FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-06-30**
SEC Accession No. 0000950005-04-000642

(HTML Version on secdatabase.com)

FILER

REGAN HOLDING CORP

CIK:**870069**| IRS No.: **680211359** | State of Incorp.:**CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-19704** | Film No.: **04970958**
SIC: **6311** Life insurance

Mailing Address
2090 MARINA AVE
PETALUMA CA 94954

Business Address
2090 MARINA AVE
PETALUMA CA 94954
7077788638

==

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X| Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2004

or

|_| Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____________ to ____________

REGAN HOLDING CORP.
(Exact name of registrant as specified in its charter)

California	68-0211359
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2090 Marina Avenue Petaluma, CA	94954
(Address of principal executive offices)	(Zip Code)

707-778-8638
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes |_| No |X|

Applicable Only To Corporate Issuers:

Indicate the number of shares outstanding of the registrant's common stock, as of August 6, 2004:

Common Stock-Series A	23,111,000
Common Stock-Series B	553,000

==

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

<TABLE>
<CAPTION>

REGAN HOLDING CORP. AND SUBSIDIARIES
Consolidated Balance Sheet

	June 30, 2004 (Unaudited)	December 31, 2003
<S>	<C>	<C>
Assets		
Cash and cash equivalents	$ 7,514,000	$ 9,908,000
Trading investments	7,102,000	6,308,000
Available-for-sale investments	2,668,000	5,939,000
Accounts receivable, net of allowance of $623,000 and $866,000 at June 30, 2004 and December 31, 2003	1,736,000	4,225,000
Prepaid expenses and deposits	962,000	803,000
Deferred taxes	881,000	1,356,000

Total current assets	20,863,000	28,539,000
Net fixed assets	27,774,000	24,278,000
Deferred taxes	1,812,000	1,170,000
Goodwill	--	679,000
Intangible assets, net	159,000	196,000
Other assets	2,425,000	2,253,000
Total non current assets	32,170,000	28,576,000
Total assets	$53,033,000	$57,115,000
Liabilities, redeemable common stock, and shareholders' equity		
Liabilities		
Accounts payable and accrued liabilities	$ 5,690,000	$10,790,000
Income taxes payable	1,119,000	1,990,000
Current portion of notes payable	192,000	307,000
Total current liabilities	7,001,000	13,087,000
Deferred compensation payable	7,006,000	6,257,000
Other liabilities	979,000	196,000
Notes payable, less current portion	9,807,000	7,083,000
Total non current liabilities	17,792,000	13,536,000
Total liabilities	24,793,000	26,623,000
Redeemable common stock, Series A and B	8,412,000	8,964,000
Shareholders' equity		
Preferred stock, no par value: Authorized: 100,000,000 shares; No shares issued or outstanding	--	--
Series A common stock, no par value: Authorized: 45,000,000 shares; issued and outstanding: 20,167,000 shares and 20,252,000 shares at June 30, 2004 and December 31, 2003	3,068,000	3,158,000
Common stock committed	25,000	25,000
Paid-in capital	6,520,000	6,510,000
Retained earnings	10,184,000	11,779,000
Accumulated other comprehensive income, net	31,000	56,000
Total shareholders' equity	19,828,000	21,528,000
Total liabilities, redeemable common stock, and shareholders' equity	$53,033,000	$57,115,000

<FN>
See notes to financial statements
</FN>
</TABLE>

<TABLE>
<CAPTION>

REGAN HOLDING CORP. AND SUBSIDIARIES
Consolidated Statement of Operations
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Revenue				
Marketing allowances and commission overrides	$ 5,511,000	$ 15,629,000	$ 12,950,000	$ 27,295,000
Trailing commissions	1,212,000	1,297,000	2,490,000	2,553,000
Administrative fees	2,673,000	3,552,000	5,539,000	7,136,000
Other revenue	714,000	1,713,000	1,092,000	2,540,000
Total revenue	10,110,000	22,191,000	22,071,000	39,524,000
Expenses				
Selling, general and administrative	9,570,000	15,586,000	20,835,000	27,873,000
Depreciation and amortization	1,151,000	1,040,000	2,206,000	2,120,000
Goodwill impairment losses	679,000	--	679,000	--

Other	536,000	785,000	1,172,000	1,685,000
Total expenses	11,936,000	17,411,000	24,892,000	31,678,000
Operating income (loss)	(1,826,000)	4,780,000	(2,821,000)	7,846,000
Other income				
Investment income, net	135,000	65,000	252,000	155,000
Interest expense	(2,000)	(14,000)	(5,000)	(20,000)
Total other income, net	133,000	51,000	247,000	135,000
Income (loss) before income taxes	(1,693,000)	4,831,000	(2,574,000)	7,981,000
Provision for (benefit from) income taxes	(644,000)	1,943,000	(1,005,000)	3,218,000
Net income (loss) before accretion of redeemable common stock	(1,049,000)	2,888,000)	(1,569,000)	4,763,000
Accretion of redeemable common stock	29,000	(70,000)	29,000	(70,000)
Net income (loss) available for common shareholders	$ (1,020,000)	$ 2,818,000	$ (1,540,000)	$ 4,693,000
Basic earnings (loss) per share:				
Earnings (loss) available for common shareholders	$ (0.04)	$ 0.11	$ (0.06)	$ 0.19
Weighted average shares outstanding	23,892,000	24,530,000	23,963,000	24,636,000
Diluted earnings (loss) per share:				
Earnings (loss) available for common shareholders	$ (0.04)	$ 0.10	$ (0.06)	$ 0.17
Weighted average shares outstanding	23,892,000	27,344,000	23,963,000	27,477,000

<FN>

See notes to financial statements

</FN>
</TABLE>

<TABLE>
<CAPTION>

REGAN HOLDING CORP. AND SUBSIDIARIES
Consolidated Statement of Shareholders' Equity
(Unaudited)

