, after they turned in the application for it.

Q. Did you ever get a permanent life insurance agent?

A. No, sir.

Q. Well, after this happened--well, did Mr. Blood represent himself to you as representing Estate Life or some other corporation?

A. It was Estate Life Insurance Company of America.

Q. Now, Mr. Dudley, I have an exhibit here I'd like for you to look at. (Approaching witness.) I'll give some to counsel (distributing copies of proposed exhibit to counsel). I present to you a card--now, that's a calling card. Are you familiar with that card, Mr. Dudley?

A. Yes, sir.

Q. Whose card is that?

A. Mr. George W. Blood. He presented a card like this to me on the day he met me. That was his first--

Q. At that country store?

A. Yes, sir.

Q. All right. What does this card say at the top of it?

A. Estate Life Insurance Company of America.

Q. And down beneath Mr. Blood's name, what does it say there?

A. Director of Special MARKETING.

* * * *

Page 32, lines 2 and 3

It's just a big "E." I would like to present this as Plaintiff's Exhibit #1, Your Honor.

* * * *

Page 32, line 19 through page 33, line 5

Q. Mr. Dudley, in addition to that, did Mr. Blood bring with him a large file, or a large portfolio, that Estate Life had given him?

A. Yes, sir.

Q. Was this document among the documents George Blood exhibited to you in that portfolio? (Approaching witness with proposed exhibit.) Do you recognize that document?

A. Yes, sir.

Q. What did he tell you this was?

A. Well, it's a list of the officers of the Estate Life Insurance Company.

* * * *

Page 34, line 17 through page 36, line 2

Q. Would you please read to the jury the first sentence of the statement underneath Mr. Blood's picture?

A. Mr. Blood worked with Colonial Life Insurance Company in the early 1960's, then joined Empire Life Insurance Company of America. He was the company's leading producer from 1964 to 1969 and personally produced over \$1,000,000 of premium in 1968. In his capacity as Director of Special Marketing, he will be responsible primarily for the GP 800 division.

Q. Now, Mr. Dudley, do you recognize any of the other pictures on this exhibit?

A. Yes, sir.

Q. Are any of these people--at that time, were any of these people officers or employees of Estate Life Insurance Company of America?

A. Yes, sir.

MR. HART: I object to it. Unless he can lay a foundation for this man's knowledge as to who these people were, I object to his testifying to it.

THE COURT: Do you want to say anything about it, Mr. Williams?

MR. WILLIAMS: Your Honor, I'll lay the foundation if it pleases the Court.

THE COURT: All right.

BY MR. WILLIAMS: (continues examination)

Q. Mr. Dudley, in the left-hand bottom corner of the exhibit, there is a picture of someone. Who is that?

A. Dorothy Pendrey.

Q. Do you know Mrs. Pendrey?

A. Yes, sir.

Q. Have you talked with Mrs. Pendrey?

A. Yes, sir.

Q. How do you know who Mrs. Pendrey is, and what position did she have when you met her?

* * * *

Page 36, lines 7 through 11

THE WITNESS: She was Vice-President of Operations of Estate Life Insurance Company.

BY MR. WILLIAMS: (continues examination)

Q. And you know that of your own knowledge?

A. Yes, sir.

* * * *

Page 36, line 21 through page 37, line 18

Q. Know it in general. But let me ask you the question. In the top left-hand corner of the exhibit, there is another picture of another man. Who is that man?

A. At the top? Harold M. Bates.

Q. Yes. Now, who was Mr. Bates, and how do you know who Mr. Bates was?

MR. HART: When?

BY MR. WILLIAMS: (continues examination)

Q. During 1973, when this exhibit was shown to you?

A. Well, he--

Q. What does it say?

A. He told me he was an attorney for Estate Life Insurance Company.

Q. Okay. Now, did Mr. Blood tell you that he was the Director of Special Marketing with Estate Life Insurance Company?

A. Yes, sir.

Q. In fact, he gave you this exhibit to show that, did he?

A. Yes.

MR. WILLIAMS: I would like to make this Exhibit 2 for the plaintiffs.

* * * *

Page 41, lines 8 through 16

Q. (Continued) Mr. Dudley when Mr. Blood came to you on this particular occasion, did he mention to you what company or what company did you understand him to represent when he came to you on that occasion?

A. Estate Life Insurance Company. I did not know there was any other.

Q. So you understood that he represented Estate Life Insurance Company; is that correct?

A. Yes, sir.

* * * *

Page 44, line 2 through page 47, line 24

Q. I'm referring myself to the addendum contract. Did Mr. Dudley make any representation -- did Mr. Blood make any representation about the addendum contract that's the subject of this suit?

A. Not prior to what you have--writing on that paper there.

Q. So this came before the addendum contract?

A. No; that was to explain to me what he would be telling me later.

Q. What did he explain to you?

A. Well, just what's written on that sheet there.

Q. Okay. Would you tell the jury what's written on the sheet and then later on I'll give you the sheet.

A. Well, he stated, "I want to get twenty people that will put \$10,000 each and I will give them one-quarter of 1% commission of every GP 800 contract that is written." In my briefcase, I have the whole -- everything. You just have the one sheet out of there, and it shows at the bottom of the marketing plan, "Copywrited, George Blood, 1972." It was copywrited, his plan. He owned the entire 100%; all of the GP 800 contracts that were written were supposed to come through George Blood. Every one of them.

Q. Well, now Mr. Dudley, George Blood represented to you that he was the sole exclusive agent for the GP 800 series?

A. Yes, sir, that he was appointed to handle that because he worked it out, set it up and everything, brought it here to Roanoke was the way he told it to us.

Q. Now, you referred to this matter and I will give counsel copies (distributing copies of proposed exhibit to counsel).

Mr. Dudley, do you recognize that sheet of paper that I have just placed in front of you?

A. Yes, sir.

Q. What is this sheet of paper; what does it represent?

A. This was the sheet of paper that I was explaining awhile ago that George--and this is his handwriting--in my home on this particular Sunday evening and at night, and he was going over all of this and saying, telling us how many states they expected to go into later as fast as they could get licenses and that, if we came along with him on this deal now, that we would get one-quarter of 1% of all GP 800 contracts written and in the new states as they were licensed and brought in. And he made reference that he needed some money to get along on and that he was willing to do this since he had a 70% general agent's contract that he felt he could afford to do this. Well, all of this from every time we met, I mean it

just seemed like one of the most straightest deals you ever seen in your life and we pondered on this much. I discussed it with my wife and she seemed to think, "Well, if you're going to try to sell insurance, you might as well take whatever benefits, you know, you can get along with it." And we really believed that--and if this policy had of been what it was presented to be in this policy--all of these policies--it was very reasonable that millions of policies would have been written because it was that good.

Q. Well, let me ask you, Mr. Dudley, did Mr. Blood tell you that he was the sole exclusive agent for this contract?

A. Yes, sir.

Q. And did he mention to you how many states that he would go into and that you would get this one-fourth of 1% on?

A. Well, as many as they could get licensed. They would go in as many states as they could get licensed in which that's reasonable.

Q. Now, at the top left-hand corner of this exhibit, it shows the figures 20 and 10,000. What does that mean?

A. That's twenty people he expected to sell for \$10,000 and pay them one-quarter of 1% on the total GP 800 program direct.

Q. And then, in the middle of the page, it shows

some more figures, \$62,500 -- what do those figures represent?

A. Well, this was a projection that the first year they could write so many policies and that many would represent a return of \$12,500.

Q. The first year, you would have a return of \$12,500.

A. And the second year, you would get paid on renewals, plus second-year policies written up to five years and then the first year would drop off each year. In other words, it would pay on five years after we were there five years. We would be getting paid on renewals for five years, plus each year after that on policies written. This thing could have went on forever.

Q. Now, did you see Mr. Blood write this out?

A. Yes, sir.

Q. And where did he write it out at?

A. At my home.

MR. WILLIAMS: All right, I would like to introduce this as Exhibit Number 3.

