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STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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**In the Matter of the
Acquisition of Control of
United Coastal Insurance Company
(NAIC No. 28053),
Insurer,
By
Rockhill Holding Company,
HBK Master Fund, L.P.,
HBK Main Street Investments, L.P.,
Northaven Partners, L.P.,
Northaven Partners II, L.P.,
Northaven Partners III, L.P., and
Northaven Offshore, LTD.
Petitioner.**

Docket No. 05A-156-INS

**ORDER APPROVING
ACQUISITION**

21 On September 23, 2005, Rockhill Holding Company, HBK Master Fund, L.P.,
22 HBK Main Street Investments, L.P., Northaven Partners, L.P., Northaven Partners II,
23 L.P., Northaven Partners III, L.P., and Northaven Offshore, LTD. ("Petitioner")
24 submitted an application for the acquisition of control of United Coastal Insurance
25 Company ("Insurer") with the Arizona Department of Insurance (the "Department") for

1 approval of Petitioner as the controlling person of the Insurer pursuant to the provisions
2 of A.R.S. §§20-481 through 20-481.30 and A.A.C. R20-6-1402.

3 Based upon reliable evidence provided to the Director of Insurance ("Director")
4 by the Assistant Director of the Financial Affairs Division of the Department, the Director
5 makes the following Findings of Fact, Conclusions of Law and enters the following
6 Order:

7 FINDINGS OF FACT

- 8 1. The Insurer is a domestic insurer as referred to in A.R.S. §20-481.
- 9 2. The Petitioner filed a statement as referred to in A.R.S. §§20-481.02 and
10 20-481.03, in the form required by A.A.C. R20-6-1402.
- 11 3. The Insurer and its security holders waived the ten (10) day advance filing
12 notice to be given as required by A.R.S. §20-481.07.
- 13 4. No evidence has been produced that would indicate or form the basis for a
14 finding that the Petitioner's acquisition of control of the Insurer:
- 15 a. Is contrary to law;
- 16 b. Is inequitable to the shareholders of any domestic insurer involved;
- 17 c. Would substantially reduce the security of and service to be rendered to
18 the policyholders of the domestic insurer in this State or elsewhere;
- 19 d. After the change of control the domestic insurer, would not be able to
20 satisfy the requirements for the reissuance of a Certificate of Authority to write the line
21 or lines of insurance for which it is presently licensed;
- 22 e. Would have the effect of substantially lessening competition in insurance
23 in this state, or tend to create a monopoly;
- 24 f. Might jeopardize the financial stability of the Insurer or prejudice the
25 interest of its policyholders, based upon the financial condition of any acquiring party;

1 g. Is unfair and unreasonable to policyholders of the Insurer and is not in the
2 public interest, based upon the plans or proposals that the acquiring party has to
3 liquidate the insurer, sell its assets or consolidate or merge it with any person, or to
4 make any other material change in its business or corporate structure or management;

5 h. Would not be in the public interest of policyholders of the Insurer and of
6 the public to permit the merger or other acquisition of control based upon the
7 competence, experience and integrity of those persons who would control the operation
8 of the Insurer; or

9 i. Would likely be hazardous or prejudicial to the insurance-buying public.

10 5. The Petitioner furnished completed fingerprint cards to the Department to
11 enable the Department to determine if Petitioner's officers or directors have been
12 charged with or convicted of a felony or misdemeanor other than minor traffic violations.
13 The results of the analysis of the fingerprint cards submitted by the Petitioner's officers
14 and directors have not been received by the Department. The Petitioner's officers and
15 directors made representations material to the issuance of the Order in this matter that
16 none of its officers or directors have been charged with or convicted of a felony or
17 misdemeanor other than minor traffic violations.

18 6. The interests of policyholders, shareholders or the public will be served by
19 the publication of all information, documents and copies, relating to the Insurer and
20 Petitioner, and obtained by or disclosed to the Director, or any other person in the
21 course of a filing, an examination, or investigation made pursuant to A.R.S. §§20-
22 481.03, 20-481.10 and 20-481.20, except the following:

23 a. Biographical affidavits and fingerprint cards of Petitioner's officers and
24 directors;

1 b. Stock Purchase Agreement, Schedule 3.11, Schedule 3.13(a), Schedule
2 3.13(c) and Schedule 3.25;

3 c. 2000-2004 Audited Financial Statements of HBK Master Fund L.P. (which
4 includes consolidated financial information for HBK Main Street Investments L.P.;