	Series A Common Stock		Common Stock Committed	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance December 31, 2003	20,252,000	$ 3,158,000	$ 25,000	$ 6,510,000	$11,779,000	$ 56,000	$21,528,000
Comprehensive loss, net of tax:							
Net loss					(1,569,000)		(1,569,000)
Net unrealized losses on investments						(25,000)	(25,000)
Total comprehensive loss							(1,594,000)
Retirement of common stock upon voluntary repurchases	(85,000)	(90,000)			(55,000)		(145,000)
Accretion to redemption value of redeemable common stock					29,000		29,000
Producer stock option expense				10,000			10,000
Balance June 30, 2004 (unaudited)	20,167,000	$ 3,068,000	$ 25,000	$ 6,520,000	$10,184,000	$ 31,000	$19,828,000

<FN>

See notes to financial statements

</FN>
</TABLE>

<TABLE>
<CAPTION>

REGAN HOLDING CORP. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
(Unaudited)

	For the Six Months Ended June 30,	
	2004	2003
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	$(1,569,000)	$ 4,763,000
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	2,206,000	2,120,000
Impairment of goodwill	679,000	--
Unrealized gains on trading securities, net	(360,000)	(614,000)
Other	44,000	180,000
Changes in operating assets and liabilities:		
Purchases of trading securities, net	(431,000)	(573,000)
Accounts receivable	2,501,000	(1,695,000)
Prepaid expenses and deposits	(159,000)	1,363,000
Income taxes receivable and payable	(871,000)	1,520,000
Deferred tax assets	(150,000)	(55,000)
Accounts payable and accrued liabilities	(5,100,000)	1,133,000
Deferred compensation payable	749,000	1,167,000
Other operating assets and liabilities	611,000	143,000
Net cash provided by (used in) operating activities	(1,850,000)	9,452,000
Cash flows from investing activities:		
Purchases of available-for-sale securities	(78,000)	(5,868,000)
Proceeds from sales and maturities of available-for-sale securities	3,320,000	3,931,000
Purchases of fixed assets	(5,727,000)	(1,428,000)
Net cash used in investing activities	(2,485,000)	(3,365,000)
Cash flows from financing activities:		
Proceeds from note payable	5,025,000	--
Payments toward note payable	(2,416,000)	(56,000)
Repurchases of redeemable common stock	(523,000)	(550,000)
Voluntary repurchases of common stock	(145,000)	(292,000)
Net cash provided by (used in) financing activities	1,941,000	(898,000)
Net increase (decrease) in cash and cash equivalents	(2,394,000)	5,189,000
Cash and cash equivalents, beginning of period	9,908,000	4,793,000
Cash and cash equivalents, end of period	$ 7,514,000	$ 9,982,000

<FN>

See notes to financial statements

</FN>
</TABLE>

REGAN HOLDING CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America and include the accounts of Regan Holding Corp. (the "Company") and its wholly owned subsidiaries. All intercompany transactions have been eliminated.

The statements are unaudited but reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the Company's consolidated financial position and results of operations. The results for the three months and six months ended June 30, 2004 are not necessarily indicative of the results to be expected for the entire year. These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 filed by the Company with the Securities and Exchange Commission on March 30, 2004.

2. Stock Options

The Company has a stock-based employee compensation plan and accounts for this plan under the recognition and measurement principles of Accounting

Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation cost is reflected in net income (loss), as all options granted under the plan had an exercise price equal to the fair market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation:

	For the Three Months Ended June 30, 2004	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2004	For the Six Months Ended June 30, 2003
Net income (loss) available for common shareholders, as reported:	$ (1,020,000)	$ 2,818,000	$ (1,540,000)	$ 4,693,000
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(68,000)	(105,000)	(137,000)	(207,000)
Pro forma net income (loss) available for common shareholders	$ (1,088,000)	$ 2,713,000	$ (1,677,000)	$ 4,486,000
Earnings (loss) per share:				
Basic - as reported	$ (0.04)	$ 0.11	$ (0.06)	$ 0.19
Basic - pro forma	$ (0.05)	$ 0.11	$ (0.07)	$ 0.18
Diluted - as reported	$ (0.04)	$ 0.10	$ (0.06)	$ 0.17
Diluted - pro forma	$ (0.05)	$ 0.10	$ (0.07)	$ 0.16

3. Earnings (Loss) per Share

	Income/(Loss)	Shares	Amount
For the three months ended June 30, 2004			
Net loss	$(1,049,000)		
Accretion of redeemable common stock	29,000		
Basic and diluted loss available to common shareholders	$(1,020,000)	23,892,000	$ (0.04)
For the three months ended June 30, 2003			
Net income	$ 2,888,000		
Accretion of redeemable common stock	(70,000)		
Income available to common shareholders	2,818,000	24,530,000	$ 0.11
Effect of dilutive securities--employee and producer stock options	--	2,814,000	
Diluted earnings per share	$ 2,818,000	27,344,000	$ 0.10
For the six months ended June 30, 2004			
Net loss	$(1,569,000)		
Accretion of redeemable common stock	29,000		
Basic and diluted loss available to common shareholders	$(1,540,000)	23,963,000	$ (0.06)
For the six months ended June 30, 2003			
Net income	$ 4,763,000		

Accretion of redeemable common stock	(70,000)		
Income available to common shareholders	4,693,000	24,636,000	$ 0.19
Effect of dilutive securities--employee and producer stock options	--	2,841,000	
Diluted earnings per share	$ 4,693,000	27,477,000	$ 0.17

</TABLE>

The diluted loss per share calculations for the three months and six months ended June 30, 2004 exclude antidilutive stock options of 3.4 million and 3.3 million.

4. Comprehensive Income (Loss)

Total comprehensive loss for the three and six months ended June 30, 2004 was $1,118,000 and $1,594,000. For the three and six months ended June 30, 2003, total comprehensive income was $2,934,000 and $4,809,000.

5. Notes Payable

The Company has a mortgage of $7.1 million on the office building which houses its headquarters. This note is due on August 1, 2012. Principal payments are due on the note based on a 25-year amortization schedule. On August 1, 2012, the Company must pay the remaining principal due on the note which will be approximately $5.9 million. Before August 1, 2006 the interest rate is 6.95%. Thereafter, the interest rate is equal to LIBOR plus 2.55%, adjusted semi-annually, subject to a maximum semi-annual 1.00% increase/decrease in the interest rate. The maximum interest rate is 10.50%. As of June 30, 2004, the note balance was $7.1 million.