* * * *

Page 48, lines 12 through 17

Q. What did you do when this proposition was given to you; what was your response?

A. Well, I took some time to think about it. I didn't jump right in. I talked with some of the other

insurance agents. I also went up to Estate Life and talked with them up there.

* * * *

Page 60, line 12 through page 64, line 6

Q. Mr. Dudley, when was the next time Mr. Blood met with you about this proposal?

A. Well, concerning the addendum contract that he had written. I wouldn't accept it with just him. I wanted something backing it further than just him, so then he says, "Well, I'll get Estate Life Insurance Company, you know the President, to sign the contract and the addendum, the marketing contract."

Q. When was the next meeting with Mr. Blood discussing this proposal?

A. Well, after that Sunday night, that was when I told him I would not sign. He was in my home that particular Sunday night -- that I wouldn't accept it just from him. It would have to be from the Estate Life Insurance company itself. So then they wrote the Marketing Director's contract and then they wrote the addendum to that contract and he brought that down to me to look at, and to look over and read.

Q. All right. I'm going to give you an exhibit (Mr. Williams distributing copies to counsel and approaching witness) and I'm giving counsel copies. Is this exhibit familiar to you, Mr. Dudley?

A. Sir?

Q. Are you familiar with this; have you seen this?

A. Yes, yes, sir.

Q. What is it?

A. This is an addendum to the Marketing Director's contract.

Q. Is this the contract that you were discussing just a few minutes ago?

A. Yes, sir.

Q. I see. And now when was this contract signed, or when was it dated; let me ask that.

A. Well, it's dated February the 28th of 1973 but I never received this until the -- when I gave him the check, whatever date's on the check.

Q. Okay. Now, this contract is the contract that you've been talking about; is that right?

A. Yes, sir.

Q. Okay. Now, did you sign this contract?

A. Yes, sir.

Q. Is that your signature on the original there?

A. Yes, sir.

Q. All right. Who else signed this contract?

A. Well, Donald E. Burks as President of Estate Life Insurance Company of America and George Blood as First Estate Builders, Inc.

Q. Now, in what capacity did Mr. Blood sign?

A. As President.

Q. First Estate?

A. Yes.

MR. WILLIAMS: Your Honor, I'd like to make this Plaintiff's Exhibit Number 4, the addendum contract.

THE COURT: All right, sir.

(Thereupon, addendum contract was received into evidence and marked, PLAINTIFFS' EXHIBIT #4.)

BY MR. WILLIAMS: (continues examination)

Q. All right, Mr. Dudley, when did you pay Mr. Blood the consideration that he asked?

A. I think it was in -- sometime in the last part of March. The date's on the check. I don't--

Q. How much did you pay him?

A. \$10,000.

Q. Mr. Dudley, I'm going to show you another document and I'll give counsel copies (Mr. Williams distributing copies to counsel and approaching witness). Do you recognize this document I place before you?

A. Yes, sir.

Q. What is it?

A. What is it?

Q. What is it?

A. It's a check for \$10,000.

Q. Did you sign it?

A. Yes, sir.

Q. To whom is the check payable?

A. To First Estate Builders, Inc.

Q. What date is the check dated?

A. March 22nd, 1973.

Q. Does the check have anything else on the face of it?

A. Yes, I made the notation that there because I wanted to be sure that we understood what we were doing.

Q. What was the notation?

A. One quarter of 1% of GP 800 units insurance commissions.

Q. Now, is that on the check itself?

A. Yes, sir.

Q. And you put it there before you gave it to Mr. Blood?

A. Yes, sir, in his presence.

MR. WILLIAMS: I'd like to make this Plaintiff's Exhibit Number 5, a check.

* * * *

Page 64, line 16 through page 65, line 2

Q. All right. Well, let me back up. Did you ever receive any money from this contract?

A. Yes, sir.

Q. How much did you receive?

A. I give you -- I think you have the copies -- possibly, something like fifteen or sixteen dollars -- possibly.

Q. Now, who paid you those checks; from whom did

they come?

A. Well, the checks that I received, as best I remember, came from Estate Life Insurance. These little checks may have come from Estate Life.

* * * *

Page 65, lines 3 through 18

Q. So you were being paid different checks from both companies?

A. Well, our regular checks came from Estate Life.

Q. All right. Now, what happened to Mr. Blood?

A. Well, he called me one day all excited -- he called me and he said, "Pete, things has gone all to pieces. The Company has split up, taken away practically all my business." He said they'd give it to five or six other general agents and he said, "I haven't got anything hardly left," but this was just within a week or ten days after he had gotten my \$10,000 and cashed the check. There was no way to stop payment on the check. I called the bank and they said it's gone through, so I realized then I was hurting.

* * * *

Page 67, line 13 through line 25

Q. Now, Mr. Dudley, did you or did you not go to college?

A. No, sir.

MR. HART: I object to that as not being

relevant to anything.

MR. WILLIAMS: Your Honor, I think that --

THE COURT: All right, I'll overrule your objection as to that.

BY MR. WILLIAMS: (continues examination)

Q. Did you or did you not go to high school?

A. No, sir.

Q. Well, how high did you get in school?

A. I just barely made the seventh grade.

* * * *

Page 70, lines 3 through 21

Q. I see. All right. Now, your testimony was that George Blood came to you at sometime after the first of the year of 1973 and sold you a policy of insurance on Estate Life Insurance Company of America; is that correct?

A. Yes, sir.

Q. A GP 800, and you purchased that policy for the benefit of your son, did you say?

A. Well, I had to put it in someone's name so I put it on him because he was younger than I was and it had more benefits in it the younger the person was -- the more benefits.

Q. And you paid the \$600.00 to Estate Life Insurance Company of America?

A. Yes, sir, plus \$75.00 extra to go to school which we didn't get anything out of.

Q. All right. Were you --

A. Sir?

Q. Were you issued a policy of insurance?

A. Yes.

* * * *

Page 72, line 2 through line 16 on
Page 77

Q. And as part of the marketing director contract, you entered into what has been introduced as Plaintiff's Exhibit #1, the addendum to marketing director contract, and this is Exhibit #1?

A. Yes, sir.

Q. Now, what did Mr. Blood tell you he was selling you for your \$10,000?

A. He was selling us one-quarter of 1% on all GP 800 contracts written, regardless of who wrote them. They all had to come through him since he had it all and we would be made a marketing director. I can't even remember those terms.

Q. And Exhibit #3 is what you say is what he used to induce you to enter into this agreement; is that correct?

A. Yes, sir.

Q. Now, up at the top right-hand corner of Exhibit #3 are some figures and words. Would you read the first line right here (Mr. Hart approaching witness and indicating on Exhibit #3)?

A. Starting here?

Q. Yes, sir.

A. One-quarter of 1% total GP 800.

Q. And right under that is another line with some words on it. What does that say?

A. Well, it says, F. E. B.

Q. Inc.; does it look like Inc.? Would you stipulate, Mr. Williams, that that says F. E. B., Inc.?

MR. WILLIAMS: Yes.

BY MR. HART: (continues examination)

Q. F. E. B., Inc., and then over here, it indicated Virginia?

A. Yes, sir.

Q. Now, what does that mean to you? What does F. E. B., Inc., mean to you?

A. Well, it could have meant February.

Q. Okay. Well, it also could have meant First Estate Builders, couldn't it?

A. Well, we hadn't been told that at this time.

Q. And would you read the first paragraph of Section 1 of the addendum contract, just read it right into the record for the jury.

A. Well, this came after this (indicating).

Q. I understand that.

A. This addendum is added to and made a part of the marketing director contract entered into by Estate Life Insurance Company of America, First Estate Builders, Inc., and Philip Thomas Dudley, and Philip Thomas Dudley of

Vinton, Virginia.

