

FILED

BEFORE THE STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

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In the Matter of:

The Form A and Form E Applications for the
Proposed Acquisition of Control of:

REtitle Insurance Company,

By

A10 Capital, LLC,

Applicant.

Docket No. 17-0369

HEARINGS UNIT
OFFICE OF
INSURANCE COMMISSIONER

**AMENDED FINAL ORDER
APPROVING ACQUISITION OF
CONTROL**

TO: David Bayley, President
Nancy Bayley, Vice President
REtitle Insurance Company
P.O. Box 278
Shelton, WA 98584

Richard Hoss
Hoss & Wilson-Hoss LLP
236 West Birch Street
Shelton, WA 98584

Ben Slaughter, General Counsel
Jerry Dunn, President
A10 Capital, LLC
800 West Main Street, Suite 1100
Boise, ID 83702

AND TO: Mike Kreidler, Insurance Commissioner
James T. Odiorne, J.D., CPA, Chief Deputy Insurance Commissioner
Doug Hartz, Deputy Commissioner, Company Supervision Division
Ronald Pastuch, Holding Company Manager, Company Supervision Division
Toni Hood, Deputy Commissioner, Legal Affairs Division
Dave Jorgensen, Insurance Enforcement Specialist, Legal Affairs Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

BACKGROUND

Pursuant to RCW 48.04.010, RCW 48.31B.015, RCW 48.31B.020 and RCW 34.05.434, a public hearing was held in connection with the above-captioned matter. On January 11, 2018, at 9:00 a.m. Pacific Time, the public hearing commenced in the Washington State Office of the Insurance Commissioner (the "OIC"), 5000 Capitol Blvd., Tumwater, Washington 98501. All parties in the instant matter, and all members of the public, were given the right to be present at the hearing, either in person or by telephone. Exclusive of documents and information subject to the Order Addressing Confidentiality Issues entered on January 26, 2018 (the "Confidentiality Order"), the parties and all members of the public had reasonable opportunity to inspect all documentary evidence. The parties and all members of the public also had the opportunity to submit written support or concerns regarding the transaction.

Dave Jorgensen, Insurance Enforcement Specialist in the OIC's Legal Affairs Division, represented the OIC. Ben Slaughter, General Counsel with A10 Capital, LLC ("A10"), represented A10. Richard Hoss, of Hoss & Wilson-Hoss LLP, represented REtitle Insurance Company ("REtitle").

At the hearing, Ronald J. Pastuch, Holding Company Manager in the OIC's Company Supervision Division, testified for the OIC. Jerry Dunn, Chief Executive Officer of A10, Mark Klipsch, Chief Financial Officer of A10, and Dinah Chu, President of CEGM 999 Corporation,¹ all testified on behalf of A10. David Bayley, President of REtitle, testified on behalf of REtitle.

A10 filed with the OIC a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer and attached exhibits ("Form A") and Pre-Acquisition Notification Form Regarding the Potential Competitive Impact of a Proposed Merger or Acquisition by a Non-Domiciliary Insurer doing Business in this State or by a Domestic Insurer ("Form E"), both dated October 2, 2017, requesting the OIC's approval of A10's proposed acquisition of control of REtitle (the "Transaction"). The Transaction contemplates that, subject to the satisfaction of certain conditions to closing, A10 will wholly own and control REtitle, a title insurer domiciled in the state of Washington. A10, founded in 2007, and domiciled in the state of Idaho, is in the business of commercial real estate lending. As part of the Transaction, A10 will pay consideration in the amount of \$875,000 (i.e., purchase price) to acquire REtitle.

A10's Form A and supplemental documents, including orders of the undersigned, and written communications to and from the OIC and the undersigned, and the undersigned to and from the parties, will be made available to the public at <https://www.insurance.wa.gov/hearings-cases-with-documents> (with the exception of limited documents deemed to be confidential (i.e., sealed) and/or subject to redaction under the Confidentiality Order), and shall remain available to the public on the OIC's website and also by request to the OIC for copies of those documents and materials. The documents specified above, and all other documents, information and materials that A10 was required by statute, or by later request of the OIC or the undersigned, to submit and that were reviewed by the OIC in making its recommendation to the undersigned in testimony at hearing, and by the undersigned in issuing the final order herein, are included in the hearing file, were entered into evidence in this proceeding, and as stated above, have been and will remain available to the public (with the exception

¹ Assuming the OIC approves A10's acquisition of REtitle, A10 indicates it will appoint Ms. Chu as Comptroller of REtitle.

of limited documents deemed to be confidential (i.e., sealed) and/or subject to redaction per the Confidentiality Order).