During 2003, the Company began construction of a new building in Rome, Georgia and established a $2.7 million loan facility to finance construction costs. The loan balance on December 31, 2003 was $191,000. During April 2004 the Company refinanced its construction loan replacing it with a $2.9 million variable interest rate note indexed to LIBOR plus 1.9%. The note is payable over ten years in monthly installments of principal and interest based on a 20-year term. At the end of the ten years, the Company must pay the balance of the principal due on the note. The outstanding balance of the note as of June 30, 2004 was $2.9 million. To manage interest expense, the Company entered into an interest rate swap agreement for the notional amount of the note, to modify its interest expense from a variable rate to a fixed rate. The April 2004 swap

agreement involves the exchange of interest obligations from April 2004 through April 2014 whereby the Company pays a fixed rate of 6.8% in exchange for LIBOR plus 1.9%. As of June 30, 2004, the note balance was $2.9 million.

6. Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 requires the Company to measure all derivatives at fair value and to recognize them in the balance sheet as an asset or liability. For derivatives designated as cash flow hedges, changes in fair value of the derivative are reported as other comprehensive income and are subsequently reclassified into earnings when the hedged transaction affects earnings. Changes in fair value of derivative instruments not considered hedging instruments and ineffective portions of hedges are recognized in earnings in the current period.

In April 2004 the Company entered into a interest rate swap agreement with a notional amount of $2.9 million to hedge the interest expense associated with its LIBOR-based borrowings. The Company designates the interest rate swap as qualifying cash flow hedge under SFAS 133. No change in fair value was noted at June 30, 2004.

7. Values Financial Network, Inc.

When the Company purchased Values Financial Network, Inc. ("VFN") in 2000, part of the purchase price was for goodwill. Before January 1, 2002, the Company amortized the goodwill on a straight-line basis over 10 years, which was its estimated useful life. Pursuant to Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," the Company ceased amortizing goodwill on January 1, 2002. As required by SFAS 142, the Company performs an annual goodwill impairment test. The impairment test of SFAS 142 requires the Company to measure fair value of the reporting unit. The Company established fair value by preparing a forecast of the discounted value of future cash flows expected to be derived from VFN.

During 2002, the Company revised the business model for VFN to focus on corporate and individual producer sales and its projections of future cash flows supported the balance of goodwill. In early 2003 the Company further refined its business model for VFN, including identifying a new market and committing additional resources to develop the business. During 2003, due to the failure of VFN to produce revenues as projected, the Company updated its annual measurement of fair value of VFN. The fair value measurement based on a revised cash flow forecast was predicated on VFN realizing a lower level of sales. This forecast of cash flows did not support the balance of goodwill, and the Company recorded a goodwill impairment loss of $491,000 during 2003. Projections of future cash flows supported the remaining balance of goodwill.

During the second quarter of 2004, due to the failure of VFN to produce revenues as projected, particularly in the corporate arena, management decided to cease actively marketing to the corporate market. As a result, management lowered its expectations for future sales. This event met the criteria of a "triggering event" for testing the recoverability of long-lived assets as required by Statement of Financial Accounting Standards No. 144 ("SFAS 144") "Accounting for the Impairment or Disposal of Long-Lived Assets". Accordingly, the Company compared the carrying amount of VFN's long-lived assets to the projected sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group. Based on the fact that the sum of the undiscounted cash flows exceeded VFN's assets, the Company concluded no impairment had occurred to the long-lived assets.

As a result of performing the impairment tests required under SFAS 144, the Company was then required under the provisions of SFAS 142 to perform a goodwill impairment test using the revised cash flow forecast discounted at an appropriate cost of capital. The results of this test indicated that the Company's goodwill was not recoverable. Accordingly, the Company recorded a goodwill impairment loss of $679,000 during the second quarter of 2004.

8. Segment Information

<TABLE>
<CAPTION>

	Total Revenue				Net Income (Loss)			
	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Legacy Marketing Group	$ 9,317,000	$21,573,000	$ 20,408,000	$ 38,394,000	$ (397,000)	$3,358,000	$ (584,000)	$5,772,000
Legacy Financial Services, Inc.	770,000	654,000	1,588,000	1,236,000	(45,000)	(219,000)	(204,000)	(487,000)
Imagent Online, LLC	74,000	48,000	133,000	88,000	(137,000)	(146,000)	(278,000)	(300,000)
Values Financial Network, Inc.	10,000	9,000	20,000	11,000	(503,000)	(144,000)	(599,000)	(285,000)
Other	91,000	64,000	227,000	112,000	33,000	39,000	96,000	63,000
Intercompany Eliminations	(152,000)	(157,000)	(305,000)	(317,000)	--	--	--	--
Total	$10,110,000	$22,191,000	$ 22,071,000	$ 39,524,000	$(1,049,000)	$2,888,000	$(1,569,000)	$4,763,000

</TABLE>

	Total Assets	
	June 30, 2004	December 31, 2003
Legacy Marketing Group	$ 52,013,000	$ 54,698,000
Legacy Financial Services, Inc.	1,563,000	2,034,000
Imagent Online, LLC	556,000	622,000
Values Financial	1,497,000	2,019,000

Network, Inc.		
Other	555,000	403,000
Intercompany Eliminations	(3,151,000)	(2,661,000)
Total	$ 53,033,000	$ 57,115,000

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements contained in this document, including Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical facts, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of Regan Holding Corp. and its businesses to be materially different from that expressed or implied by such forward-looking statements. These risks, uncertainties and factors include, among other things, the following: general economic and business conditions; political and social conditions; government regulations, especially regulations affecting the insurance industry; demographic changes; the ability to adapt to changes resulting from acquisitions or new ventures; and various other factors referred to in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Regan Holding Corp. assumes no obligation to update forward-looking statements to reflect actual results or changes in or additions to the factors affecting such forward-looking statements.