Q. The 28th of February?

A. The 28th of February, 1973.

Q. Now, just go read Section 1.

A. It is agreed that for the present and future efforts of the third party of securing applications for insurance for the company, either in person or through agents, that he approves, the general agent will pay the third party commissions as set forth in the table below according to the plan of insurance and under the heading "Commission" on the total premiums sold on the cost as written in Virginia through the general agent and issued by the Company.

Q. Now, does that -- did you read the contract before you signed it, Mr. Dudley?

A. We kind of looked them over; yes.

Q. My question to you was, did you read the contract before you signed it?

A. Well, yes.

Q. Yes. Did you see the language in the contract that says that you would be paid commissions -- commission on the total premium paid on policies written in Virginia through the general agent, and issued by the company?

A. No, sir, we didn't read that in there, even though we read it because we had done been sold and, when you are sold on something, you will read something but a person of my caliber you will read it and you don't read it.

Q. Well, what does that mean to you? Does commissions on policies issued in Virginia mean to you that you get commissions on policies written throughout First Estate -- or Estate Life Insurance Company's sales area?

A. Well, they were only licensed in Virginia at that time.

Q. There's another reference in here, I believe, to -- read Section 2, please, if you would for the record.

A. In addition to the first year's commissions above provided for, the general agent agrees to pay third party additional renewal commission on renewal premiums received by the company on such policies written in Virginia through the general agent as stipulated in this section for the number of years stated. Renewal commissions below are total.

Q. It also says that the renewals would be paid on commissions written in Virginia, or paid in Virginia; is that correct?

A. Yes, sir.

Q. And you read that, too?

A. Yes, sir.

Q. Before you paid your \$10,000?

A. Well, when I paid it but I bought what Blood said.

Q. Now, testimony is that you read -- excuse me,

I didn't hear what you said.

A. I was paying for what our original agreement was and the wording here is hard to understand when you are not looking for catches in it.

Q. But you did read it?

A. Yes, sir.

Q. And you didn't question anybody about it apparently?

A. (No response.)

Q. One other question. Where is the yellow sheet -- oh I'm sorry. Go ahead; I'll use a copy of it. Go ahead. (Mr. Hart approaching witness.) Mr. Dudley, you have told us that the first set of figures over here indicates that on the first year you would receive \$12,500 return on your \$10,000 investment; is that correct?

A. Yes, that's what he wrote down.

Q. Yes, George Blood. That's what George Blood wrote?

A. Yes.

Q. And that the second year, you would receive \$25,000 and the third year \$37,500?

A. Well, these were projections.

Q. So he didn't guarantee you or warrant to you that you would receive this much money; is that correct?

A. Well, no, we didn't expect to get this type money but we did expect to sell many premiums, because many premiums were sold.

Q. He said you might make this in the future?

A. Well, it was very possible.

Q. Did he tell you that you might not make anything in the future?

A. No, sir.

Q. Did you ask him?

A. No, sir.

* * * *

Page 85, lines 12 through 16

Q. You understood, I believe you testified to this, that George Blood was the sole exclusive general agent of Estate Life Insurance Company for the GP 800 series?

A. Yes, sir, that's what he told us.

* * * *

Page 94, lines 8 through 25

BY MR. APOSTOLOU: (continues examination)

Q. After you entered into this addendum contract where you were to get the one-fourth of 1% of all the policies sold in Virginia by the First Estate Builders, Inc., you got some commissions from that, too, did you not -- some payments?

A. Yes, sir.

Q. On the addendum contract?

A. Yes, sir.

Q. So First Estate Builders kept its promise

in accordance with the agreement, the addendum agreement, when they gave you the payments under this addendum contract?

A. Up through the three-week period, yes.

Q. Right. And in three weeks' time, subsequent to that, is when you got the telephone call and Mr. Blood was excited and you got excited because he told you he'd lost his business; correct?

A. Yes, sir.

* * * *

Page 96, lines 1 through 13

Q. And I believe you stated, on cross examination to Mr. Hart, that these projections that were made that I have marked Exhibit 3, which you have introduced on this yellow paper which the jury has seen, that these were just projections; they weren't told to you-- this is what you would actually make, and it was contingent upon the sale of policies?

A. But had things worked out like they were supposed to have, this was very possible.

Q. All right. Okay. And the thing that made it impossible was the fact that more than one agent became a general agent of this policy; isn't that right?

A. The whole thing just got blown up.

* * * *

Q. I believe, in substance, Mr. Dudley, and I want to state a proposition to you that had Mr. Blood

continued as the sole exclusive agent of this series of policies that the projections that he made to you and you discussed with him were quite possible.

A. Yes, sir.

* * * *

Page 106, line 23 through page 111, line 13

BY MR. WILLIAMS:

Q. Would you please state your name and present residence to the jury?

A. My name is Kenneth B. Toft and presently I am a resident of Tampa, Alabama, and my mailing address is Seffner -- Tampa, Florida. My residence mailing address is Seffner, Florida, which is a suburb of Tampa.

Q. Mr. Toft, with whom are you employed?

A. Founders Life Insurance Company, Inc., of Florida, and of Estate Life Insurance Company, Inc.

Q. What is your capacity with Estate Life Insurance Company?

A. Of Estate Life, I am treasurer of the company.

Q. When did you first come with Estate Life?

A. In 1973.

Q. What capacity did you have when you came with Estate Life in 1973?

A. I came as treasurer of the company.

Q. Have you ever met the defendant, George W. Blood?

A. No, sir, I have not.

Q. Are you familiar with the personnel file of George W. Blood?

A. I have seen it, had access to the personnel file; yes.

Q. Do you know whether or not George W. Blood has ever been associated with Estate Life?

A. Yes, he was.

Q. What capacity did he have?

A. He was in the sales area and was Sales or Special Marketing Director, and he was holding a general agency contract.

Q. Now, was he Director of Special Marketing for First Estate Builders, Inc., or of Estate Life Insurance Company?

A. His sales activity was for the benefit of Estate Life Insurance Company and I think he also worked individually but he also had the corporate enterprise and how he utilized that, I do not know.

Q. Sure, I understand, but what I'm trying to get at is, you said he was Director of Special Marketing. What company did he have this position with?

A. With Estate Life.

Q. Now, besides being Director of Special Marketing, did he or a corporation of his have any general agency contract?

A. Yes, he had a general agent's contract, himself, as I recall and one for First Estate Builders,

Inc.

Q. Now, isn't it true, Mr. Toft, that Estate Life Insurance Company frequently got Mr. Blood and his corporation mixed up?

MR. HART: I'm sorry. I didn't hear the last part of the question.

MR. WILLIAMS: I said isn't it true that Estate Life Insurance frequently got Mr. Blood and his corporation, First Estate Builders, Inc., mixed up and confused.

THE WITNESS: I don't know how to answer that.

BY MR. WILLIAMS: (continues examination)

Q. Let me ask you this.

A. Mixed up as far as an agent -- as to who as an agent?

Q. Yes, which company or which individual should have commissions coming to him.

A. Perhaps that was the case. I was not there when these events would have occurred.

Q. Mr. Toft, I would like to show you a copy of the document that I believe is in the possession of Estate Life. Do you recognize this document?

A. Yes, it's a memo that I had written on March 19, 1974, a handwritten memo.

Q. And this was after Mr. Blood had already

left the company?

A. Yes, this would have been a year after.

Q. And to whom is this directed?

A. This is about six months after I came with the company.

Q. To whom was the memorandum directed?

A. To Mrs. -- to Fran Steffy.

Q. Now, who was Mrs. Frances Steffy?

A. Fran Steffy was a secretary in the agents' division -- marketing division.

Q. She was, in fact, Agency Secretary for Estate Life, wasn't she? I mean, she was in charge of the agencies?

A. She handled the agents' licenses, yes -- normal compensation, and so on.

Q. Now, isn't it true that this memorandum indicates that some commissions that Estate Life had previously --

A. May I read it, please? I am not --

Q. Sure, yes.

A. I'm not familiar with the content of it.

Q. Sure, sure, take your time. (Approaching witness and handing witness memo.)

A. (Reading memo.) All right, sir.

Q. Isn't it true that Estate Life originally put certain commissions in the name of George Blood that

actually this memorandum indicates should have been put in the name of First Estate?

