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Hearing Unit, DIC  
Patricia D. Petersen  
Chief Hearing Officer

8 Attorneys for Respondents

9 BEFORE THE STATE OF WASHINGTON  
10 OFFICE OF INSURANCE COMMISSIONER

11 In the Matter of:

Case No. D10-0018

12 Consumer Direct Warranty Services, Inc.,  
13 Warranty Administration Services, Inc.,  
14 Safedata Management Services, Inc.  
15 Robert L. Chapman  
16 James C. Sletner

SETTLEMENT AGREEMENT RE:  
SECOND AMENDED CEASE AND DESIST  
ORDER

17 Respondents.

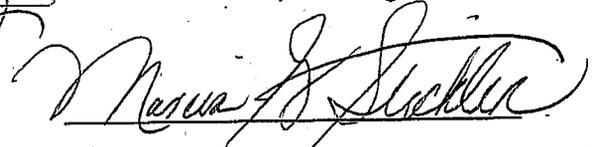
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19 The parties to this action, by and through their undersigned counsel of record, have  
20 agreed to settle this dispute pursuant to the terms and conditions set forth in the Memorandum  
21 of Agreement, executed as of July 1, 2010, a true and correct copy of which is attached hereto  
22 as Exhibit A.

23  
24 As a result of this settlement, Respondents hereby confirm their withdrawal of their  
25 request for a hearing (currently scheduled to convene on July 13, 2010) and further confirm  
26 their agreement (1) not to request a hearing concerning the above-referenced Second Amended  
27 Cease and Desist Order (issued as of July 7, 2010, a true and correct copy of which is attached

1 hereto as Exhibit B); and (2) to comply with the terms and conditions of the Second Amended  
2 Cease and Desist Order within the timelines set forth therein based on the Office of the  
3 Insurance Commissioner's agreement that it will take no action to levy or otherwise request a  
4 fine or monetary penalty against Respondents and its specific waiver and release of any  
5 potential rights it may have to request a fine, penalties or other monetary relief against  
6 Respondents concerning the Second Amended Cease and Desist Order.

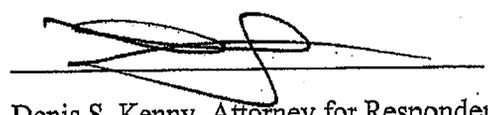
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8 Based on the foregoing, the parties to this action respectfully request the issuance of an  
9 order terminating the above-referenced proceeding.

10  
11 Signed this 13<sup>th</sup> day of July, 2010 at Tumwater, Washington.

12  
13 

14 Marcia G. Stickler, Pro Se for the Commissioner

15  
16 Signed this 3<sup>rd</sup> day of July, 2010 at San Francisco, California.

17  
18 

19 Denis S. Kenny, Attorney for Respondents

STATE OF WASHINGTON

MIKE KRECHLER  
STATE INSURANCE COMMISSIONER



P.O. BOX 48255  
OLYMPIA, WA 98504-0255  
Phone: (360) 725-7000

OFFICE OF  
INSURANCE COMMISSIONER

MEMORANDUM OF AGREEMENT

On February 1, 2010, the Office of the Insurance Commissioner ("OIC") issued Order to Cease and Desist No. 10-0018 (the "Original Order") against Consumer Direct Warranty Services ("CDWS"), several affiliated entities, and four individual respondents. CDWS requested an administrative hearing.

Subsequent to the issuance of the Original Order, CDWS requested that the OIC remove one of the affiliated entities listed, Warranty Administration Solutions, Inc. ("Solutions") and two named individuals, Jennifer Shaw and Tamara Berbena, from the jurisdiction and effect of the Order. On March 17, 2010, the OIC issued an amended Order to Cease and Desist that removed Ms. Shaw and Solutions from the Original Order, but kept Ms. Berbena as a named individual respondent (the "First Amended Order").