Regan Holding Corp. Consolidated

We had consolidated net losses of $1.0 million during the three months ended June 30, 2004 compared to consolidated net income of $2.9 million during the same period in 2003. For the six months ended June 30, 2004, we had consolidated net losses of $1.6 million compared to consolidated net income of $4.8 million during the six months ended June 30, 2003. These unfavorable changes of $3.9 million and $6.4 million are primarily due to net losses at Legacy Marketing Group ("Legacy Marketing"), partially offset by decreased losses by Legacy Financial Services, Inc. ("Legacy Financial").

Legacy Marketing

During the second quarter of 2004, Legacy Marketing had a net loss of $397,000, compared to net income of $3.4 million during the second quarter of 2003. For the six months ended June 30, 2004, Legacy Marketing had a net loss of $584,000, compared to net income of $5.8 million during the same period in 2003. The decline in results was primarily due to decreased revenue, partially offset by decreased expenses.

During the three months and six months ended June 30, 2004, Legacy Marketing commissions and marketing allowances decreased $9.0 million (65%) and $14.7 million (56%) compared to the same periods of 2003. The decrease in Legacy Marketing's sales was due to decreased sales of declared rate annuities partially offset by increased sales of equity index annuities issued by Investors Insurance Corporation. This shift in product mix was primarily due to the continuing low interest rate environment during the six months ended June 30, 2004. The continued low interest rate environment caused many carriers that issue declared rate annuities, such as American National Life Insurance Company ("American National"), to reduce the crediting rates and compensation paid on some of their products. The decrease in crediting rates on these declared rate annuity products helped divert sales to equity index annuities. The affected products accounted for approximately 41% and 39% of our total consolidated revenue for the three and six months ended June 30, 2003 and declined to 10% and

11% of our total consolidated revenue for the three and six months ended June 30, 2004. Revenue from sales of American National products decreased $7.7 million and $12.0 million during the three and six months ended June 30, 2004 compared to the corresponding periods in 2003.

Legacy Marketing's annuity sales were also negatively affected by Transamerica Life Insurance Company ("Transamerica") lowering the commission rates of several annuity products marketed by Legacy Marketing during 2003 and the Company discontinuing marketing Transamerica products effective May 3, 2004. The affected products accounted for approximately 26% and 19% of our total consolidated revenue for the three months ended June 30, 2004 and 2003. For the six months ended June 30, 2004 and 2003, the affected products accounted for approximately 27% and 19% of our total consolidated revenue. Revenues from sales of Transamerica products decreased $1.6 million and $2.6 million during the three and six months ended June 30, 2004 compared to the same periods in 2003. Revenue from sales of Transamerica products accounted for 28% of our total consolidated revenue during the three and six months ended June 30, 2004. Revenues from the sales of Transamerica products will continue to decrease during the remainder of 2004. We intend to continue providing administrative services in connection with Transamerica products.

Administrative fees decreased $880,000 (25%) and $1.6 million (22%) during the three months and six months ended June 30, 2004 compared to the same periods in 2003 primarily due to decreased issuing fees resulting from decreased annuity sales. Other income decreased $1.1 million (67%) and $1.6 million (71%) during the three months and six months ended June 30, 2004 compared to the same periods in 2003. This decrease was primarily due to the termination of a performance bonus earned on sales of fixed annuity and life products under the terms of one of the Company's insurance carrier partner contracts during the first six months of 2003. The contract was amended to terminate the bonus program effective July 1, 2003.

During the six months ended June 30, 2004, Legacy Marketing sold and administered products on behalf of three unaffiliated insurance carriers: American National, Transamerica and Investors Insurance Corporation. As indicated below, the agreements with these carriers generated a significant portion of our total consolidated revenue:

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
American National	25%	46%	24%	44%
Transamerica	28%	20%	28%	22%
Investors Insurance Corporation	23%	19%	27%	18%

</TABLE>

Legacy Marketing also performs administrative services for products issued by John Hancock Variable Life Insurance Company and IL Annuity and Insurance Company.

Our consolidated revenues are derived primarily from sales and administration of the following annuity products:

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
BenchMark(SM) series (sold on behalf of American National)	24%	46%	23%	43%
SelectMark(R) series (sold on behalf of Transamerica)	28%	20%	28%	22%
MarkOne(SM) series (sold on behalf of Investors Insurance Corporation)	20%	19%	26%	18%

</TABLE>

As mentioned above, sales of the SelectMark(R) series sold on behalf of Transamerica will effectively cease.

Legacy Marketing expenses decreased $6.0 million (37%) and $7.3 million (25%) during the three months and six months ended June 30, 2004 compared to the same periods in 2003 primarily due to decreases in selling, general and administrative expenses. Selling, general and administrative expenses decreased $5.9 million (41%) and $6.9 million (27%) primarily due to decreases in sales promotion and support expenses, compensation, and stationary and supplies. Sales promotion and support expenses decreased primarily due to decreased insurance producer related incentive trip expense and decreased sales support expenses due to decreased sales. Compensation decreased primarily due to decreased headcount, reduced use of temporary help, reduced overtime costs and decreased incentive based compensation based on our consolidated year-to-date results. Decreased stationary and supplies were primarily due to reduced sales. Other expenses

decreased $201,000 (31%) and $524,000 (37%) during the three and six months ended June 30, 2004 compared to the same periods in 2003 primarily due to decreased leased equipment costs and license fees.

Legacy Financial

During the second quarter of 2004, Legacy Financial's net loss of $45,000 compared to net losses of $219,000 during the same period of 2003. For the six months ended June 30, 2004, Legacy Financial had net losses of $204,000 compared to net losses of $487,000 during the same period in 2003, due to increased revenues and decreased expenses.

Legacy Financial revenue increased $116,000 (18%) and $352,000 (28%) during the three months and six months ended June 30, 2004 compared to the same periods in 2003, primarily due to increased commissions resulting from improved equity market conditions in 2004 and increased reimbursable insurance premiums.