A. Yes.

Q. Well, then, there was some confusion?

A. Right, there was. This has refreshed my mind and I recall an incident where I didn't specifically before.

Q. But you're quite sure on your recollection that Mr. Blood was in, fact -- you're quite sure that Mr. Blood was not only Director of Special Marketing for Estate Life but, in addition, he was also a general agent selling insurance?

A. Right. I guess he had several titles. He was charged with doing one job but, as far as the titles that were hung onto his job --

MR. WILLIAMS: I think I will introduce this as Plaintiff's Exhibit Number 6.

* * * *

Page 111, line 20 through line 1 on Page 112

Q. Mr. Toft, do you know whether or not Mr. Blood was on the payroll of Estate Life Insurance Company of America, Inc.?

A. No. So far as I know, there were never any payroll records pertaining to him where he was paid as an employee and we made no reporting on what would be the W-2, W-4 form.

* * * *

Page 115, lines 17 through 23

Q. Well, let me interrupt you now. You said you met him where?

A. At his office at Estate Life Insurance Company.

Q. Oh, he did have an office then at Estate Life?

A. Yes.

* * * *

Page 124, line 7 through page 128, line 6

Q. Mr. Walters, would you please state your name and address to the jury?

A. My name is Richard W. Walters and I live at 2777 Colonial Avenue, Southwest, Roanoke, Virginia.

Q. How long, Mr. Walters, have you lived here in Roanoke City?

A. I have lived here since '64, thirteen years.

Q. Are you acquainted with George W. Blood?

A. Yes, sir.

Q. How is it that you are acquainted with him?

A. I met Mr. Blood, I think it was, around possibly the latter part of '72. I'd say around December, the early part of December or the latter part of November, of '72 through another agent, Mr. B. W. Robinson introduced me to George Blood.

Q. Did you have any conversation with Mr. Blood

and, if so, what was the content?

A. Yes, sir, I had a conversation with Mr. Blood. We met out here at the Steak House on Melrose and that's when he introduced me to this GP 800 program and, of course, he gave me a calling card and so on and so forth, and he told me I may like to get into the insurance business on a part-time basis at that time. But he told me what I had to do was buy one of these \$600.00 policies and go to the school which would cost me \$500.00 -- I mean \$75.00 and that this policy would have to be taken out on younger people, from 0 to 45, which kind of left me out in the cold because I was past that age. So I did take out an insurance policy. I didn't that day, but at a later date, sometime shortly after that meeting about the first of January. I don't have the date of the policy, but I did take out a policy.

And then I went off to a school which cost me \$75.00 and that was out at Tinker Mountain Motel and John Kinker, he was over the schooling and part of this marketing program. He worked for Estate Life, and he was supposed to conduct the school that day; it was on a Sunday. And I know there was three or four of us that went out there and John wasn't there and so George Blood and a fellow by the name of Joe Lutz made an attempt to carry on this school, what time he wasn't in the back room puking, and so we stayed out there two or three hours and that was it.

Q. You say George Blood was there at the school. Now what was this school for?

A. It was to teach us something about the insurance business, how to go out and market this program and recruiting people, and stuff like that -- to sell insurance.

Q. Now, do you mean to say that Mr. Blood was incapacitated?

A. Yes, sir.

Q. Well, what transpired after this school?

A. Well, after the school, they gave me a temporary license, a six-months temporary license.

Q. Who is "they"?

A. Uh, Mr. -- Estate Life Insurance Company sent me a temporary license, a six-months temporary license, to sell the GP 80 -- G 800 series policies.

Q. Did anything further transpire between you and Mr. Blood?

A. Well, after that I went with him a time or two and that was when I taken him down to Chamblissburg and met with Mr. Dudley.

Q. Well, what transpired after that?

A. Well, after talking to Mr. Dudley, then that day for, I guess, two or three hours, maybe longer, I don't know -- I don't think he bought a policy that day but George did slip back down a day or two later and I think he sold him the policy and I wasn't present at the

time they did draw the policy.

Q. Now, whom was George Blood representing during this time?

A. When?

Q. When you went down to Mr. Dudley; whom did he say he was representing?

A. He said he was representing Estate Life Insurance Company.

Q. I would like to show you a document. (Distributing copies to Mr. Apostolou and Mr. Hart and approaching witness.) I give you a document. Do you recognize that document?

A. Yes, sir.

Q. What is it?

A. It's a full-page ad they run in the Roanoke Times, February 11, 1973.

Q. Do you recall seeing that ad when it ran?

A. Yes, sir.

Q. Does it indicate who the officers of that company may be.

A. Yes, sir, it does.

Q. Is George W. Blood listed as an officer?

A. I'm sure he was; yeah, George W. Blood, Director of Special Marketing, and that's the officers -- yeah, the officers.

Q. And you did see this in the Roanoke papers.

It's an exact copy of the ad?

A. Right.

MR. WILLIAMS: I would like to introduce this as Plaintiff's Exhibit Number 7.

* * * *

Page 129, lines 5 through 24

When was the next opportunity you had to discuss any transaction with Mr. George W. Blood and what was that transaction?

A. Well, I would see Mr. Blood, I'd say, maybe two or three times a week. I was running a place of business up here on 24th Street, at the corner of 24th and Shenandoah, at the time and he would come in there periodically. I mean he come in there real often and a lot of times maybe just use the phone and he'd talk about this. Then, of course, they'd have their general sales meeting and everybody would be out there. Mr. Williams was out there a time or two, out at Tinker Mountain where they held their general sales meetings, and then Mr. Burk would get up and talk and Mr. Kinker would get up and talk and Mr. Blood would get up and talk. It looked like there was more promoting on this GP 800 than anything else and, of course, we never knew there was any other company. We never give it any thought of there being any other company and, of course, it's on the contract there, Estate Life Insurance Company.

* * * *

Page 130, line 23 through page 131, line 25

A. All right. First, you become a marketing representative which pays you 35% commission. Then, after -- the way the program is set up, you have yourself ten policies, I think, and sign up five agents to become a marketing director. Then you made commission up to 55%, so he was showing us how this thing could balloon out. You sign up one man, let him sign someone else, and just keep ballooning up and up, so I was working mostly with him when I did go out to call on someone because I didn't know enough about the program to really talk to anybody about it. And so I worked with him or some other agent out of Estate Life. And so, when George came to me about this other thing, he said that this was a good way to get your marketing director put up his \$10,000 and will immediately make you marketing director so you'd get on the 55% commissions.

And he put it on paper just like he did for Mr. Dudley and he told me he'd already signed up Mr. Dudley at the time, so that's when I told him I didn't have that much money to give him at the time, so I give him \$2800, or I gave him \$2500 at that time and gave him \$300.00 later.

Q. How much did you give him altogether?

A. I gave him \$2800 and a note for \$8000.

Q. Has that note been cashed?

A. No, sir. I went to the bank as soon as I

found he'd left town and I told the President of the bank to stop payment or anything on that note.

* * * *

Page 132, lines 1 through 16

Q. Now, would you tell the jury exactly what you gave that consideration for? What did you think you had given it for?

A. Well, I thought I was buying into the company, one-quarter of 1% of all the GP 800 that were sold in Estate Life by all of the agents of Estate Life, and I didn't have in the back of my mind that they couldn't do it because it was right on the program there where George Blood had sold a million dollars worth of premiums in one year himself and that's not the volume; that's the premium dollars. I don't know whether the jury knows the difference between premium dollars and the volume dollar or not, but that means --

Q. You mean commission dollars?

A. That's right; commission dollars.

* * * *

Page 135, line 19 through line 7 on Page 136

Q. Now, the yellow sheet that has been passed to the jury, did you see that yellow sheet as well?

A. Yes, sir, he made one up for me, too.

Q. And what was the conversation that transpired when you saw this yellow sheet?

A. He told me that I could make more money than Carter had little liver pills. That's what he said. He said that this thing would go and we would all be rich. He told me the first year we ought to sell \$5,000,000 worth of premiums. That would give me about \$12,500. The second year we ought to sell another \$5,000,000 and then you'd have your renewals coming in. Of course, your renewals are not as much as your premiums as far as the commission is concerned. You only get 15% on that.