Also entered into evidence in this proceeding were A10's Form E, and A10's supplements to the Form E. Pursuant to the Confidentiality Order, the Form E, its supplements, and all documents, materials, and information provided in connection therewith, reported therein, and submitted thereunder shall remain confidential and exempt from disclosure.

Following entry of the Final Order Approving Acquisition of Control ("Final Order") in this matter on January 26, 2018, and the Amended Order Denying Petition for Reconsideration on February 2, 2018, on February 20, 2018, A10 filed a Petition of Judicial Review of the Final Order ("Petition") with Thurston County Superior Court in Cause No. 18-2-00981-34 ("Action").

On March 23, 2018, Assistant Attorney General Marta DeLeon, Attorney for the OIC, Mark Scoville, of Scoville Law, PLLC, Attorneys for A10, and Richard T. Hoss, of Hoss & Wilson-Hoss LLP, Counsel for REtitle, signed, presented and/or approved as to form, and the Hon. James Dixon, Thurston County Superior Court Judge signed and entered in the Action, the Stipulated Order to Amend Final Order, Dismiss Petition for Review, and Remand to the Office of the Insurance Commissioner ("Stipulated Order").

Pursuant to the Stipulated Order and the Settlement Agreement entered into by representative of the OIC, A10, and REtitle on March 20, 2018 ("Settlement Agreement"), and approved as to form by Assistant Attorney General Marta DeLeon on the same date, incorporated by reference in the Stipulated Order, the instant Amended Order Approving Acquisition of Control is entered in OIC Docket No. 17-0369, which includes changes to the Final Order set forth below. The Stipulated Order requires that any further issues concerning the Transaction are remanded to the OIC.

On March 23, 2018, the OIC filed a "Motion to Re-Open the Form A Hearing for Limited Purposes," ("Motion to Re-Open") which at 2:18-24 explains that on the same day the OIC was informed that one of A10's funders requested that A10 acquire more complete reinsurance coverage in regard to the Form A transaction with REtitle, and that it was unlikely that A10 could acquire such coverage by March 26, 2018, the agreed upon acquisition date in the Stipulated Order and Settlement Agreement. See also Exs. 4-5 attached to the Motion to Re-Open, which includes the Declarations of Dave Jorgensen and Ron Pastuch of the OIC.

LEGAL STANDARDS GOVERNING THE OIC'S REVIEW

Pursuant to RCW 48.31B.015(4)(a), the OIC shall approve A10's acquisition of control of REtitle (or the Form A), unless after a public hearing thereon, the OIC concludes that:

- (i) After the change of control, the domestic insurer referred to in subsection (1) of this section would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;

(ii) The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly therein. In applying the competitive standard in this subsection (4)(a)(ii):

(A) The informational requirements of RCW 48.31B.020(3)(a) and the standards of RCW 48.31B.020(4)(b) apply;

(B) The merger or other acquisition may not be disapproved if the commissioner finds that any of the situations meeting the criteria provided by RCW 48.31B.020(4)(c) exist; and

(C) The commissioner may condition the approval of the merger or other acquisition on the removal of the basis of disapproval within a specified period of time;

(iii) The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders;

(iv) The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest;

(v) The competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control; or

(vi) The acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Pursuant to RCW 48.31B.020(4)(a), the Commissioner may enter an order requiring an involved insurer to cease and desist from doing business in Washington with respect to the line or lines of insurance involved in the violation or denying the application of an acquired or acquiring insurer for a license to do business in Washington if there is substantial evidence that the effect of the acquisition may be to substantially lessen competition in a line of insurance in Washington or tend create a monopoly therein, or if the insurer fails to file adequate information in compliance with RCW 48.31B.020(3). In determining whether the Transaction violates this competitive standard, the Commissioner shall consider the criteria in RCW 48.31B.020(4)(b). However, RCW 48.31B.020(4)(c) prohibits the Commissioner from entering an order requiring an involved insurer to cease and desist from doing business in Washington with respect to the line or lines of insurance involved in the violation or denying the application of an acquired or acquiring insurer for a license to do business in Washington if: "(i) The [Transaction] will yield substantial economies of scale or economies in resource use that cannot be feasibly achieved in any other way, and the public benefits that would arise from the economies exceed the public benefits that would arise from not lessening competition; or (ii) The [Transaction] will substantially increase the availability of insurance, and the public benefits of the increase exceed the public benefits that would arise from not lessening competition." (Brackets added).