Legacy Financial expenses decreased $163,000 (16%) and $109,000 (5%) during the three months and six months ended June 30, 2004 compared to the same periods in 2003. The decrease in the 2004 expenses is primarily due to a decrease in selling, general and administrative expenses. Selling, general and administrative expenses decreased $137,000 (15%) and $141,000 (8%) for the three and six month periods ending June 30, 2004 compared to the corresponding 2003 periods primarily due to decreased compensation expense.

Imagent Online, LLC

Imagent Online, LLC ("Imagent") had net losses of $137,000 during the second quarter of 2004 compared to net losses of $146,000 during the second quarter of 2003. During the six months ended June 30, 2004, Imagent had net losses of $278,000 compared to net losses of $300,000 during the same period in 2003. The reduced losses are primarily due to increased revenues. Revenues increased $26,000 (54%) and $45,000 (51%) during the three months and six months ended June 30, 2004 compared to the comparable prior year periods primarily due to increased subscription, fulfillment and licensing revenues.

Values Financial Network, Inc.

Values Financial Network, Inc. ("VFN") had net losses of $503,000 during the second quarter of 2004 compared to net losses of $144,000 during the second quarter of 2003. During the six months ended June 30, 2004, VFN had net losses of $599,000 compared to net losses of $285,000 during the same period in 2003. The increased losses are due to goodwill impairment losses during the second quarter of 2004. Expenses decreased $80,000 (32%) and $149,000 (31%) during the three and six months ended June 30, 2004 compared to the same periods in 2003 primarily due to decreased depreciation expense resulting from a write-down in the value of long-term assets in the third quarter of 2003.

When the Company purchased VFN in 2000, part of the purchase price was for goodwill. Before January 1, 2002, the Company amortized the goodwill on a straight-line basis over 10 years, which was its estimated useful life. Pursuant to Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," the Company ceased amortizing goodwill on January 1, 2002. As required by SFAS 142, the Company performs an annual goodwill impairment test. The impairment test of SFAS 142 requires the Company to measure fair value of the reporting unit. The Company established fair value by preparing a forecast of the discounted value of future cash flows expected to be derived from VFN.

During 2002, the Company revised the business model for VFN to focus on corporate and individual producer sales and its projections of future cash flows supported the balance of goodwill. In early 2003 the Company further refined its business model for VFN, including identifying a new market and committing additional resources to develop the business. During 2003, due to the failure of VFN to produce revenues as projected, the Company updated its annual measurement of fair value of VFN. The fair value measurement based on a revised cash flow forecast was predicated on VFN realizing a lower level of sales. This forecast of cash flows did not support the balance of goodwill, and the Company recorded a goodwill impairment loss of $491,000 during 2003. Projections of future cash flows supported the remaining balance of goodwill.

During the second quarter of 2004, due to the failure of VFN to produce revenues as projected, particularly in the corporate arena, management decided to cease actively marketing to the corporate market. As a result, management lowered its expectations for future sales. This event met the criteria of a "triggering event" for testing the recoverability of long-lived assets as required by Statement of Financial Accounting Standards No. 144 ("SFAS 144")

"Accounting for the Impairment or Disposal of Long-Lived Assets". Accordingly, the Company compared the carrying amount of VFN's long-lived assets to the projected sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group. Based on the fact that the sum of the undiscounted cash flows exceeded VFN's assets, the Company concluded no impairment had occurred to the long-lived assets.

As a result of performing the impairment tests required under SFAS 144, the Company was then required under the provisions of SFAS 142 to perform a goodwill impairment test using the revised cash flow forecast discounted at an appropriate cost of capital. The results of this test indicated that the Company's goodwill was not recoverable. Accordingly, the Company recorded a goodwill impairment loss of $679,000 during the second quarter of 2004.

Other Segment

During the second quarter of 2004, net income from Legacy Advisory Services was $33,000, compared to net income of $39,000 during the second quarter of 2003. For the six months ended June 30, 2004, net income from Legacy Advisory Services was $96,000, compared to net income of $63,000 during the same period in 2003. These favorable changes were primarily due to increased advisory fee revenues.

Liquidity and Capital Resources

Net cash used by operating activities was $1.9 million for the six months ended June 30, 2004 compared to net cash provided by operating activities of $9.5 million for the same period in 2003. The change was primarily due to decreased operating results, decreased income taxes payable due to a pre-tax loss in the first six months of 2004, decreased accounts payable and accrued liabilities primarily due to the payment of bonuses to wholesalers based on their achievement of predetermined 2003 sales targets, payments of employee incentive bonuses and costs associated with a Producer incentive trip, and an increase in prepaid expenses and deposits compared to a decrease in 2003, offset in part by decreased accounts receivable primarily due to increased payments from our carriers during the first six months of 2004, compared to the same period in 2003 and an impairment of goodwill in 2004.

Net cash used in investing activities was $2.5 million for the six months ended June 30, 2004 compared to net cash used by investing activities of $3.4 million for the six months ended June 30, 2003. The decrease was due to reduced purchases of available-for-sale investments partially offset by construction costs related to our new servicing facility building in Rome, Georgia and computer software costs.

Net cash provided by financing activities was $1.9 million for the six months ended June 30, 2004 compared to net cash used by financing activities of $898,000 for the six months ended June 30, 2003. The change was primarily due to net proceeds from our construction loan to finance the new building in Rome, Georgia.

During 2003, the Company began construction of a new building in Rome, Georgia and established a $2.7 million loan facility to finance construction costs. During April 2004 the Company refinanced its construction loan replacing it with a $2.9 million variable interest rate note indexed to LIBOR plus 1.9%. The note is payable over ten years in monthly installments of principal and interest based on a 20-year term. At the end of the ten years, the Company must pay the balance of the principal due on the note. The outstanding balance of the note as of June 30, 2004 was $2.9 million. To manage interest expense, the Company entered into an interest rate swap agreement for the notional amount of the note, to modify its interest characteristics from a variable rate to a fixed rate. The April 2004 swap agreement involves the exchange of interest obligations from April 2004 through April 2014 whereby the Company pays a fixed rate of 6.8% in exchange for LIBOR plus 1.9%.