* * * *

Page 137, line 19 through line 11 on Page 138

Q. When did you see that newspaper ad, Mr. Walters?

A. Whenever it came out in the paper, whatever the date is on that when it came out in the paper.

Q. You saw it at that time?

A. Right.

Q. You'd been dealing with Mr. Blood prior to that time; right?

A. Right.

Q. Had you not?

A. Right.

Q. That newspaper ad did not induce you to do anything, did it?

A. No; they brought that up at one of the general sales meetings out at Tinker Mountain when we had

the sales meetings out there, that they were going to run an ad something to that effect, and we should look out for it.

* * * *

Page 139, line 22 through line 9 on Page 143

Q. And what did you understand that you were purchasing for your \$10,000 commitment?

A. Just what it says here, one-quarter of 1% of all the GP 800 written through Estate Life Insurance Company of America.

Q. And what does this (indicating on the upper left-hand corner) indicate?

A. F. E. B.

Q. What does that mean -- February to you, too?

A. (Chuckling) It could be. As far as I was concerned, I thought Estate Life and Estate Builders were all the same because they were all in the same contract. Estate Life Insurance Company paid our salaries, or paid our commissions, so I thought I was working for Estate Life.

Q. Now, what did you understand that F. E. B. on this document meant?

A. That meant that George Blood had the contract through Estate Life Insurance Company of America to sell these insurance policies. He was a general agent for them.

Q. So F. E. B. means Estate Life to you?

A. It probably means First Estate Builders.

Q. All right, and what does this other word (indicating on the upper right-hand corner) on the same line on the right-hand side mean to you?

A. Virginia.

Q. And what is the word Virginia -- what is the significance of the word Virginia on this document?

A. That meant in the State of Virginia.

Q. So, are you saying now to the jury that this means you were purchasing one-quarter of 1% of all commissions earned by First Estate Builders in Virginia?

A. Right, right, because they were working right out of this office right here in Roanoke. That's the only place they had it. They hadn't even spreaded into Richmond and other places in the area at that time.

Q. Why did Mr. Blood write Virginia and not names of the other states on that document?

A. I don't know. Of course, Estate Life is in Virginia.

MR. HART: Did you introduce Walters' addendum.

MR. WILLIAMS: Yes, I did.

(Mr. Hart getting exhibit.)

BY MR. HART: (continues examination)

Q. All right, Exhibit #8. Now, you heard Mr. Dudley read his addendum to marketing director's contract this morning, did you not?

A. Yes, sir.

Q. Does yours say the same thing; does it?

A. As far as I know, I think it does.

Q. Doesn't this contract say that you are to be paid one-quarter of 1% on all commissions written through the general agent, which means First Estate Builders, and issued by the company in Virginia?

A. Well, that was the only agent in Virginia at that time.

Q. Does that contract provide, Mr. Walters, that you are to be given one-quarter of 1% of anything other than commissions earned in Virginia?

A. No, sir.

Q. Did you read the contract before you signed it?

A. I feel like I did.

Q. Well, did you or did you not?

A. I'd say I did, yes, sir.

Q. What did that mean to you, when the language of the contract limited your commission to Virginia?

A. Repeat that.

Q. Did it mean anything to you that the contract limited your commissions to a percentage of those earned in Virginia, while Mr. Blood had apparently said something else to you.

A. Well, I knew it limited it to Virginia because that was the only place they was allowed to sell insurance is in Virginia.

Mr. Richard W. Walters
Mr. Forrest S. Williams

Cross/Redirect
Direct

Q. Did you anticipate, Mr. Walters, executing more of these agreements?

A. I don't know. I wasn't anticipating anything. I just thought it was a good investment at that time and that's the reason I got into it.

Q. All right. When you paid your \$2500 and gave your note, you knew that your contract was limited to one-quarter of 1% of all commissions which were earned by First Estate Builders in the State of Virginia; is that correct?

A. That is correct, yes, sir.

* * * *

Page 151, line 19 through 161, line 22

Q. Mr. Williams, what is your full name?

A. Forrest S. Williams.

Q. Where do you reside?

A. I live at 200 Ogden Road.

Q. Here in the City of Roanoke?

A. Yes.

MR. APOSTOLOU: Your Honor, would you instruct the witness to speak directly to the Court?

THE COURT: Mr. Williams, if you would project your voice towards me, everyone can hear you.

THE WITNESS: All right.

BY MR. WILLIAMS: (continues examination)

Q. Are you associated with Estate Life Insurance

Company of America?

A. I was, yes, sir.

Q. What was that capacity?

A. I was Chairman of the Board.

Q. Chairman of the Board of Directors?

A. Yes, sir.

Q. And when did you first become Chairman of the Board?

A. I don't have that date.

Q. Was it from its inception?

A. No, sir.

Q. Was it in the 1960's?

A. Well, sir, I just don't have the date. I'm sorry.

Q. You don't know whether it was in in the '60's or the 70's?

A. Well, I know it wasn't in the 70's. It was earlier than the 70's but now, what date in the 60's, I do not know.

Q. How long have you been or were you Chairman of the Board of Directors?

A. Oh, I would say between eight and ten years.

Q. And were those consecutive years?

A. Yes, sir.

Q. Were you Chairman of the Board of Directors in 1973?

A. Uh, yes, sir.

Q. Are you familiar with George W. Blood?

A. Uh, I have met George and I know George; yes, sir.

Q. When did you first meet Mr. Blood?

A. I don't have the date. It was whenever he was brought into the company.

Q. When was he brought into the company?

A. I don't have the date.

Q. You don't -- was it in the 1970's?

A. I just don't have the date but I wish I did.

Q. Okay. Would that date be in the corporate minutes?

A. It should be, yes, sir.

Q. Did you look at the corporate minutes?

A. I'm -- I haven't but I'm sure it's in there.

Q. But you haven't looked at them?

A. No, sir, I haven't checked them.

Q. What capacity did Mr. Blood occupy when he was with Estate Life?

A. He was President of the corporation.

Q. Mr. Blood was?

A. Uh, yes -- oh, no, no; no, I'm sorry. Uh, Mr. Blood, he was in the sales -- in sales in some capacity.

Q. Do you know what that capacity was?

A. Well, I'm reasonably sure that George Blood had a -- what they call a general agency agreement or

contract.

Q. All right. Did he occupy any other position at Estate Life?

A. Not that I know of.

Q. Well, would you know about various individuals who were employed or were hired by Estate Life; would you have reason to know of them?

A. No, sir.

Q. Has a personnel committee ever been established by Estate Life?

A. Gee, I'm not sure whether they had a -- I'd have to say I don't know.

Q. Well, do you know whether you were a member of such a committee?

A. I was not a member of the personnel committee, no.

Q. Mr. Blood -- I mean Mr. Williams, I would like to show you some minutes. (Mr. Williams distributing copies of minutes to Mr. Apostolou and Mr. Hart and approaching witness.) While counsel is examining these documents, I will ask you a few more questions.

You say you don't recall when Mr. Blood first came with Estate Life?

A. The date? No, sir.

Q. Do you know who brought him there?

A. No, sir, I can't say who brought him here.

Q. Well, do you think Estate Life might have brought him here?

A. Well, I would say the President brought him here.

Q. The President of Estate Life?

A. Yes.

Q. Well, now, do you know the circumstances involving the exit of Mr. Blood from the Roanoke area?

A. Your question again was -- what?

Q. Do you know what caused Mr. Blood to leave Roanoke?

A. Uh, no, sir.

Q. Well, now, do you recall taking depositions in my office almost a year ago?

A. Yes, sir.

Q. And do you recall that I asked you substantially the same question (approaching witness with copy of deposition) --

MR. HART: What page are you referring to?