At the public hearing in this matter the undersigned received evidence related to the statutory considerations above.

FINDINGS OF FACT

Having considered the oral and written evidence presented at the public hearing on this matter and the documents on file herein, including A10's Form A, all contracts, information, and materials submitted with the Form A, and subsequent to the filing of the Form A at the request of the OIC or the undersigned; A10's Form E and supplemental information associated with the Form E; all written communications between A10, REtitle, the OIC, and the undersigned; and the complete hearing record, including written and oral testimony and argument of the parties and the OIC, the undersigned finds as follows:

1. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied.

2. Ronald J. Pastuch, Holding Company Manager, Company Supervision, testified on behalf of the OIC as to whether the Transaction met the legal requirements contained in RCW 48.31B.015 and RCW 48.31B.020, and also submitted his written Declaration (Ex. OIC-23). Mr. Pastuch presented his testimony in a clear, detailed and credible manner.

3. Jerry Dunn, Chief Executive Officer of A10, Mark Klipsch, Chief Financial Officer of A10, and Dinah Chu, President of CEGM 999 Corporation,² testified on behalf of A10, and David Bayley, President of REtitle, testified on behalf of REtitle, about whether the Transaction met the legal requirements contained in RCW 48.31B.015 and RCW 48.31B.020. A10 also submitted the Declaration and Written Testimony of Mr. Dunn (Ex. A10-30). Mr. Dunn, Mr. Klipsch, and Ms. Chu presented their testimony in a clear, detailed, and credible manner.

4. Mr. David Bayley, President of REtitle, testified on behalf of REtitle and whether the Transaction met the legal requirements contained in RCW 48.31B.015 and RCW 48.31B.020. Mr. Bayley presented his testimony in a clear, detailed, and credible manner.

5. A10 is a Delaware limited liability company that is not licensed to do business in the state of Washington. Ex. OIC-23, p. 7. A10 is not in the business of writing insurance contracts. *Id.* Since its formation in 2007, A10 has been in the business of commercial real estate lending. Ex. OIC-1, p. 2.

6. REtitle is a Washington-domiciled insurance company currently licensed to do business in the state of Washington under Certificate of Authority No. 781, dated January 4, 1912. Ex. OIC-23, p. 3. REtitle actively wrote title insurance coverages for residents of Mason County, Washington until December 31, 1998, and ceased doing so after that date. I accept the testimony of David Bayley, President of REtitle, that REtitle ceased doing business in 1998 because of demands on both he and his wife. I also accept the testimony of Ron Pastuch of the OIC that REtitle currently has approximately 5,000 active title insurance policies in the state of Washington.

² Assuming the OIC approves A10's acquisition of REtitle, A10 indicates it will appoint Ms. Chu as Comptroller of REtitle.

7. Pursuant to the Stock Purchase Agreement (“SPA”) dated July 25, 2017, and closing no later than February 1, 2018 (“acquisition date”), among A10 (Purchaser), David C. Bayley (Seller), and REtitle (Company), A10 proposes to acquire control of REtitle by purchasing from Mr. Bayley 100% (percent) all of the outstanding shares of stock of REtitle (10,000 in total) for \$875,000 (the “Transaction”). Exs. OIC-1, p. 2, and OIC-2, pp. 6-7. The Amendment to the SPA (“Amendment”), attached as Exhibit A to the Settlement Agreement, which the OIC approves, among other things, changes the acquisition date to March 26, 2018, and requires REtitle to indemnify A10 for all costs associated with outstanding litigation against REtitle.

8. Pursuant to the SPA and Amendment, and simultaneous with the closing of the Transaction, REtitle will enter into a plant lease agreement and agency agreement with long-time REtitle affiliate, Mason County Title Company (“MCTC”). Ex. OIC-1, p. 4. If the OIC approves the Transaction this will allow REtitle to immediately commence actively writing title insurance policies in Washington. *Id.* A10’s plan is then to provide all necessary financial resources and to recruit and hire experienced agency administrative personnel, with the goal of expanding REtitle’s title insurance business, both regionally in the Pacific Northwest and then nationally. Ex. OIC-1, p. 4. As part of the Transaction, A10 indicated that it (1) intends to file an application with the OIC to re-domesticate REtitle to A10’s principal place of business in Boise, Idaho, while retaining its certificate of authority in the state of Washington, and (2) to have REtitle change its name to “A10 Title Insurance Company.” *Id.* A10 specifically requests in its Form A that the OIC conditionally approve these two actions as part of the Form A review process. *Id.*

