

**BEFORE THE INSURANCE COMMISSIONER OF THE  
STATE OF OKLAHOMA**

**FILED**

SEP 19 2012

INSURANCE COMMISSIONER  
OKLAHOMA

In re: FORM A - ACQUISITION OF CONTROL )  
INTEREST IN AVSURE, INC. BY FRATES )  
FAMILY, LLC )

Case No. 12-0599-TRN

**ORDER**

On September 11, 2012, the above matter came on for hearing and review by the Oklahoma Insurance Commissioner through his duly appointed Hearing Examiner.

The Applicant was represented by Kent Frates, Attorney at Law, and the Oklahoma Insurance Commissioner was represented by Kelley C. Callahan, Senior Attorney. The Honorable Leamon Freeman was appointed by the Honorable John Doak, Oklahoma Insurance Commissioner, to act as Hearing Officer and make all determinations pertinent to the acquisition of a control interest in Avsure, Inc., an Oklahoma domestic title insurer. John W. McCarter, Chief Financial Analyst of the Commissioner's Office, appeared and testified on behalf of the Financial Division of the Oklahoma Insurance Department. Kent Frates, in his role as Manager of Frates Family, LLC appeared to testify as to the information contained in the Form A Statement, as amended, which was the subject of the Hearing.

The Hearing Officer, having reviewed the Form A, as amended, and all documentation relating thereto, received evidence and being fully advised in the premises, finds as follows:

### **JURISDICTION**

1. That the Oklahoma Insurance Commissioner has jurisdiction of this matter pursuant to the provisions of the Oklahoma Insurance Code, 36 O.S. § 1651, the Oklahoma Administrative Code 365:25-7-20 et seq. and the Administrative Procedures Act, 75 O.S. §§ 250 et seq.

2. That the Hearing Examiner was properly appointed pursuant to the provisions of the Administrative Procedures Act, the Oklahoma Administrative Code and the Oklahoma Insurance Code, specifically 36 O.S. §§ 313 and 319, and Article 16 A of Title 36 of the Oklahoma Statutes in conformance with the applicable statutes and rules and regulations of the Oklahoma Insurance Commissioner.

### **FINDINGS OF FACT**

1. That Frates Family, LLC ("Applicant") filed a Form A Acquisition Statement, as later amended, with the Oklahoma Insurance Commissioner on or about June 1, 2012, for the purpose of receiving approval as a "control person" of Avsure, Inc. due to its acquisition of a 38.26% interest in AVS Holding Company, the holding company of Avsure, Inc., bringing its total ownership of Avsure, Inc. also to 38.26%.

2. That the address of the Applicant is as follows:

Home Address: 5005 North Lincoln Blvd., Oklahoma City, OK 73105

Principal Office Address: 5005 North Lincoln Blvd., Oklahoma City, OK 73105

3. That the proposed acquisition of the Oklahoma domestic insurer will be effected pursuant to an arm's length capital infusion by the Applicant to AVS Holding, Inc., the holding

company for Avsure, Inc. Applicant proposes to purchase from AVS Holding, Inc. 7,652 shares of common stock for \$573,900 in cash. This will leave Applicant with 38.26% control of Avsure, Inc. which will surpass the rebuttable presumption of control set forth at 36 O.S. §1651.

4. That post-acquisition, the Oklahoma domestic insurer will continue to operate in the same manner as it does presently and no change in officers or directors will occur.

5. That the Oklahoma domestic insurer has a present home office address of 5005 North Lincoln Blvd., Oklahoma City, OK 73105.

6. That the Applicant herein filed the required sworn biographical affidavits and had same verified by a third party verification service who reported directly to the Oklahoma Insurance Commissioner's Office of its findings.

7. That testimony at the Hearing was that the consideration for the sale and acquisition of the stock acquired by Applicant in the holding company of Avsure, Inc. as described in the Form A Statement was \$573,900 in cash.

8. That prior to this Form A Statement and Hearing, the ownership of the holding company was as follows:

Holley Healey	100%
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9. That after the acquisition described in the Form A, as amended, interests in AVS Holding, Inc, the holding company of the domestic insurer would be held as follows:

Holly Healey	61.74%
Frates Family, LLC	38.26%

10. That testimony at the Form A Hearing and other information submitted by Applicant indicated that neither the Applicant nor any person listed in the Form A, as amended, had ever been the subject of a criminal or regulatory proceeding.

