

REPORT ON ORGANIZATION

OF THE

ONETITLE NATIONAL GUARANTY COMPANY, INC.

AS OF

NOVEMBER 25, 2013

DATE OF REPORT

NOVEMBER 25, 2013

EXAMINER

RAJENDRA SUNDER

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

November 25, 2013

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31082 dated November 18, 2013 attached hereto, I have made an examination on organization of OneTitle National Guaranty Company, Inc. as of November 25, 2013, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate OneTitle National Guaranty Company, Inc.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the office of the Company located at 222 Broadway, 19th Floor, New York, NY 10038.

1. SCOPE OF EXAMINATION

The examination comprised a complete verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of the Company's assets and liabilities. The records examined were the Declaration of Intention and Charter, the By-Laws, the Certificate of Incorporation, the corporate minutes, the stock register and the inter-company and custodial agreements entered into by the Company as of the examination date. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were lawful and bona fide.

2. INCORPORATION

OneTitle National Guaranty Company, Inc. was incorporated under the laws of the State of New York on April 1, 2013. The Department approved the Company's Declaration of Intention and Charter on the same date. The Company's office is intended to be located at 222 Broadway, 19th Floor, New York, NY 10038.

As of the examination date, the Company's board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Daniel C. Price Brooklyn, NY	President and Chief Executive Officer, OneTitle National Guaranty Company, Inc.
Seth A. Brown Brooklyn, NY	Executive Vice President, Secretary and Treasurer, OneTitle National Guaranty Company, Inc.
Greg Share New York, NY	Partner, Moelis Capital Partners
B. Lance Sauerteig New Haven, CT	President, BLS Strategic Capital Manager, LS OneTitle Associates, LLC
John S. Lapides New Haven, CT	President, United Aluminum Corporation

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Stanley A. Lefkowitz New York, NY	Executive Vice President, The Falconwood Corporation
Barry Nalebuff New Haven, CT	Professor, Yale School of Management

As of November 25, 2013, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Daniel C. Price	President and Chief Executive Officer
Seth A. Brown	Executive Vice President, Secretary and Treasurer
Vincent G. Danzi	Senior Vice President and General Counsel

3. CAPITALIZATION AND SUBSCRIPTION

OneTitle National Guaranty Company, Inc. is a stock company wholly-owned by OneTitle Holdings LLC, a Delaware limited liability company.

The Company's authorized capital of \$500,000 consists of 250,000 shares of \$2 par value per share common stock. Gross paid in and contributed surplus is \$2,000,100. The Company issued 250,000 shares on November 15, 2013 to OneTitle Holdings LLC, for a consideration of \$2,500,100.

Pursuant to Article 64 and 41 of the New York Insurance Law, a title insurance company is not required to maintain a statutory deposit.

4. BALANCE SHEET

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of November 25, 2013, and as reported by the Company:

Assets

Cash and short-term investments	\$ <u>2,500,100</u>
Total Admitted Assets	\$ <u>2,500,100</u>

Liabilities

None

Total liabilities	\$ 0
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Capital and Surplus

Common capital stock	\$ 500,000	
Gross paid in and contributed surplus	<u>2,000,100</u>	
Total surplus as regards policyholders		<u>2,500,100</u>
Total liabilities and surplus as regards policyholders		<u>\$2,500,100</u>

5. CUSTODIAN AGREEMENT

The Company's invested assets are held on deposit with a bank; however, the assets are not held pursuant to a custodial agreement that contains the required provisions pursuant to the NAIC Financial Condition Examiners Handbook. It is recommended that the Company execute a custodial agreement with the bank that is holding its invested assets, which contains the required provisions pursuant to the NAIC Financial Condition Examiners Handbook.