9. Following the Transaction, A10 will retain REtitle’s current President and owner, Mr. Bayley, as President of REtitle for the indefinite future, at a cost of \$150 per hour plus reimbursement for expenses he incurs in this role. Ex. OIC-1, pp. 4, 7. Mr. Bayley will have the support of A10 staff during the initial months following the close of the Transaction. *Id.* In particular, A10 will provide REtitle with use of its in-house counsel and legal team, focused solely on real estate law and transactions, and A10’s accounting staff. *Id.* Following the Transaction, REtitle will also appoint a Board of Directors, led by its Chairman and A10’s Chief Executive Officer, Jerry Dunn. Ex. OIC-1, p. 5. A10 indicates that as the title business grows and accumulates operating income, REtitle will hire staff to fill all necessary roles for the company, but until such time A10 will continue supplying staffing support at no cost to REtitle until REtitle is capable of operating the business with its own resources. *Id.*

10. On October 2, 2017, A10 filed both the Forms A and E at issue with the OIC. Ex. OIC-23, p. 6. On October 12, 2017, the OIC filed with the OIC Hearings Unit a demand for hearing with the summary Forms A and E. *Id.* On October 25, 2017, the OIC issued its first notices of deficiency and requests for information regarding the Forms A and E. *Id.* On November 8, 2017, A10 responded to both notices, via Addendum No. 1 to the Form A, and Addendum No. 1 to the Form E. *Id.*; see also Ex. OIC-13. On November 16, 2017, the OIC issues its second notice of deficiency and request for information regarding the Form A filing. *Id.* at 7. On November 20, 2017, A10 responded via Addendum No. 2 to the Form A. *Id.*; see also Ex. OIC-19. On December 6, 2017, the OIC issued its third notices of deficiency and requests for information regarding the Forms A and E. *Id.* On December 11, 2017, A10 responded to both notices via Addendum No. 3 to the Form A (Ex. OIC-20), and Addendum No. 4 to the Form E (even though only Addendum No. 2 to the Form E)(Ex. OIC-22). *Id.*

11. On December 7, 2016, the OIC Hearings Unit issued a Notice of Hearing indicating that a public hearing concerning the Transaction would take place on January 11, 2018, beginning at 9:00 a.m. Pacific Time.

12. On December 29, 2016, the OIC recommended approval of the Transaction and the Form A subject to certain proposed conditions under the provisions of RCW 48.31B.015(4). Exhibit OIC-23. The OIC recommended approval of the Transaction and the Form E under RCW 48.31B.015(4)(a)(ii), without any specific proposed conditions. *Id.*

13. Following the Transaction, REtitle will not be able to satisfy the requirements for issuance of a certificate of authority to write its current lines of business in the state of Washington. Ex. OIC-23, p. 8. As indicated previously, while REtitle is currently licensed to write title insurance coverages, per RCW 48.05.340, REtitle's minimum required capital and surplus is \$4 million. *Id.* According to its publicly available unaudited financial statement as of September 30, 2017, filed with the OIC, REtitle has \$713,000 in admitted assets, and \$690,000 in net capital and surplus. *Id.* at 8. Immediately following the Transaction, REtitle must acquire the \$4 million capital and surplus required of RCW 48.05.340(1). *Id.* at 9. To achieve this, A10 has committed to infuse capital to REtitle up to the \$4 million minimum discussed above. *Id.* This will include A10 increasing REtitle's minimum capital stock by increasing the par value of REtitle's 10,000 outstanding and issued common shares of stock to \$2 million. *Id.*

14. The effect of the Transaction would have no market share impact, and would not lessen competition, or create a monopoly in the state of Washington. Ex. OIC-23, p. 9. There is no evidence that the Transaction would violate the competitive standards for the insurance-buying market for title insurance coverage in the state of Washington. *Id.*