5 d. Quarterly Financial Statement for Quarter ended June 30, 2005 of HBK
6 Master Fund L.P. (which includes consolidated financial information for HBK Main
7 Street Investments L.P.;

8 e. 2000-2004 Audited Financial Statements of Northaven Partners, L.P.;

9 f. 2000-2004 Audited Financial Statements of Northaven Partners II, L.P.;

10 g. 2000-2004 Audited Financial Statements of Northaven Partners III, L.P.;

11 h. 2000-2004 Audited Financial Statements of Northaven Offshore, LTD.;

12 i. Quarterly Financial Statement for Quarter ended June 30, 2005 of
13 Northaven Partners, L.P.;

14 j. Quarterly Financial Statement for Quarter ended June 30, 2005 of
15 Northaven Partners II, L.P.;

16 k. Quarterly Financial Statement for Quarter ended June 30, 2005 of
17 Northaven Partners III, L.P.;

18 l. Quarterly Financial Statement for Quarter ended June 30, 2005 of
19 Northaven Offshore Ltd.;

20 m Organizational Chart of Applicants immediately prior to the closing;

21 n. Business Plan and Financial Projections of the Insurer;

22 o. Exhibit 2 to the October 6, 2005 letter filed in response to the
23 Department's initial September 28, 2005 comment letter with respect to the Form A:
24 Summary of the Zoo Holdings, L.L.C. complaint filed against Richard Brown, Northaven
25 Associates, L.L.C. and the three Northaven partnerships;

1 p. Exhibit 8 to the October 6, 2005 supplemental filing: Letter from A.M. Best
2 Company ("A.M. Best ") confirming that A.M. Best has assigned an indicative financial
3 strength rating of A- (Excellent) to Insurer;

4 q. Exhibit 1 to the October 19, 2005 letter filed in response to the
5 Department's inquiries at the October 14, 2005 meeting with the Form A Applicants:
6 Commitment letter from Cohen Bros. & Company regarding the offering of \$40 million in
7 trust preferred securities;

8 r. Exhibit 2 to the October 19, 2005 supplemental Form A filing: Unaudited
9 Financial Statements for Northaven Associates for the year ended December 31, 2004;

10 s. Exhibit 3 to the October 19, 2005 supplemental Form A filing: Unaudited
11 Financial Statements for HBK Management, L.L.C ("HBK Management") for the year
12 ended December 31, 2004;

13 t. Exhibit 4 to the October 19, 2005 Supplemental Form A filing: Documents
14 which constitute the Operating Agreement for Northaven Associates; and

15 u. Exhibit 5 to October 19, 2005 Supplemental Form A filing: Documents
16 which constitute the Operating Agreement for HBK Management.

17 CONCLUSIONS OF LAW

18 1. The application established that none of the enumerated grounds set forth
19 in A.R.S. §20-481.07(A) exist so as to provide a basis for disapproval or rejection of
20 Petitioner's acquisition of control of the Insurer.

21 2. Petitioner presented credible evidence for approval of its acquisition of
22 control of the Insurer and the Petitioner to be a controlling person pursuant to the
23 provisions of A.R.S. §§20-481 through 20-481.30, and A.A.C. R20-6-1402.
24
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1 ORDER

2 THEREFORE, I, CHRISTINA URIAS, Director of Insurance of the State of
3 Arizona, for the purpose of protecting and preserving the public health, safety and
4 welfare, and by virtue of the authority vested in me by A.R.S. §§20-142, 20-481 through
5 20-481.30, and A.A.C. R20-6-1402 hereby order that :

6 1. The acquisition of control of the Insurer by the Petitioner is approved,
7 subject to the following express condition:

8 If the completed fingerprint cards furnished to the Department of Insurance
9 reveal that Petitioner's officers or directors have been charged with or convicted of a
10 felony or misdemeanor other than minor traffic violations, the individual(s) shall be
11 removed as an officer and/or director of the Petitioner within 30 days after notice to
12 Petitioner by the Department of Insurance and shall be replaced with an officer or
13 director acceptable to the Director. If Petitioner fails to take the prescribed action within
14 30 days, this failure will constitute an immediate danger to the public and the Director
15 may immediately suspend or revoke Insurer's certificate of authority without further
16 proceedings.