6. AUTHORIZATION POWERS AND MINIMUM CAPITAL REQUIRED

Pursuant to its Declaration of Intention and Charter, the Company is authorized to transact Title insurance only as defined in paragraph 18 of Section 1113(a) of the New York Insurance Law:

Pursuant to the provisions of Articles 13 and 64 of the New York Insurance Law, in order to be licensed to transact the foregoing kind of insurance, the Company shall have an initial surplus to policyholders in the amount of \$750,000, including \$500,000 of capital, and shall thereafter maintain a minimum surplus to policyholders in the amount of \$500,000.

Further, pursuant to the provisions of Section 6402 of the New York Insurance Law, in order for the Superintendent to issue a license to the Company, it must have the amount of its minimum initial surplus to policyholders on deposit in either cash or investments qualifying as minimum capital or surplus investments pursuant to Section 1402 of the New York Insurance Law; such investments consist of:

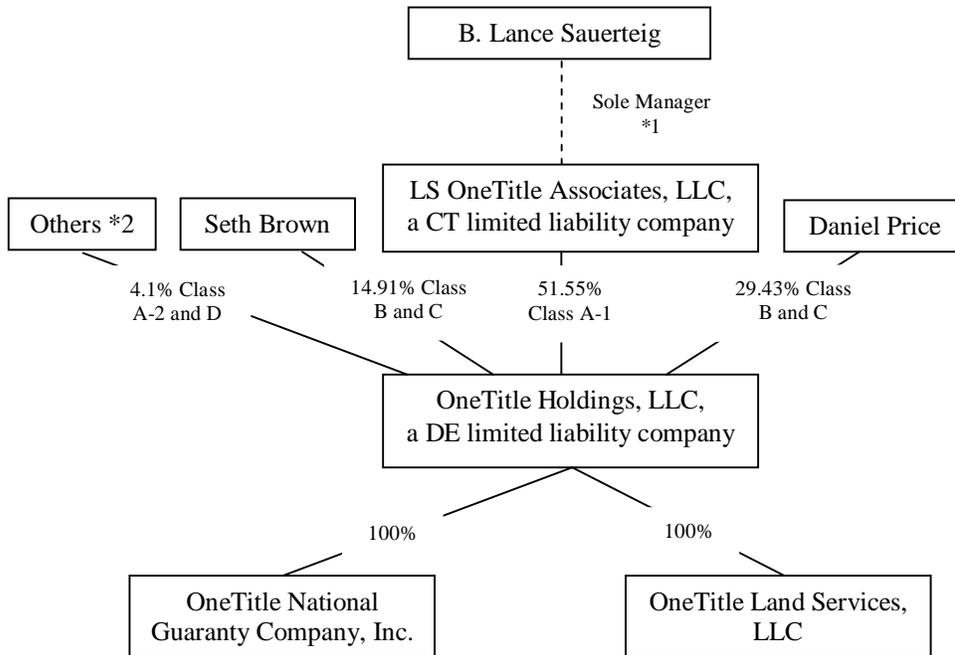
- (1) Obligations of the United States or of any agency thereof provided such agency obligations are guaranteed as to principal and interest by the United States.
- (2) Direct obligations of this state or of any county, district or municipality thereof.
- (3) Direct obligations of any state of the United States.
- (4) Obligations secured by first mortgage loans which meet the standards specified in paragraph four of subsection (a) of section one thousand four hundred four of this article on property located in this state.

The Company has met these requirements.

7. HOLDING COMPANY SYSTEM

The Company is a wholly-owned subsidiary of OneTitle Holdings, LLC, a Delaware limited liability company, which is ultimately controlled by LS OneTitle Associates LLC, a Connecticut limited liability company.

The following is a chart of the holding company system at November 25, 2013:



*1. LS OneTitle Associates, LLC (“LS”) is entirely controlled by B. Lance Sauerteig. He holds the only voting units in LS and has the sole right to vote the equity interest of LS.