15. The financial condition of A10, or its parent organization, will not jeopardize the financial stability of REtitle or prejudice the interests of its policyholders. Ex. OIC-23, p. 10. Rather, A10's financial condition will provide additional financial stability for REtitle's policyholders. The latest combined financial statements indicate that, as of December 31, 2016 (audited), the parent organization of A10 (A10 Capital Holdings LLC) has a combined \$1.1 billion in total assets and \$114.2 million in members' equity, according to generally accepted accounting principles (GAAP) accepted in the United States. *Id.* As of December 31, 2016 (audited), A10 has \$234.8 million in assets and \$114.2 million in members' equity; and as of September 30, 2017 (unaudited), A10 has \$247.2 million and \$112.3 million, in assets and member's equity respectively, according to GAAP in the United States. *Id.*

16. The OIC found no evidence that A10 or its parent organization plans to sell REtitle's assets, or consolidate it or merge it with any other person. Exhibit OIC-23, p. 10. However, A10's plans include the redomestication and name change of REtitle. *Id.* Also, during its review of the Forms A and E, the OIC was unable to obtain from A10 a viable business plan for REtitle. *Id.* The information REtitle did provide was vague and was not clear as to how REtitle would restart operations and at what geographic location it planned to do so. *Id.* The 3-year financial projections that A10 provided were inconclusive as to the how the amount of revenue and expenses would be generated by REtitle in the state of Washington. *Id.* While Mr. Bayley will continue as President of

REtitle following the Transaction, A10 did not list a new President to replace him in its list of other proposed directors or officers of REtitle. *Id.*

17. The competence, experience, and integrity of those persons who would control the operation of REtitle after the closing of the Transaction are such that it would not be in the interest of the policyholders of REtitle, or of the public, to approve the Transaction. The OIC verified that the same persons listed on the Form A are currently the directors and/or officers of A10. While an unrelated third-party verification firm provided the OIC with reports that detected some questions about certain director or officer background information, those individuals explained the circumstances and mitigated the questionable events in their background checks. Ex. OIC-23, p. 11. Also, those events do not affect the competence, experience, and integrity of those persons. *Id.* That said, the OIC has further concerns that the majority of the proposed directors and officers of REtitle lack the experience of governing and operating an insurance company. *Id.* I accept Mr. Pastuch's testimony that Kevin Lagerway, one of the proposed members of Retitle's board of directors following the Transaction, while having worked for a title insurance company previously, did so only in his capacity as a member of the mergers and acquisitions department therein, and did not directly manage the operations of the title insurer that employed him previously. While I accept the testimony of Mr. Dunn that A10 currently employs two real estate attorneys, and eight paralegals, that have considerable experience in title insurance industry, that does not change the reality that leaving aside Mr. Bayley, the majority of the proposed directors and officers of REtitle do not have such experience, as OIC staff concludes. And while A10 will hire Ms. Chu as comptroller of REtitle following the Transaction, and even though I accept the testimony she gave regarding her experience in the title insurance industry and as a field examiner for state regulator agency (California Department of Insurance) regulating title insurance companies, she will also not be a director or officer of REtitle.

18. Based upon the information submitted to the OIC, there are grounds upon which to find that the Transaction would be hazardous or prejudicial to the insurance-buying public. Ex. OIC-23, p. 11. Mainly, A10 lacks experience in the insurance industry, and to reiterate (see paragraph 13 above) there is uncertainty regarding how A10 will operate REtitle following the Transaction. *Id.*

19. OIC staff know of no attempt by the Federal Trade Commission or the Washington State Office of the Attorney General to take action against or halt the Transaction in question. Ex. OIC-23, p. 11.

20. While A10 submitted all necessary documents to the OIC in connection with the proposed acquisition of control (i.e., Transaction), including those required by RCW 48.31B.020(3), those documents lacked the detailed information expected with a Form A in order to meet the statutory requirements for acquisition per RCW 48.31B.015. Ex. OIC-23, p. 12.

21. Due to the time constraints to complete the Transaction as requested by the parties, and based upon the additional information requested by the OIC and provided by A10 with its Form A filing, the OIC's Company Supervision Division recommends approval of the Transaction subject to the proposed conditions based upon the provisions of RCW 48.31B.015(4), and attached to the Declaration of Ronald J. Pastuch (Exhibit OIC-23, p. 5) as Exhibit A and as amended (Ex. OIC-24). See also Ex. OIC-23, pp. 11-12.