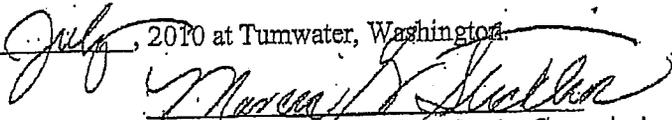
On March 22, 2010, Administrative Law Judge Patricia D. Petersen ruled that the automatic stay provisions of RCW 48.04.020 did not apply. On April 6, 2010, Judge Petersen entered an order granting a partial discretionary stay as to that portion of the First Amended Order which requires CDWS to notify its Washington customers of the First Amended Order.

In order to avoid the time, expense and disruption associated with an administrative hearing and in consideration of the terms and conditions set forth below, the parties agree to the following in concluding this matter without a hearing:

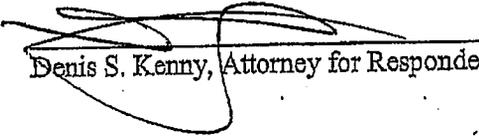
- The OIC will issue another amended Order to Cease and Desist that does not include Tamara Berbena as a named individual respondent (the "Second Amended Order").
- Respondents will not invoke, request or demand an automatic stay under RCE 48.04.020 as a result of the issuance of the Second Amended Order, affirmatively waiving any demand for or right to seek an automatic stay based on the issuance of the Second Amended Order.
- Respondents will withdraw their request for a hearing upon receipt of the Second Amended Order that does not include Tamara Berbena as a named individual respondent.
- The OIC will take no further action and specifically waives and releases any potential rights it may have to request a fine or otherwise seek other penalties or relief that were not in the Original Order. The First and Second amended Orders will be identical other than the date of issuance and the removal of Ms. Berbena as a named individual respondent.
- Judge Peterson will thereafter be asked to issue an Order Terminating proceedings.

Page 1 of 2  
Exhibit A

Signed this 1<sup>st</sup> day of July, 2010 at Tumwater, Washington.

  
Marcia G. Stickler, Pro Se for the Commissioner

Signed this 1<sup>st</sup> day of July, 2010 at San Francisco, California.

  
Denis S. Kenny, Attorney for Respondents

STATE OF WASHINGTON

Phone: (360) 725-7000  
www.insurance.wa.gov

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of )

No. 10-0018

Consumer Direct Warranty Services, Inc. )  
Warranty Administration Services, Inc. )  
SafeData Management Services, Inc. )

SECOND AMENDED ORDER TO  
CEASE AND DESIST

Unregistered and Unauthorized Entities, )

and )

Robert L. Chapman )  
James C. Sletner )

Individual Respondents. )

Pursuant to RCW 48.02.080, RCW 48.15.020 and RCW 48.110.030, the Insurance Commissioner orders the entities and the individuals named above and their officers, directors, trustees, agents, employees, subsidiaries, and affiliates ("Respondents") to immediately cease and desist from:

- A. Engaging in or transacting the unauthorized business of insurance in the State of Washington, including the advertising and/or solicitation of insurance and insurance-related products, including, but not limited to, vehicle service contracts and protection product guarantees; and from
- B. Seeking or soliciting insurance business in the State of Washington and participating, directly or indirectly, in any act of an insurance producer or insurance company in seeking or soliciting insurance business, including vehicle service contracts and protection product guarantees, in the State of Washington.

THIS ORDER IS BASED ON THE FOLLOWING:

- 1. Respondents, collectively referred to herein as "CDWS," have acted as service contract providers, under various names, in Washington. Individual Respondents are principals or managers of CDWS. Motor vehicle service contract providers who register under RCW 48.110 are not required to have a Certificate of Authority from the Commissioner. Without such registration, issuers of motor vehicle service contracts are subject to all of the general provisions

*Exhibit B*

of the Insurance Code, Chapter 48 RCW. A contract sold to a Washington resident by an unregistered entity therefore constitutes the act of undertaking to indemnify the consumer or pay a specified amount upon determinable contingencies and thus constitutes "insurance" as defined in RCW 48.01.040.