*2. Others consist of STAMPS Associates, a California general partnership (2.77%); Greg Share (1.1%); and Vincent Danzi (0.22%)

Note: There are currently 5 classes of shares of OneTitle Holdings, LLC:

1. Class A-1: These are owned exclusively by LS OneTitle Associates, LLC. They are voting shares.
2. Class A-2: These are shares owned by 2 relatively small investors. They are non-voting shares, but are equivalent to A-1 shares in all other regards.
3. Class B: These are owned by Daniel Price and Seth Brown. They are voting shares.
4. Class C: These are owned by Daniel Price and Seth Brown. They are voting shares, but have a lower preference than the Class A-1, Class A-2, and Class B shares.
5. Class D: These are issued to key employees. They are non-voting and structured as profits interests.

At November 25, 2013, the Company was party to the following agreements with other members of its holding company system:

Administrative Services Agreement

The Administrative Services agreement effective November 19, 2013 between the Company and OneTitle Land Services, LLC (“LS”) provides to each other services as requested by each party. Services include:

(a)(1) LS shall provide the Company with accounting services as may be required by the Company, including preparation and maintenance of financial statements and reports, and processing of the financial records and transactions of the Company.

(2) LS shall provide or arrange for the provision to the Company of i) telecommunications services and EDP services, facilities and integration, including software programming and documentation, hardware utilization related to provision of certain policyholder services and administration ii) purchasing and employee relations services and iii) any other services that may be requested by the Company in connection with the operation of its business.

(b) The Company shall provide LS or arrange for the provision to LS of i) legal services, including advising on regulatory compliance and rendering opinions on legal matters as required or requested by LS; ii) services by the Company senior management in connection with LS operations; and iii) any other services that may be requested by LS in connection with the operation of its business.

(c) To the extent reports are not required by other sections in this agreement, LS shall render to the Company, or the Company shall render to LS, promptly upon request, such reports or other information as may be requested from time to time.

This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

Policy-issuing Agent Agreement

Pursuant to this agreement, effective November 22, 2013, the Company appointed OneTitle Land Services, LLC (Agent) a policy issuing agent for the Company for the purpose of signing, countersigning and issuing commitments, binders, title reports, certificates, guarantees (other than guarantees relating to correctness of title searches), title insurance policies, endorsements and other agreements under which the Company assumes liability for the condition of title, covering real estate located in the State of New York. This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

8. CONCLUSION

Based on the foregoing examination, it is concluded that the Company sold 250,000 shares of common stock with a par value of \$2 per share. These shares represented the total authorized and issued stock, for which the Company received a consideration of \$2,500,100, of which \$500,000 represents capital paid in and \$2,000,100 represents gross paid in and contributed surplus.

9. SUMMARY OF COMMENTS AND RECOMMENDATIONS**ITEM****PAGE NO.****A. Custodian Agreement**

It is recommended that the Company execute a custodial agreement with the bank that is holding its invested asset, which contains the required provisions pursuant to the NAIC Financial Condition Examiners Handbook.

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Respectfully submitted,

_____/s/
Rajendra Sunder
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Rajendra Sunder, being duly sworn, deposes and says that the foregoing report, subscribed to by him, is true to the best of his knowledge and belief.

_____/s/
Rajendra Sunder

Subscribed and sworn to before me

this _____ day of _____, [2013].

NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Rajendra Sunder

as a proper person to examine the affairs of the
One Title National Guaranty Insurance Company, Inc.
and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

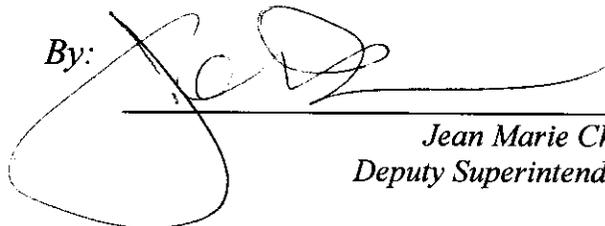
*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 18th day of November, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services



By:



Jean Marie Cho
Deputy Superintendent