22. Initially on October 12, 2017, notice of the Transaction was given to the public via the Internet (on the OIC's website) via the Case Management Order entered in this matter. The Case Management Order included information regarding the hearing and remained posted on the website from the date of posting through the date of the hearing. Ex. OIC-23, p. 12. No person filed a petition to participate as intervenors in this matter on or before the November 1, 2017 deadline. *Id.* On December 28, 2017, the OIC posted an electronic notice on the OIC's website concerning the Transaction and information about the OIC's hearings process. See Ex. OIC-23, p. 12, and Exhibit B attached thereto. The notice included information regarding the hearing, via the Notice of Hearing dated December 6, 2017, and an announcement posted on the OIC's website. *Id.*

23. The Notice of Hearing issued in this matter informed and advised all interested persons the hearing would be a public proceeding commencing at 9:00 a.m. Pacific Time on January 11, 2017, in the Office of the Insurance Commissioner, 5000 Capitol Blvd., Tumwater, Washington 98501. The Notice of Hearing also stated that interested persons could attend the hearing without prior approval or listen to the hearing by telephone by dialing 1-855-929-3239, followed by access code 804 382 017, and that interested persons may submit comments or concerns to the OIC by email or at a link provided in the Notice of Hearing. The Notice also directed that any questions or concerns be directed to Dorothy Seabourne-Taylor, OIC Hearings Unit paralegal.

24. No persons sent correspondence to the OIC staff either in support of or raising concerns with the Transaction. Ex., OIC-23, p. 12.

CONCLUSIONS OF LAW

Pursuant to RCW Title 48, and specifically RCW Chapter 48.31B, the OIC has jurisdiction over the Transaction, which was the subject of the adjudicative proceeding herein. Having considered all of the evidence and testimony presented herein, including all information and material presented by the parties and the OIC, and the entire hearing file, based upon the above Findings of Fact the undersigned hereby makes the following Conclusions of Law:

1. While A10 submitted all necessary documents to the OIC in connection with the proposed acquisition of control (i.e., Transaction), including those required by RCW 48.31B.020(3), those documents lacked the detailed information expected with a Form A in order to meet the statutory requirements for acquisition per RCW 48.31B.015. That said, A10 submitted all necessary documents in connection with the Transaction as they relate to the Form E and supplements thereto. Therefore, I conclude that all of A10's necessary filings for the Form A were incomplete, whereas for the Form E they were complete. In spite of the shortcomings of A10's Form A, the Transaction is approved, provided A10 meets certain conditions outlined below within the requisite timeframes.

2. Based upon the evidence of the content of the Notice of Hearing and the date it was published, reasonable notice of the public hearing in this matter was given.

3. Per RCW 48.31B.015(4)(a)(i), following the Transaction, REtitle will not be able to satisfy the requirements for issuance of a license in the state of Washington to write the line or lines of insurance for which it is presently licensed (i.e., title insurance). However, provided A10 and

REtitle satisfy all of the following conditions related to this statutory requirement, the OIC will deem this requirement met:

a. A10 infuse capital to REtitle up to the \$4 million minimum required by RCW 48.05.340(1). A10 must do this within 90 days of the date of this Amended Final Order Approving Acquisition of Control. The increase in the timeframe in this condition from 30 days under the Final Order to 90 days under this Amended Final Order Approving Acquisition of Control is due to the necessity for A10 to acquire more comprehensive reinsurance for the Transaction at the behest of one of its funders. See OIC's Motion to Re-Open, filed with the OIC's Hearings Unit on March 23, 2018, including Exhibits 1-5 attached thereto, which include the Declarations of both Dave Jorgensen and Ron Pastuch in Support of the OIC's Motion to Re-Open.

b. In response to A10's infusion of capital in a. above, REtitle submit amended articles of incorporation per the requirements in RCW 48.08.010 and RCW 48.07.070. REtitle must do this within 30 days of the date of this Amended Final Order Approving Acquisition of Control.

c. A10 and REtitle receive the OIC's approval of the infusion of capital and amendment of the articles of incorporation.

4. Per RCW 48.31B.015(4)(a)(ii) and RCW 48.31B.020(4)(a), the Transaction will not substantially lessen competition or tend to create a monopoly in the insurance industry in the state of Washington.

5. Per RCW 48.31B.015(4)(a)(iii), the financial condition of A10 does not jeopardize the financial stability of REtitle or prejudice the interests of its policyholders.