MR. WILLIAMS: Page 5.

THE WITNESS: And I think I answered you something like along this line, after he had the affair with Dudley, he had received some money and he just simply vanished.

BY MR. WILLIAMS: (continues examination)

Q. Specifically, if I could read the questions and your answers.

A. Okay.

Q. The question was, "How long was he with Estate Life;" the answer, "Well, until he got run out of town, however long that was."

MR. HART: Where are you reading from?

Oh, I see -- the top of the page. All right, go ahead.

BY MR. WILLIAMS: (continues examination)

Q. I don't know -- I don't have these dates.

(To Mr. Hart and Mr. Apostolou): May I have those minutes that I gave you just a little ago?

(To the witness): Now, Mr. Williams, I asked you a few minutes ago if a personnel committee had ever been established at Estate Life, and you told me as I remember that you don't recollect such a committee. Now, I have minutes of the Board of Directors of Estate Life here. I have received them from your own counsel. Now,--

MR. HART: Now, just a second. Let me see those one more time (approaching Mr. Williams), please. (Mr. Hart studying minutes.) Okay, go ahead.

BY MR. WILLIAMS: (continues examination)

Q. Now, these particular minutes are dated November 2nd, 1972. On page 4 -- page 3, it says this, if you care to read with me: "Mr. Burks pointed out that the recent resignations of some officers and directors of

the company had left some vacancies on committee appointed by the Board. Following a discussion, the following persons were appointed to serve on the committees indicated." They indicate a personnel committee --

MR. HART: If Your Honor please, we will agree that the minutes indicate that Mr. Williams was on the personnel committee as evidenced by the minutes of the directors' meeting but we object to this entire line of questioning as not being relevant. I don't know what the relevancy is. He was, or was not, on the personnel committee. What does that have to do with Mr. Blood selling these people something that he didn't have, or did have? It's not relevant.

THE COURT: Do you want to say anything about that, Mr. Williams?

MR. WILLIAMS: Your Honor, Mr. Blood was an officer of the corporation. At least, the ad that we saw in the newspaper said he was. Now, Estate Life has a personnel committee. Mr. Williams was on it. I would think that he would have some knowledge of the officers of his own company.

MR. HART: What? I'm sorry, I didn't understand you.

MR. WILLIAMS: He would have some knowledge of the officers that his own company hires and, therefore,

I am trying to show that he did have such knowledge of George Blood, a member of the personnel committee.

MR. HART: Well, what does that have to do with anything? I fail to understand what it has to do with this case, Judge. That's my objection to it.

THE COURT: Do you want to say anything about his objection?

MR. WILLIAMS: Your Honor, I think it has something to do with the knowledge that the fact that Mr. Williams did know that Mr. Blood was here and that a personnel committee was established for some reason and I am about to go into why the personnel committee was formed.

MR. HART: Judge, we will admit that Mr. Blood was here. I mean, that's not -- I don't think that we are trying -- that that is a matter of proof as to whether or not George Blood was here.

THE COURT: Well, I don't think that's Mr. Williams' question. The question goes to a personnel committee, which the witness says he did not know had been formed.

But what is the relevance of that? Are you using this to impeach Mr. Williams' credibility or what?

MR. WILLIAMS: I am using it more to refresh his memory. He was on the personnel committee. I would think he would have a better memory of Mr. Blood. Mr. Blood surely came before the committee.

MR. HART: Well, then ask him the question.

MR. WILLIAMS: All right, I shall.

THE COURT: Do you withdraw your objection?

MR. HART: No; I object to the entire line of questioning, Your Honor.

THE COURT: I am going to overrule your objection.

All right, Mr. Williams.

BY MR. WILLIAMS: (continues examination)

Q. Thank you, Your Honor. Do you know, Mr. Williams, whether Mr. Blood was ever discussed by the Board of Directors --

MR. HART: When?

BY MR. WILLIAMS: (continues examination)

Q. During 1973?

A. I don't -- I do not recall the Board discussing Mr. Blood.

Q. Does the Board discuss the operation of the GP 800 series of insurance?

A. No, sir.

Q. Well, who is responsible for the administration of that program?

A. The management.

Q. Well, does the management report about the GP 800 series to the Board of Directors?

A. It reports its activities -- sales and such.

Q. But who has the authority to retain agents for Estate Life?

A. Uh, the president.

Q. And does he report who those agents are to the Board of Directors?

A. No, sir.

Q. Has he ever?

A. No, sir.

Q. If you don't discuss the administration at your meetings, Mr. Williams, what do you discuss at those meetings?

A. Well, the Board of Directors appoints officers of the corporation and establish salaries for the officers.

* * * *

Page 162, line 23 through page 164, line 1

Q. Are you very familiar with the GP 800 series of insurance?

A. Well, I'm not an insurance salesman. I just know we had a policy by that trade name. I could not go into the details of the policy.

Q. Do you know whether Mr. Blood was associated with that program or not?

A. No. Now, I do not know just what -- how Mr. Blood was employed.

Q. Does the Board of Directors manage or control the advertising of these programs such as the GP 800 series of insurance?

A. No, sir.

Q. To whom is that duty --

A. It goes back to the management, the president,

and their sales people.

Q. And does the Board of Directors supervise the advertisement?

A. No, sir.

Q. Do you know how your general agencies are set up, Mr. Williams?

A. No, sir.

Q. Well, do you know how they function at Estate Life?

A. No, I really don't. I am just not acquainted with it.

Q. Well, a point in fact, you don't know too much about the company?

A. No, sir.

* * * *

Page 199, lines 7 through line 10

THE COURT: Well, I don't have any problem about the jury issue with George Blood and I'm going to overrule the motion as to him, and sustain the motion as to Estate Life.

* * * *

EXHIBIT # 1

ESTATE LIFE INSURANCE COMPANY OF AMERICA
P. O. BOX 2136 • ROANOKE, VA. • TEL. (703) 345-1101

NOTE - 997.1234



GEORGE W. BLOOD
DIRECTOR • SPECIAL MARKETING

OFFICERS

EXHIBIT # 2



HAROLD M. BATES
SECRETARY &
LEGAL COUNSEL

Harold M. Bates, an Attorney at Law, was elected Secretary and Legal Counsel for the company in December, 1970.

Mr. Bates is a member of the Roanoke Bar Association and has practiced law in Roanoke since 1967.



JIM CALL
DIRECTOR OF
HEALTH SALES

Jim Call, with the company since 1965, now serves as State Manager of West Virginia and is Director of Health Sales.

Mr. Call entered the insurance industry in 1960 and in his duties for Estate Life, has increased both production and volume for the company.



GEORGE W. BLOOD
DIRECTOR-SPECIAL
MARKETING

Mr. Blood worked with Colonial Life Insurance Company in the early 1960's, then joined Empire Life Insurance Company of America. He was the company's leading producer from 1964 to 1969, and personally produced over \$1,000,000 of premium in 1968.

In his capacity as Director of Special Marketing, he will be responsible primarily for the GP-800 Division.



DOROTHY P. PENDREY
VICE PRESIDENT OF
OPERATIONS

Dorothy P. Pendrey, with the company since 1962, is presently Vice President of Operations. She was formerly Assistant Vice President of Operations until November, 1971.

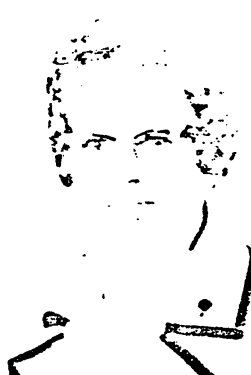
Mrs. Pendrey attended Virginia Southern Business College, Roanoke, Virginia and Fellow Life Management Institute.



CLYDE NECESSARY
VICE PRESIDENT-
CONTROLLER

Clyde Necessary, with the company since 1964, is presently Vice President-Controller. He is in charge of the Accounting, audit and control work for the company.

