



**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

<b>IN RE:</b>	<b>Proposed Acquisition of:</b>	)	
		)	
	<b>Capital Reserve Life Insurance Company</b>	)	<b>Case No. 161207550C</b>
		)	
	<b>by</b>	)	
		)	
	<b>Royalty Capital Corporation,</b>	)	
	<b>John C. Todd, and</b>	)	
	<b>Gregg E. Zahn.</b>	)	

**FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER**

Based on the testimony and evidence on the whole record, I, John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (“Director” of the “Department”), find and conclude that:

1. On or about December 6, 2016, Royalty Capital Corporation (“Royalty”), John C. Todd, and Gregg E. Zahn (collectively, the “Applicants”) filed a Form A Statement with the Department in connection with the proposed acquisition of control of Capital Reserve Life Insurance Company (the “Domestic Insurer”), a Missouri domestic life insurance company.

2. On December 12, 2016, the Director issued a Notice of Hearing and Order Appointing Hearing Officer setting this matter for a public hearing to be held on January 5, 2017, at 1:00 p.m. and appointing Mary S. Erickson as Hearing Officer in this matter.

3. The Applicants provided timely notice of the hearing to the Domestic Insurer. At the January 5, 2017 hearing, the Applicants appeared by Gregg E. Zahn, and by counsel, Mark W. Stahlhuth. The Department's Division of Insurance Company Regulation ("Division") appeared by counsel, Kelly A. Hopper. The Domestic Insurer appeared by President John Perkins.

4. The Applicants will acquire control of the Domestic Insurer pursuant to an Agreement and Plan of Merger and Reorganization dated October 20, 2016, by and between Royalty and Inspire Capital Corporation, the current 100% direct owner of the Domestic Insurer. Subsequent to the acquisition, Royalty will hold 100% of the issued and outstanding capital stock of the Domestic Insurer, and John C. Todd and Gregg E. Zahn will each hold more than 10% of the capital stock of Royalty.

5. At the January 5, 2017 hearing, the Division and Royalty filed an executed Stipulation (the "Stipulation," which is attached to these Findings of Fact, Conclusions of Law and Order) whereby the Division and Royalty agreed to certain additional financial benchmarks and agreement filing and approval requirements to be observed and followed by Royalty and the Domestic Insurer post-acquisition to ensure the protection of current and future policyholders of the Domestic Insurer. Pursuant to the terms of the Stipulation, the Division and Royalty requested that the Director issue an Order approving the Stipulation, consented to the issuance of such order, and anticipated such approval would be included in these Findings of Fact, Conclusions of Law and Order.

6. After a public hearing pursuant to § 382.060 RSMo, the Director fails to find that:

A. After the acquisition of the Domestic Insurer by the Applicants, the Domestic Insurer will be unable to satisfy the requirements for the issuance of a license to write the lines of business for which it is presently licensed.

B. The effect of the acquisition of the Domestic Insurer will be to substantially lessen competition in insurance or tend to create a monopoly in this State.

C. The financial condition of the Applicants is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders.

D. The Applicants' plans or proposals, if any, to liquidate the Domestic Insurer, or sell its assets, to consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair or unreasonable to its policyholders or contrary to the public interest.

E. The competence, experience and integrity of John C. Todd, Gregg E. Zahn, and Royalty Capital Corporation management are such that it would be contrary to the interests of policyholders of the Domestic Insurer and of the public to permit the acquisition of the Domestic Insurer by the Applicant.

F. The proposed acquisition of the Domestic Insurer by the Applicants is likely to be hazardous or prejudicial to the insurance buying public.

### **ORDER**

Based on the terms agreed to in the Stipulation by the Division of Insurance Company Regulation and Royalty Capital Corporation, the desire of the Division of Insurance Company Regulation and Royalty Capital Corporation to ensure the protection of current and future

Capital Reserve Life Insurance Company policyholders, and the request for and consent to approval of the Stipulation by the Division of Insurance Company Regulation and Royalty Capital Corporation, the Stipulation filed at the January 5, 2017 hearing by and between the Division of Insurance Company Regulation and Royalty Capital Corporation is in the public interest and is hereby **APPROVED**.

Based on the foregoing findings and conclusions, and in consideration of the Stipulation approved herein, the proposed acquisition of control of Capital Reserve Life Insurance Company by Royalty Capital Corporation, John C. Todd, and Gregg E. Zahn, is hereby **APPROVED WITH CONDITION**, namely, subject to the terms and conditions of the Stipulation.

So ordered, signed, and official seal affixed this 10<sup>th</sup> day of January, 2017.

  
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JOHN M. HUFF, DIRECTOR  
Department of Insurance, Financial Institutions and  
Professional Registration