6. Per RCW 48.31B.015(4)(a)(iv), the OIC found no evidence that A10 or its parent organization plans to sell REtitle's assets, or consolidate it or merge it with any other person. However, A10's plans include the redomestication and name change of REtitle. Also, during its review of the Forms A and E, the OIC was unable to obtain from A10 a viable business plan for REtitle. The information REtitle did provide was vague and was not clear as to how REtitle would restart operations and at what geographic location it planned to do so. The 3-year financial projections that A10 provided were inconclusive as to the how the amount of revenue and expenses would be generated by REtitle in the state of Washington. While Mr. Bayley will continue as President of REtitle following the Transaction, A10 did not list a new President to replace him in its list of other proposed directors or officers of REtitle. That said, provided A10 and REtitle satisfy all of the following conditions related to RCW 48.31B.015(4)(a)(iv), the OIC will deem this statutory requirement met:

a. Since A10's future plans include a transfer of the corporate office of REtitle to another state (e.g., Idaho) and a name change of REtitle, the OIC requests a timetable for the licensing of REtitle to another state or states, and possible redomestication to another state subject to the OIC's approval. A10 must file this timetable addressing its future plans for REtitle within 30 days of the date of this Amended Final Order Approving Acquisition of Control.

b. Since A10 wishes to expand the footprint of REtitle to other states, the OIC requests from A10 a report regarding the states that REtitle will be expanding its business to. The current financial examination of REtitle is acceptable for its expansion applications for admission. Some states will accept the current financial statement of an insurer such as REtitle if it is not more than three years from the year of its request for application of admission. Therefore, in order for the OIC to determine if resources for the completion of such financial examination will be necessary, A10 must submit a report based on the timetable addressing the future expansion plans of REtitle and report of the states' requirement for the most current financial examination, within 30 days of the date of this Amended Final Order Approving Acquisition of Control.

c. Since A10 did not provide a comprehensive 3-year business plan of REtitle with the proforma financial projections, A10 must file a comprehensive business plan for REtitle with the OIC within 45 days of the date of this Amended Final Order Approving Acquisition of Control.

d. Since A10 will be required to register REtitle and its holding company system after it acquires control of REtitle, A10 must file a Form B registration statement and Form F Enterprise Risk Report with the OIC within 15 days of the date of this Amended Final Order Approving Acquisition of Control.

e. Since A10 indicates that it has not yet made decisions regarding intercompany agreements, the OIC will need to approve any intercompany agreements, service agreements, cost sharing, and consolidated tax sharing agreements prior to the commencement date of such contracts. The OIC concludes such agreements are subject to RCW 48.31B.030(1), and therefore the OIC will need to approve such agreements prior to their commencement.

f. A10 not apply to transfer the state of domicile of REtitle outside the state of Washington, if immediately following the redomestication, a plurality of REtitle's policies cover real property in the state of Washington of all types of coverage in all jurisdictions from all regulated entities. This condition shall remain in full force and until the earlier of: (1) the date A10 ceases to maintain a majority of voting power, direct or indirect, over REtitle, as established by the OIC's approval authorizing a change of control under RCW 48.31B.015; or (2) the date this condition is terminated with the written consent of the Washington State Insurance Commissioner.

7. Per RCW 48.31B.015(4)(a)(v), the competence, experience, and integrity of those persons who would control the operation of REtitle following the Transaction are such that it would not be in the interest of policyholders of REtitle or of the public to permit the acquisition of control. However, provided A10 and REtitle satisfy the following condition related to this statutory requirement, the OIC will deem this requirement met:

a. While A10 provided that David Bayley, the current owner and President of REtitle, will remain as President of REtitle for the time being, unlike the other

corporate officer positions outlined in the Form A, A10 has not identified prospective person who will take over from Mr. Bayley since A10 is commencing a search for suitable person to replace him. In addition, the prospective board of directors of REtitle does not have the requisite experience in the governance or operations of an insurance company. Therefore, by February 26, 2020, A10 must identify qualified persons to appoint as a director or officer of REtitle, and such persons must file his or her biographical affidavit and verification report per the requirements of WAC 284-07-620, and be approved by the OIC.

8. Per RCW 48.31B.015(4)(a)(vi), A10's acquisition of REtitle (i.e., Transaction) is likely to be hazardous or prejudicial to the insurance-buying public, as contemplated by RCW 48.31B.015(4)(a)(vi). However, provided A10 and REtitle satisfy the conditions outlined above in Conclusions of Law 3, 6 and 7, the OIC will deem this requirement met.