Mr. Necessary completed the Federal Tax Seminar at Booke & Company, Winston Salem, North Carolina and the Accounting and Annual Statement Seminar at the same company.



DOROTHY (LEMON) DOOLEY
ASSISTANT TREASURER

Dorothy C. Dooley, with the company since 1962, is currently serving as Assistant Treasurer and Investment Officer.

Mrs. Dooley has a BA degree in Business; an advanced accounting degree from the University of Virginia; and an advanced mathematics degree from Roanoke College.

Mrs. Dooley was named to the Who's Who of American Women, Biographical Sketch appearing in the Eighth Edition.



LILIAN L. ANDERSON
ASSISTANT SECRETARY

Lilian L. Anderson joined the company in January, 1969 and was promoted to Assistant Secretary in November, 1971.

Mrs. Anderson was born in London, England. Her professional education includes a Certified Professional Secretary (CPS) rating secured in 1967.

20 @ 10,000

1/4 of 100,000 = 25,000
FEB, 1964

55% 1st. M N 5-7 yrs.

1 yr. of 4 more years

5 2-5 yrs
26 over 5.

35 1st.

3 = 2-5 yrs.

5 yrs. Total

55% Agents. Estate.

1st year. 5M =	1812500
2nd year 5M + 5M =	25,000
3 yrs 5 + 5 + 5 = 15	37500
4 5 + 5 + 5 + 5 = 20	50,000
5 5 + 5 + 5 + 5 + 5 = 25	62,500
6.5	62500
	62,500

EXHIBIT #3

2500 = 5% EFC AGENCY
STOCK.

500

FEB. 20% 30-50
10 @ 2500 = 25000
2 = 12500 = 25000
50,000

1 DIRECT = 150 =

1 MILL

3 yrs. 3M.

20% 1M = 200,000
2M = 400,000

15

675 Estate

2500 FEB

10,000

1.50

ADDENDUM TO MARKETING DIRECTOR CONTRACT

THIS ADDENDUM is added to and made a part of the Marketing Director Contract entered into by ESTATE LIFE INSURANCE COMPANY OF AMERICA, FIRST ESTATE BUILDERS, INC. and

Philip Thomas Dudley of Vinton, Virginia
on 28th day of February, 1973.

WITNESSETH:

Sec. 1 It is agreed that for the present and future efforts of Third Party in securing applications for insurance for the company, either in person or through agents he recruits, the General Agent will pay Third Party commissions as set forth in the table below according to the plan of insurance and under the heading "Commission" on the total premiums paid on policies written in Virginia through the General Agent and issued by the Company.

<u>PLAN OF INSURANCE</u>	<u>PER CENT OF FIRST YEAR PREMIUM Commission</u>
Marketing Director G-P-800, all ages	$\frac{1}{4}$ of 1% --- First Year (Total)

Sec. 2 In addition to the first year commissions above provided for, the General Agent agrees to pay Third Party additional renewal commissions on renewal premiums received by the Company on such policies written in Virginia and through the General Agent, as stipulated in this section, for the number of years stated. Renewal commissions below are total.

<u>RENEWAL SCHEDULE</u>	<u>RENEWAL COMMISSION</u>
Marketing Director G-P-800, all ages	$\frac{1}{4}$ of 1% 2nd thru 5th years (Total)

Sec. 3 Section 12 of the Marketing Director will be amended to read as follows. First year commissions, overwrite commissions and additional commissions are vested in Third Party, its successors and assigns, forever. Renewal commissions, overwrite commissions and additional overwrite commissions are vested in Third Party, its successors and assigns forever.

Sec. 4 Section 13 of the Marketing Director Contract is deleted and is not a part of this contract.

This Marketing Director Contract and Addendum is the Entire Contract.

In Witness whereof, the parties hereto have hereunto set their hands on the day, month and year first above written.

ESTATE LIFE INSURANCE COMPANY OF AMERICA
by: Donald E. Burke
President

FIRST ESTATE BUILDERS, INC.
by: George Blood
President


THIRD PARTY:
by: Philip Thomas Dudley

300

MAR-22-1973 ⁶⁸⁻⁶⁴ 514

PAY TO THE ORDER OF FIRST ESTATE BUILDERS, INC \$10,000.00

TEN THOUSAND DOLLARS 00 ⁰⁰ DOLLARS

 Mountain Trust Bank ²² 1973
VINTON, VIRGINIA

FOR ALL GP SEC DRP TS

MEMO INSURANCE & SAVINGS *Philip J. Dill*

⑆0514⑈0064⑆44 8719164⑈ 77,0001000000⑈

To: Tom Haffey
 From: Ken Loft

Re: George Blood (First Estate Builders)

On reviewing our F. F. 800 Agents accounts here for First Estate Builders, it was noted that some of the early policies (issued in late 1972 and early 1973) were originally designated as being produced by Mr. Blood personally. From November, 1972, it appears that all of the agency commissions should have been processed in ~~the~~ and for the account of First Estate Builders.

Presently, we have a debit balance for the account of First Estate Builders and a credit balance for the account of Mr. Blood. All of the balance on Mr. Blood's account should be reflected on First Estate Builders.

We are making an accounting entry to transfer all of the balance on Blood's account (#2907) of \$2,924.92 to First Estate Builders (#2930).

Kenneth R. Loft
 3/19/74

EXHIBIT # 7

PRINTERS NOTE:

Exhibit number 7 can not be reasonably reproduced.
A copy of said exhibit may be found in the record
filed with the Clerk's Office-Supreme Court of Virginia.

ADDENDUM TO MARKETING DIRECTOR CONTRACT

EXHIBIT # 8

THIS ADDENDUM is added to and made a part of the Marketing Director Contract entered into by ESTATE LIFE INSURANCE COMPANY OF AMERICA, FIRST ESTATE BUILDERS, INC. and

Richard W. Walters Of Roanoke, Virginia
26 Th. March
28th

1973.

WITNESSETH:

Sec. 1 It is agreed that for the present and future efforts of Third Party in securing applications for insurance for the company, either in person or through agents he recruits, the General Agent will pay Third Party commissions as set forth in the table below according to the plan of insurance and under the heading "Commission" on the total premiums paid on policies written in Virginia through the General Agent and issued by the Company.

PLAN OF INSURANCE
Marketing Director
G-P-800, all ages

PER CENT OF
FIRST YEAR PREMIUM
Commission
 $\frac{1}{4}$ of 1% — First Year (Total)

Sec. 2 In addition to the first year commissions above provided for, the General Agent agrees to pay Third Party additional renewal commissions on renewal premiums received by the Company on such policies written in Virginia and through the General Agent, as stipulated in this section, for the number of years stated. Renewal commissions below are total.

RENEWAL SCHEDULE
Marketing Director
G-P-800, all ages

RENEWAL COMMISSION
 $\frac{1}{4}$ of 1% 2nd thru
5th years (Total)

Sec. 3 Section 12 of the Marketing Director will be amended to read as follows. First year commissions, overwrite commissions and additional commissions are vested in Third Party, its successors and assigns, forever. Renewal commissions, overwrite commissions and additional overwrite commissions are vested in Third Party, its successors and assigns forever.

Sec. 4 Section 13 of the Marketing Director Contract is deleted and is not a part of this contract.

This Marketing Director Contract and Addendum is the Entire Contract.

In Witness whereof, the parties hereto have hereunto set their hands on the day, month and year first above written.

ESTATE LIFE INSURANCE COMPANY OF AMERICA
by: Donald E. Burke
President

FIRST ESTATE BUILDERS, INC.
by: George B. Bledsoe
President

THIRD PARTY
by: Richard W. Walters

MARKETING DIRECTOR CONTRACT

EXHIBIT "A"

THIS CONTRACT, dated and entered into on this, the 28th day of February, 1973,
by and among ESTATE LIFE INSURANCE COMPANY OF AMERICA, ROANOKE, VIRGINIA, herein called the
Company, and FIRST ESTATE BUILDERS, INC., ROANOKE, VIRGINIA, herein called the General Agent, and
Philip Thomas Dudley, of Vinton,
State of Virginia, herein called third party, shall be as follows:

WITNESSETH:

Sec. 1. The General Agent, with approval of the Company, does hereby appoint third party as its Agent for the purpose of procuring in person or through agents he recruits, with consent of the General Agent and Company, applications for insurance only on Policy Plan G-P-800 (form No. 1072) for the Company.