We used $1.9 million of cash in our operations during the six months ended June 30, 2004 and incurred consolidated net losses of $1.6 million. If our consolidated net losses continue, or if requests to repurchase redeemable common stock increase significantly, a cash shortfall could ultimately occur. We believe that existing cash and investment balances, together with anticipated cash flow from operations, will provide sufficient funding for the foreseeable future. However, in the event that a cash shortfall occurred, we believe that adequate financing could be obtained to meet our cash flow needs. There can be no assurances that such financing would be available on favorable terms.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company's market risk, interest rate risk, credit risk, or equity price risk since December 31, 2003, except as follows.

To manage interest expense, the Company entered into a hedging transaction whereby it purchased an interest rate swap with the same notional amount as the mortgage note on its new Rome, Georgia service facility. This swap changes the interest characteristics of the note from a variable rate to a fixed rate. The April 2004 swap agreement involves the exchange of interest obligations from April 2004 through April 2014 whereby the Company pays a fixed rate of 6.8% in exchange for LIBOR plus 1.9%.

Please see the Company's Annual Report on Form 10-K for the year ended

December 31, 2003 for more information concerning Quantitative and Qualitative Disclosures About Market Risk.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and executed, can provide only reasonable assurance of achieving the desired control objectives. As of June 30, 2004, the Company's Chief Executive Officer and Chief Financial Officer evaluated, with the participation of the Company's management, the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. The Company's management, including the Chief Executive Officer and the Chief Financial Officer, also evaluated the Company's internal control over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there have been no such changes during the period covered by this report.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not involved in any material pending legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

The following matters were submitted to a vote of our shareholders at the Annual Meeting of Shareholders held on June 10, 2004:

<TABLE>
<CAPTION>

<S>			For --- <C>	Against ------- <C>	Abstain/Withheld ---------------- <C>
1.	Election of five (5) Directors to hold office until the Annual Meeting of Shareholders in 2005 and until their successors are duly elected. The nominees are listed as follows:				
	a.	Lynda L. Regan	12,683,958	--	77
	b.	R. Preston Pitts	12,683,994	--	41
	c.	Ute Scott-Smith	12,683,958	--	77
	d.	J. Daniel Speight, Jr.	12,684,010	--	25
	e.	Dr. Donald Ratajczak	12,684,001	--	34
2.	Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for the year ended December 31, 2004.		12,682,554	1,387	94

</TABLE>

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 10.1 Commercial Note between SunTrust Bank and the Company executed April 23, 2004.

Exhibit 31.1 Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act.

Exhibit 31.2 Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act.

Exhibit 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the second quarter of 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGAN HOLDING CORP.

Date: August 12, 2004

Signature: /s/ R. Preston Pitts

R. Preston Pitts
President, Chief Operating Officer
and Chief Financial Officer

INDEX TO EXHIBITS

Number	Description
Exhibit 10.1	Commercial Note between SunTrust Bank and the Company executed April 23, 2004.
Exhibit 31.1	Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act.
Exhibit 31.2	Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act.
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SUNTRUST Commercial Note

Borrower:	Regan Holding Corporation	Date: April 23, 2004
Borrower Address:	2090 Marina Ave Petaluma, CA 94954-6714	
Loan Amount:	Two Million, Eight Hundred Seventy Thousand, One Hundred Fifty-Two Dollars and no cents ($2,870,152.00)	
Account No.:	30508352 Note No.: 34	Officer: , 20896

For value received, the borrower(s) named above, whether one or more, (the "Borrower"), jointly and severally promise to pay to the order of SunTrust Bank ("SunTrust") at any of its offices, or at such place as SunTrust may in writing designate, without offset in U.S. Dollars and in immediately available funds, the Loan Amount shown above, or the total of all amounts advanced under this Note if less than the full Loan Amount is advanced, plus interest and any other amounts due, upon the terms specified below.

Repayment Terms: 119 payments of principal plus accrued interest beginning May 23, 2004 and continuing at monthly time intervals thereafter. A final payment of the unpaid principal plus accrued interest is due and payable on April 23, 2014 (the maturity date). (See attached amortization schedule for the principal payment amounts.)

Interest

Interest will accrue on an actual/360 basis (on the actual number of days elapsed over a year of 360 days). Interest shall accrue from the date of disbursement on the unpaid balance and shall continue to accrue until this Note is paid in full.

This is a variable rate transaction. The interest rate is prospectively subject to increase or decrease without prior notice and adjustments in the payment schedule may be made to reflect changes in the interest rate.

Subject to the above, interest per annum payable on this Note (the "Rate") shall be a variable rate based on the following Index:

The one month LIBOR Rate as defined on the attached Addendum A, LIBOR Index Rate Addendum.

The Rate shall be equal to the Index plus 1.90% per annum. Adjustments to the Rate shall be effective monthly on the same day of each month beginning May 23, 2004 or the next business day if such date does not fall on a business day. The maximum Rate shall not exceed any maximum rate permitted by applicable law.

Collateral

Unless otherwise agreed in writing, any collateral pledged to SunTrust to secure any of the existing or future liabilities of the Borrower to SunTrust shall also secure this Note. To the extent permitted by law, the Borrower grants to SunTrust a security interest in and a lien upon all deposits and investments maintained by the Borrower with SunTrust and any affiliates thereof.

Collateral for this Note includes, but is not limited to, the following:

All assets, including but not limited to, accounts, inventory, furniture, fixtures and equipment, general intangibles, instruments, documents and chattel paper, now existing or hereafter acquired and all proceeds and products thereof as more particularly described in a Security Agreement executed by Regan Holding Corporation dated this date.

Deed to Secure Debt dated April 23, 2004 covering real estate known as 560 Technology Parkway, Rome, GA 30165 and as more particularly described therein.

All of the foregoing security is referred to collectively as the "Collateral". Unless otherwise agreed in writing, the Collateral is security for the payment of this Note and any other liability (including overdrafts and future advances) of the Borrower to SunTrust, however evidenced, now existing or hereafter incurred, matured or unmatured, direct or indirect, absolute or contingent, several, joint, or joint and several, including any extensions, modifications or renewals. The proceeds of any Collateral may be applied against the liabilities of the Borrower to SunTrust in such order as SunTrust deems proper.