11. That the financial statements of the Applicant reflected a net worth in excess of \$16 million dollars.

### **CONCLUSIONS OF LAW**

1. That Applicant has complied with the provisions of the Oklahoma Insurance Holding Company Act, 36 O.S. §§ 1651 et seq. That the Hearing was held pursuant to the Administrative Procedures Act, 75 O.S. §§ 250 et seq., the Oklahoma Insurance Code, 36 O.S. §§ 101 et seq. and the promulgated Rules and Regulations of the Oklahoma Insurance Commissioner.

2. That the Oklahoma Insurance Commissioner has jurisdiction of this matter pursuant to 36 O.S. §§ 1651 et seq.

3. That the Applicant was given lawful Notice of Hearing of the date, time, place and location of the Hearing.

4. That Notice of Hearing was made or waivers of same obtained relating to all persons or entities required by 36 O.S. § 1653 (D)(2).

5. That the Hearing was recorded electronically by members of the Oklahoma Insurance Commissioner's staff pursuant to the Administrative Procedures Act.

6. That both the Insurance Commissioner's office and the Applicant attended the Hearing, made arguments, presented testimony and stated that they had nothing further to submit to the Hearing Examiner.



7. That based upon a preponderance of the evidence submitted at the Hearing, the Hearing Officer finds that no evidence was submitted that after the proposed acquisition, the Oklahoma domestic insurer, Avsure, Inc. would not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed.

8. That no evidence was submitted that the transactions described in the Form A filing, as amended, would substantially lessen competition or tend to create a monopoly in the State of Oklahoma.

9. That no evidence was submitted that the financial condition of the Applicant was such that it would jeopardize the interests of present or future policyholders of Avsure, Inc.

10. That the terms of the acquisition are fair and reasonable based upon the information contained in the Form A Statement, as amended, filed with the Insurance Commissioner and testified to at the Hearing.

11. That the future plans the Applicant intends for the Oklahoma domestic insurer appear to be fair and reasonable and in the public interest based upon the information contained in the Form A Statement, as amended, and as filed with the Insurance Department and as testified at the Hearing.

12. That no evidence was submitted that the competence, experience and integrity of the person or persons who will control the domestic insurer post acquisition is such that the interests of the public, or future policyholders of the domestic insurer, will be affected adversely by the transactions described herein.


**ORDER**

**THEREFORE**, no criteria for disapproval specified in 36 O.S. §1653(d) (1) having been found, **IT IS HEREBY ORDERED** that the Application of Frates Family, LLC to acquire a control interest in domestic insurer Avsure, Inc. and its holding company AVA Holding, Inc. is hereby **APPROVED** effective as of the date of the Hearing.

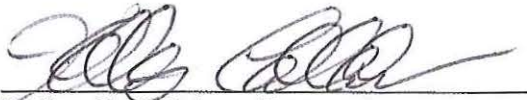
**WITNESS MY HAND** and Official Seal this \_\_\_\_ day of September, 2012.



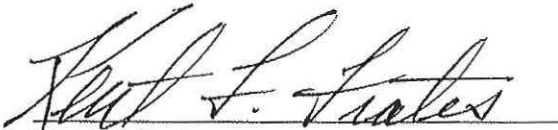
**JOHN DOAK  
INSURANCE COMMISSIONER  
STATE OF OKLAHOMA**

By   
**Leamon Freeman, Esq.  
Hearing Officer**

**APPROVED AS TO FORM:**



Kelley C. Callahan, Esq.  
Senior Attorney  
Oklahoma Insurance Commissioner's Office



Kent F. Frates  
Attorney at Law  
720 N.W. 50<sup>th</sup> Street  
Oklahoma City, OK 73118  
Attorney for Applicant

**CERTIFICATE OF MAILING**

I hereby certify that a true and correct copy of the foregoing Order was mailed on the 19<sup>th</sup> day of September, 2012, postage pre-paid to the following:

Kent F. Frates  
Attorney at Law  
720 N.W. 50<sup>th</sup> Street  
Oklahoma City, OK 73118



Kelley C. Callahan  
Senior Attorney  
Oklahoma Insurance Department