Sec. 2. COMMISSIONS ON FIRST YEAR PREMIUMS

- (1) The General Agent will pay third party commissions as set forth in the below table according to the plan of insurance and under the heading "Commission" on first year premiums paid on policies issued by the Company on applications written by third party.

PLAN OF INSURANCE

Marketing Director
G-P-800, all ages

PER CENT OF FIRST YEAR PREMIUM

Commission
55% — First Year Total.

- (2) In addition to the first year commission above provided for, the third party shall be allowed to recruit agents (sometimes hereinafter referred to as Marketing Representatives) who in turn will be allowed to recruit agents with such agents to be appointed through the General Agent, with approval of the Company. The third party will be allowed and paid by General Agent an Overwrite Commission as set forth in the below table according to the plan of insurance and under the heading "Overwrite Commission" on first year premiums paid on policies issued by the Company on applications written by agents recruited by third party and other agents recruited by such agents.

PLAN OF INSURANCE

A. Marketing Representative
recruited by third party
G-P-800, all ages

PER CENT OF FIRST YEAR PREMIUM

Overwrite
Commission
20% — First Year Total.

B. Marketing Representative
recruited by Marketing
Representative who was
recruited by third party
G-P-800, all ages

Overwrite
Commission
10% — First Year Total.

C. All Marketing Representatives
recruited by third party's
Marketing Representatives
other than A. and B. above
G-P-800, all ages

Overwrite
Commission
5% — First Year Total.

Sec. 3. In addition to the first year commissions above provided for, the General Agent agrees to pay third party renewal commissions on renewal premiums received by the Company on such policies personally produced by third party, as stipulated in this section, for the number of years stated. Renewal commissions below are total.

RENEWAL SCHEDULE

Marketing Director
G-P-800, all ages

RENEWAL COMMISSION
5% 2nd thru 5th years (Total)

Sec. 4. In addition to the first year commissions above provided for, the General Agent agrees to pay third party renewal overwrite commissions on renewal premiums received by the Company on such policies produced by third party's Marketing Representatives, as stipulated in this section, for the number of years stated. Renewal overwrite commissions below are total.

RENEWAL SCHEDULE

Marketing Director
G-P-800, all ages

Renewal
Overwrite Commissions
2% 2nd thru 5th years (Total)

- Sec. 5. This contract shall be applicable only on the Policy Plan G-P-800 written by the Company.
- Sec. 6. If any policy written hereunder shall lapse and thereafter, at any time within 30 days from date of lapse, be restored by anyone whomsoever, the General Agent, with approval of the Company, shall be liable to third party for the full applicable commission thereon. After such 30-day period the reinstatement shall be treated as newly written premium or renewal premium, whichever the case may be, and the applicable commission will be paid to whomsoever reinstates the policy.
- Sec. 7. Third party may, subject to the approval of the General Agent and the Company, recruit agents for the General Agent and the Company, and the third party shall be responsible to the General Agent and the Company for all monies collected by or passing into hands of said agents, and for all monies advanced or loaned by the General Agent or Company to said agents at the request of third party.
- o. Third party shall make prompt refund of all money collected on any application on which the Company declines to issue a policy, and on any application on which a policy shall be issued by the Company and not accepted by the applicant. Should Company in any case reject any application or return or refund a premium and cancel a policy, because of misrepresentation by third party, third party shall on demand pay to Company any premium or portion of premium on such application or policy received by him and not paid or delivered to Company, and shall repay on demand any commission received on such premium.
- Sec. 9. As relates to the writing of new business; any party hereto may terminate this agreement, with or without cause, by sending the other, at his last known address, by registered return receipt requested mail, thirty days' notice in writing to that effect; it being understood, however, that such termination shall not in any way affect the right of third party to receive first year commissions from all business previously produced and due him. In the event of termination, as herein provided, business produced by third party during the immediate succeeding thirty days will be processed and issued or declined according to standard underwriting practice of Company in effect at such time, and first year commissions will be paid thereon as herein before provided.
- Sec. 10. Nothing contained herein shall be construed to create the relationship of employer and employee between the Company or General Agent and third party. Third party shall be free to exercise its own judgment as to the persons from whom said party will solicit insurance and time and place of such solicitation; but the Company or General Agent, from time to time, may prescribe rules and regulations respecting the conduct of the business covered thereby, not interfering with such freedom of action of third party, which rules and regulations shall be observed and conformed to by third party. It is agreed between the parties hereto that the status of third party is not that of an employee or full-time life insurance salesman under Subtitle C., Chapters 21 and 24, or any other provisions of the Internal Revenue Act of 1954, or under any provisions of the Social Security Act, as amended.
- Sec. 11. Third party shall be entitled to receive commissions as provided herein and the Company or General Agent may deduct from any amounts due the third party or agents recruited by or assigned to third party, all indebtedness owed the Company or General Agent by third party and/or by the agents assigned to or recruited by third party.
- Sec. 12. First year commissions and overwrite commissions are vested in third party, its successors and assigns, forever. Renewal commissions and renewal overwrite commissions are not vested and will be paid only as long as third party remains qualified and is with the Company.
- Sec. 13. Third party must personally produce (issued and paid for) a minimum of Thirty six hundred dollars (\$3,600) of annualized premium of the Policy Plan G-P-800 for the Company each and every ninety days to qualify to receive any commission or overwrite commission provided for herein.
- Sec. 14. When any Marketing Representative, that was recruited by third party or his agents, is promoted to Marketing Director, third party will no longer receive any overwrite on that Marketing Representative nor any Marketing Representatives recruited in the future by that Marketing Representative who has been promoted to a Marketing Director.
- Sec. 15. Commissions are due and payable on or before the 15th day of each month, immediately following the previous month's business; likewise, an accounting and statement of commissions earned will be made and rendered unto third party by Company each month.
- Sec. 16. Parties hereto agree that failure on the part of third party to pay any sum of money or installment, when due, shall cause the entire amount owed to be due and payable immediately upon demand; in the event payment is not made within 30 days of notification in writing of such demand by one of the parties hereto and legal proceedings are therefore instituted and judgment rendered, the third party shall be liable to the notifying party for reasonable attorney fees.
- Sec. 17. Should this agreement be terminated for any reason by any of the parties, the Company will receive all remaining renewal commissions and renewal overwrite commissions due third party, said sum to be retained by the Company as a service fee.
- Sec. 18. It is mutually agreed by all parties that where it has previously been mentioned, the requirement of approval, consent and mutual agreement, that all parties are bound when this contract is signed by all parties concerned.

- Sec. 19. The parties hereto shall not have the authority to incur any debt in the names of, or on behalf of, the other parties.
- Sec. 20. This contract supersedes all previous contracts only on the Policy Plan G-P-800 written by the Company, and shall constitute the entire agreement between the parties hereto, and cannot be modified by any prior or subsequent verbal promise or statement, by whomsoever made, and no supplement hereto shall be binding upon the Company or General Agent until it shall have been approved and executed, in writing, on behalf of the Company by its President, a Vice-President or its Secretary, and on behalf of the General Agent by its President. Waiver by any party of any obligation hereunder, including the timeliness of commission payments, shall not be deemed a waiver of said term or condition of this contract insofar as any future breaches are concerned.

THIS IS THE ENTIRE CONTRACT.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the day, month and year first above written.

ESTATE LIFE INSURANCE
COMPANY OF AMERICA

By: Donald E. Butler
President

FIRST ESTATE BUILDERS, INC.

By: George B. Blod
President

THIRD PARTY:

By: Philip Thomas Dickey