Loan Purpose And Updated Financial Information Required

The Borrower warrants and represents that the loan evidenced by this Note is being made solely for the purpose of acquiring or carrying on a business, professional or commercial activity or acquiring real or personal property as an investment (other than a personal investment) or for carrying on an investment activity (other than a personal investment activity). The Borrower agrees to provide to SunTrust updated financial information, including, but not limited to, tax returns, and current financial statements in form satisfactory to SunTrust, as well as additional information, reports or schedules (financial or otherwise), all as SunTrust may from time to time request.

Representations and Warranties

This Note has been duly executed and delivered by Borrower, constitutes Borrower's valid and legally binding obligations and is enforceable in accordance with its terms against Borrower. The execution, delivery and

performance of this Note and the consummation of the transaction contemplated will not, with or without the giving of notice or the lapse of time, (a) violate any material law applicable to Borrower, (b) violate any judgment, writ, injunction or order of any court or governmental body or officer applicable to Borrower, (c) violate or result in the breach of any material agreement to which Borrower is a party nor (d) violate Borrower's charter or bylaws. No consent, approval, license, permit or other authorization of any third party or any governmental body or officer is required for the valid and lawful execution and delivery of this Note.

Default, Acceleration And Setoff

As used herein the term "Obligor" shall individually and collectively refer to the Borrower and any person or entity that is primarily or secondarily liable on this Note and any person or entity that has conveyed or may hereafter convey any security interest or lien to SunTrust in any real or personal property to secure payment of this Note. An "event of default" shall occur hereunder upon the occurrence of any one or more of the following events or conditions:

(a) the failure by any Obligor to pay when due, whether by acceleration or otherwise, any amounts owed under this Note;

(b) the occurrence of any event of default under any agreement or loan document executed in conjunction with this Note or the failure of any Obligor to perform any covenant, promise or obligation contained in this Note or any other agreement to which any Obligor and SunTrust are parties;

(c) the breach of any of any Obligor's representations or warranties contained in this Note or any other agreement with SunTrust;

(d) the failure of any Obligor to pay when due any amount owed to any creditor other than SunTrust under a written agreement calling for the payment of money;

(e) the death, declaration of incompetency, dissolution, liquidation, merger, consolidation, termination or suspension of usual business of any Obligor;

(f) any person or entity, or any group of related persons or entities, shall have or obtain legal or beneficial ownership of a majority of the outstanding voting securities or rights of any Obligor that is not a natural person, other than any person or entity, or any group of related persons or entities that has such majority ownership as of the date of this Note;

(g) the insolvency or inability to pay debts as they mature of any Obligor, the application for the appointment of a receiver for any Obligor, the filing of a petition or the commencement of a proceeding by or against any Obligor under any provision of any applicable Bankruptcy Code or other insolvency law, or statute, or any assignment for the benefit of creditors by or against any Obligor;

(h) the entry of a judgment or the issuance or service of any attachment, levy or garnishment against any Obligor or the property of any Obligor or the repossession or seizure of property of any Obligor;

(i) a determination by SunTrust that a material adverse change in the financial condition of any Obligor has occurred since the date of this Note;

(j) any Obligor commits fraud or makes a material misrepresentation at any time in connection with this Note or any Collateral;

(k) any deterioration or impairment of the Collateral or any decline or depreciation in the value of the Collateral which causes the Collateral in the judgment of SunTrust to become unsatisfactory as to character or value;

(l) the sale or transfer by any Obligor of all or substantially all of such Obligor's assets other than in the ordinary course of business;

(m) the occurrence of any event of default under any other loan document or agreement executed in connection with this transaction; or

(n) any other act or circumstances leading SunTrust to deem itself insecure.

If an event of default occurs, or in the event of non-payment of this Note in full at maturity, the entire unpaid balance of this Note shall, at the option of SunTrust, become immediately due and payable, without notice or demand and no future advances will be permitted. Upon the occurrence of an event of default, SunTrust, at its option, may charge interest on the unpaid balance at the Rate plus 4.00% per annum (the "Default Rate") until paid in full. To the extent permitted by law, upon default SunTrust will have the right, in addition to all other remedies permitted by law, to set off the amount due under this Note or due under any other obligation to SunTrust against any and all accounts, whether checking or savings or otherwise, credits, money, stocks, bonds or other security or property of any nature whatsoever on deposit with, held by, owed by, or in the possession of, SunTrust to the credit of or for the account of any Obligor, without notice to or consent by any Obligor. The remedies provided in this Note and any other agreement between SunTrust and any Obligor are cumulative and not exclusive of any other remedies provided by applicable law.

Late Charges And Other Authorized Fees And Charges

If any portion of a payment is at least 10 days past due, the Borrower agrees to pay a late charge of the lesser of $50.00 or 5% of the amount which is past due. Unless prohibited by applicable law, the Borrower agrees to pay the fee established by SunTrust from time to time for returned checks if a payment is made on this Note with a check and the check is dishonored for any reason after the second presentment. In addition to any other amounts owed under the terms of this Note, the Borrower agrees to pay those fees and charges disclosed in the attached Disbursements and Charges Summary which is incorporated in this Note by reference and, as permitted by applicable law, the Borrower agrees to pay the following: (a) all expenses, including, without limitation, any and all costs incurred by SunTrust related to default, all court costs, and out-of-pocket collection expenses and attorneys' fees, not to exceed 15% of the amount of the unpaid principal balance plus accrued interest and other charges due at the time this Note is referred to an attorney for collection, whether suit be brought or not, incurred in collecting this Note; (b) all costs incurred in evaluating, preserving or disposing of any Collateral granted as security for the payment of this Note, including the cost of any audits, appraisals, appraisal updates, reappraisals or environmental inspections which SunTrust from time to time in its sole discretion may deem necessary; (c) any premiums for property insurance purchased on behalf of the Borrower or on behalf of the owner(s) of any Collateral pursuant to any security instrument relating to any Collateral; (d) any expenses or costs incurred in defending any claim arising out of the execution of this Note or the obligation which it evidences, or otherwise involving the employment by SunTrust of attorneys with respect to this Note and the obligations it evidences; (e) any tax or fee due from SunTrust to any state or other governmental agency or authority because of the execution of this Note

or holding of this Note (including but not limited to any intangible tax or documentary stamp tax), and (f) any other charges permitted by applicable law. The Borrower agrees to pay such amounts on demand or, at SunTrust's option, such amounts may be added to the unpaid balance of the Note and shall accrue interest at the stated Rate. Upon the occurrence of an event of default, or after demand and failure to pay if this Note is payable on demand, interest shall accrue at the Default Rate.