2. None of the Respondents are licensed to solicit insurance in Washington. Respondents have not applied for or been granted a registration as a motor vehicle service contract provider or protection product guarantee provider, a Certificate of Authority to act as an insurer or an insurance producer license in Washington. Respondents have not submitted to OIC any appropriate certificate, license, or other document issued by another agency of this state, any subdivision thereof, or the federal government, permitting or qualifying Respondents to provide such coverage in this state. Respondents have not transacted this insurance through a licensed surplus lines broker in this state.

3. Respondents acted as vehicle service contract providers in Washington in violation of RCW 48.110.030, have transacted insurance in Washington in violation of RCW 48.15.020, and acted as an insurance producer by soliciting Washington residents for insurance without being licensed as an insurance producer in violation of RCW 48.17.060.

Respondents are further ordered to furnish the Office of the Insurance Commissioner, within thirty (30) days of receipt of this Order, with a complete listing, to include full contact information and amounts of premium collected from such consumers, of all Washington residents and Washington risks who have purchased any motor vehicle service contract, protection product guarantee, or other insurance-related product, directly or through the Internet, sales center, or dealer, from Respondents.

Respondents are also further ordered to notify all Washington residents who have purchased any motor vehicle service contract, protection product guarantee, or other insurance-related product from Respondents of the complete content of this Order within ten (10) days of receipt of the Order.

Pursuant to RCW 48.15.020 (2) (b), each unauthorized insurer and each individual who made a contract of insurance in this state, directly or indirectly, including motor vehicle service contracts, shall remain individually liable for the performance of the contract and for the full amount of any loss sustained by an insured under such contract.

Any violation of the terms of this Order by Respondents, their officers, directors, employees, agents, or affiliates, will render the violator(s) subject to the full penalties authorized by RCW 48.02.080, 48.17.530, 48.15.020 and other applicable Code sections.

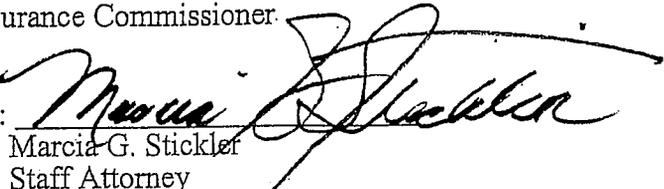
ORDER TO CEASE AND DESIST

Respondents have the right to demand a hearing pursuant to chapters 48.04 and 34.05 RCW. This Order shall remain in effect subject to the further order of the Commissioner.

THIS ORDER IS EFFECTIVE IMMEDIATELY AND IS ENTERED at Tumwater, Washington, this 7<sup>th</sup> day of July, 2010.

**MIKE KREIDLER**  
Insurance Commissioner

By:

  
Marcia G. Stickler  
Staff Attorney  
Legal Affairs Division

ORDER TO CEASE AND DESIST

CERTIFICATE OF SERVICE

The undersigned certifies under the penalty of perjury under the laws of the State of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the State of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action, and competent to be a witness herein.

On the date given below I caused to be served the foregoing ORDER TO CEASE AND DESIST on the following individual via U.S. mail:

Denis S. Kenny, Esq.  
Scherer Smith & Kenney, LLP  
140 Geary Street, Seventh Floor  
San Francisco, California 94108

Consumer Direct Warranty Services, Inc.  
P. O. Box 993520  
Redding, California 96099

Robert L. Chapman  
3790 Sunday Court  
Redding, California 96001

James C. Sletner,  
15676 Old Stage Coach Road  
Redding, California 96001

SafeData Management Services, Inc.  
P. O. Box 992050  
Redding, California 96099

Warranty Administration Services, Inc.  
P. O. Box 992050  
Redding, California 96099

SIGNED this 7<sup>th</sup> day of July, 2010; at Tumwater, Washington.

Jodie Thompson  
Jodie Thompson

ORDER TO CEASE AND DESIST