9. The OIC's approval of the Transaction is also conditioned upon the following:

a. Consistent with B.2 of the section of the Settlement Agreement entitled "Agreement," A10 and REtitle will not unilaterally amend the SPA without the prior approval of the OIC.

b. Consistent with the Stipulated Order and B.3 of the section of the Settlement Agreement entitled "Agreement," the OIC's Hearings Unit shall have jurisdiction to hear any subsequent motions necessary to effectuate the completion of the Transaction.

10. Reasonable notice of this proposed acquisition of control (i.e., Transaction) was given to the public as contemplated by RCW Chapters 34.05 and 48.31B, and no reasonable or relevant objections exist for denying A10's request for approval of the Forms A and E, and the Transaction.

11. The provisions of the Insurance Code of the state of Washington, and specifically RCW Chapter 48.31B and, in particular RCW 48.31B.015 and RCW 48.31B.020, governing approval of proposed acquisitions of control, have been met so as to support the approval of the Transaction. Further, pursuant to the above Findings of Fact and Conclusions of Law, there is insufficient basis for denial of the Transaction. For these reasons, A10's proposed acquisition of control of REtitle, under the terms and conditions described above and as filed in this matter, should be granted.

ORDER

On the basis of the foregoing Findings of Fact and Conclusions of Law, to the effect that the statutory criteria for approval of the Transaction have been met, and that there are not sufficient bases for denial of approval of A10's proposed acquisition of control of REtitle to the effect that approval of A10's proposed acquisition of control of REtitle, upon the terms and conditions filed herein, should be granted, **NOW THEREFORE,**

IT IS HEREBY ORDERED that the application of A10 for the Commissioner's approval of its acquisition of control of REtitle (Form A), and the Pre-Acquisition Notification Form Regarding the Potential Competitive Impact of a Proposed Merger or Acquisition by a Non-

Domiciliary Insurer Doing Business in this State or by an Involved Insurer (Form E), pursuant to the terms of SPA dated July 25, 2017, and the Settlement Agreement which adopted the Amendment, and other documents filed herein that are all included in evidence in this proceeding, are **HEREBY APPROVED** effective this 26th day of March, 2018.

This Order is entered pursuant to RCW Title 48, and specifically RCW 48.31B.015, RCW 48.31B.020, and RCW 48.04.010; and RCW Title 34, and specifically RCW Chapter 34.05, and regulations applicable thereto.

THIS ORDER IS ENTERED at Tumwater, Washington, this 26th day of March, 2018 and is effective the same date.



William G. Pardee
Presiding Officer

Pursuant to RCW 34.05.461(3), the parties are advised that they may seek reconsideration of this order by filing a request for reconsideration under RCW 34.05.470 with the undersigned within 10 days of the date of service (date of mailing) of this order. Further, the parties are advised that, pursuant to RCW 34.05.514 and 34.05.542, this order may be appealed to Superior Court by, within 30 days after date of service (date of mailing) of this order, 1) filing a petition in the Superior Court, at the petitioner's option, for (a) Thurston County or (b) the county of the petitioner's residence or principal place of business; and 2) delivery of a copy of the petition to the Office of the Insurance Commissioner; and 3) depositing copies of the petition upon all other parties of record and the Office of the Attorney General.

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 filed and served the foregoing Amended Final Order Approving Acquisition of Control on the following people at their addresses listed below:

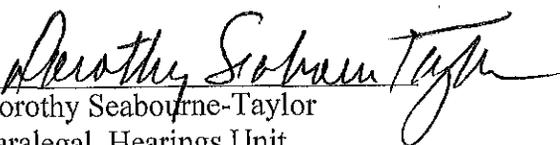
David Bayley, President
Nancy Bayley, Vice President
REtitle Insurance Company
P.O. Box 278
Shelton, WA 98584

Richard Hoss
Hoss & Wilson-Hoss LLP
236 West Birch Street
Shelton, WA 98584

Ben Slaughter, General Counsel
Jerry Dunn, President
A10 Capital, LLC
800 West Main Street, Suite 1100
Boise, ID 83702

Mike Kreidler, Insurance Commissioner
James T. Odiorne, J.D., CPA, Chief Deputy Insurance Commissioner
Doug Hartz, Deputy Commissioner, Company Supervision Division
Ronald Pastuch, Holding Company Manager, Company Supervision Division
Toni Hood, Deputy Commissioner, Legal Affairs Division
Dave Jorgensen, Insurance Enforcement Specialist, Legal Affairs Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Dated this 26th day of March, 2018, in Tumwater, Washington.


Dorothy Seabourne-Taylor
Paralegal, Hearings Unit