Prepayment Provision

Borrower may make a prepayment in any amount at any time without penalty.

Waivers

The Borrower and each other Obligor waive presentment, demand, protest, notice of protest and notice of dishonor and waive all exemptions, whether homestead or otherwise, as to the obligations evidenced by this Note. The Borrower and each other Obligor waive any rights to require SunTrust to proceed against any other Obligor or any Collateral before proceeding against the Borrower or any of them, or any other Obligor, and agree that without notice to any Obligor and without affecting any Obligor's liability, SunTrust, at any time or times, may grant extensions of the time for payment or other indulgences to any Obligor or permit the renewal or modification of this Note, or permit the substitution, exchange or release of any Collateral for this Note and may add or release any Obligor primarily or secondarily liable. The Borrower and each other Obligor agree that SunTrust may apply all monies made available to it from any part of the proceeds of the disposition of any Collateral or by exercise of the right of setoff either to the obligations under this Note or to any other obligations of any Obligor to SunTrust, as SunTrust may elect from time to time.

Waiver of Jury Trial

THE BORROWER AND SUNTRUST HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE AND ANY OTHER DOCUMENT OR INSTRUMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS NOTE, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR SUNTRUST ENTERING INTO OR ACCEPTING THIS NOTE. FURTHER, THE BORROWER HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF SUNTRUST, NOR SUNTRUST'S COUNSEL, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUNTRUST WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION.

Miscellaneous

All amounts received by SunTrust shall be applied to expenses, late fees and interest before principal or in any other order as determined by SunTrust, in it sole discretion, as permitted by law. Any provision of this Note which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Note. No amendment, modification, termination or waiver of any provision of this Note, nor consent to any departure by the Borrower from any term of this Note, shall in any event be effective unless it is in writing and signed by an authorized officer of SunTrust, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure or delay on the part of SunTrust to exercise any right, power or remedy under this Note shall be construed as a waiver of the right to exercise the same or any other right at any time. If the Rate is tied to an external index and the index becomes unavailable during the term of this loan, SunTrust may, in its sole and absolute discretion, designate a substitute index with notice to the Borrower. The captions of the paragraphs of this Note are for convenience only and shall not be deeded to constitute a part hereof or used in construing the intent of the parties. All representations, warranties, covenants and agreements contained herein or made in writing by Borrower in connection herewith shall survive the execution and delivery of this Note and any other agreement, document or writing relating to or arising out of any of the foregoing. All notices or communications given to Borrower pursuant to the terms of this Note shall be in writing and given to Borrower at Borrower's address stated above unless Borrower notifies SunTrust in writing of a different address. Unless otherwise specifically provided herein to the contrary, such written notices and communications shall be delivered by hand or overnight courier service, or mailed by first class mail, postage prepaid, addressed to the Borrower at the address referred to herein. Any written notice delivered by hand or by overnight courier service shall be deemed given or received upon receipt. Any written notice delivered by U.S. Mail shall be deemed given or received on the third (3rd) business day after being deposited in the U.S. Mail.

Liability, Successors And Assigns And Choice Of Law

Each Borrower shall be jointly and severally obligated and liable on this Note. This Note shall apply to and bind each of the Borrower's heirs, personal representatives, successors and permitted assigns and shall inure to the benefit of SunTrust, its successors and assigns. Notwithstanding the foregoing, Borrower shall not assign Borrower's rights or obligations under this Note without SunTrust's prior written consent. The Borrower agrees that certain material events and occurrences relating to this Note bear a reasonable relationship to the laws of Georgia. This Note shall be governed by the laws of Georgia and, unless applicable law provides otherwise, in the event of any legal proceeding arising out of or related to this Note, the Borrower consents to the jurisdiction and venue of any court located in Georgia.

Documentary and Intangible Taxes

In the event that any tax is due from SunTrust to any state or other governmental agency or authority because of the execution or holding of this Note (including but not limited to any intangible tax or documentary stamp tax), the Borrower shall, upon demand, reimburse SunTrust for any such tax paid.

By signing below under seal, the Borrower agrees to the terms of this Note and the disbursement of proceeds as described in the Disbursements and Charges Summary provided in connection with this transaction.

Regan Holding Corporation

/s/ PRESTON PITTS

Preston Pitts, President

Exhibit 31.1

CERTIFICATION

I, Lynda L. Regan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Regan Holding Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2004

/s/ Lynda L. Regan

Name: Lynda L. Regan
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, R. Preston Pitts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Regan Holding Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2004

/s/ R. Preston Pitts

Name: R. Preston Pitts
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynda L. Regan, Chief Executive Officer of Regan Holding Corp. (the "Company"), hereby certify, to the best of my knowledge, that the Company's quarterly report on Form 10-Q for the period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2004

/s/ Lynda L. Regan

Name: Lynda L. Regan
Title: Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Regan Holding Corp. and will be retained by Regan Holding Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, R. Preston Pitts, Chief Financial Officer of Regan Holding Corp.(the "Company"), hereby certify, to the best of my knowledge, that the Company's quarterly report on Form 10-Q for the period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2004

/s/ R. Preston Pitts

Name: R. Preston Pitts
Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Regan Holding Corp. and will be retained by Regan Holding Corp. and furnished to the Securities and Exchange Commission or its staff upon request.