17 2. All information, documents and copies relating to the Insurer and
18 Petitioner obtained by or disclosed to the Director of Insurance of the State of Arizona,
19 or any other person in the course of a filing, an examination or investigation made
20 pursuant to A.R.S. §§20-481.03 and 20-481.20, shall not be given confidential
21 treatment, shall be subject to subpoena and shall be made public documents, subject to
22 inspection, examination or copying by any person, except the following:

23 a. Biographical affidavits and fingerprint cards of Petitioner's officers and
24 directors;

1 b. Stock Purchase Agreement, Schedule 3.11, Schedule 3.13(a), Schedule
2 3.13(c) and Schedule 3.25;

3 c. 2000-2004 Audited Financial Statements of HBK Master Fund L.P. (which
4 includes consolidated financial information for HBK Main Street Investments L.P.;

5 d. Quarterly Financial Statement for Quarter ended June 30, 2005 of HBK
6 Master Fund L.P. (which includes consolidated financial information for HBK Main
7 Street Investments L.P.;

8 e. 2000-2004 Audited Financial Statements of Northaven Partners, L.P.;

9 f. 2000-2004 Audited Financial Statements of Northaven Partners II, L.P.;

10 g. 2000-2004 Audited Financial Statements of Northaven Partners III, L.P.;

11 h. 2000-2004 Audited Financial Statements of Northaven Offshore, LTD.;

12 i. Quarterly Financial Statement for Quarter ended June 30, 2005 of
13 Northaven Partners, L.P.;

14 j. Quarterly Financial Statement for Quarter ended June 30, 2005 of
15 Northaven Partners II, L.P.;

16 k. Quarterly Financial Statement for Quarter ended June 30, 2005 of
17 Northaven Partners III, L.P.;

18 l. Quarterly Financial Statement for Quarter ended June 30, 2005 of
19 Northaven Offshore Ltd.;

20 m Organizational Chart of Applicants immediately prior to the closing;

21 n. Business Plan and Financial Projections of the Insurer;

22 o. Exhibit 2 to the October 6, 2005 letter filed in response to the
23 Department's initial September 28, 2005 comment letter with respect to the Form A:
24 Summary of the Zoo Holdings, L.L.C. complaint filed against Richard Brown, Northaven
25 Associates, L.L.C. and the three Northaven partnerships;

1 p. Exhibit 8 to the October 6, 2005 supplemental filing: Letter from A.M. Best
2 Company ("A.M. Best ") confirming that A.M. Best has assigned an indicative financial
3 strength rating of A- (Excellent) to Insurer;

4 q. Exhibit 1 to the October 19, 2005 letter filed in response to the
5 Department's inquiries at the October 14, 2005 meeting with the Form A Applicants:
6 Commitment letter from Cohen Bros. & Company regarding the offering of \$40 million in
7 trust preferred securities;

8 r. Exhibit 2 to the October 19, 2005 Supplemental Form A filing: Unaudited
9 Financial Statements for Northaven Associates for the year ended December 31, 2004;

10 s. Exhibit 3 to the October 19, 2005 supplemental Form A filing: Unaudited
11 Financial Statements for HBK Management, L.L.C ("HBK Management") for the year
12 ended December 31, 2004;

13 t. Exhibit 4 to the October 19, 2005 Supplemental Form A filing: Documents
14 which constitute the Operating Agreement for Northaven Associates; and

15 u. Exhibit 5 to October 19, 2005 supplemental Form A filing: Documents
16 which constitute the Operating Agreement for HBK Management.

17 3. The Petitioner shall advise the Director in writing of the effective date of
18 the change of control.

19 4. Upon consummation of this acquisition, the Petitioner shall file its
20 registration statement in the form prescribed by A.R.S. §20-481.10 and within the time
21 period prescribed by A.R.S. §20-481.09 or §20-481.13. If the registration statement
22 would duplicate the information previously submitted by the Petitioner in the statement
23 filed with the Department pursuant to A.R.S. §20-481.03 and there have been no
24 material changes since the filing of that statement, then the Petitioner shall submit a
25

1 statement to that effect incorporating by reference the statement previously filed with
2 the Department in lieu of the registration statement;

3 5. The failure to adhere to one or more of the above terms and conditions
4 shall result without further proceedings in the suspension or revocation of the Insurer's
5 Certificate of Authority.

6 DATED this 17th day of November, 2005.

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10 CHRISTINA URIAS
11 Director Of Insurance

12 COPY of the foregoing mailed
13 this 17th day of November, 2005,

14 Gerrie Marks, Deputy Director
15 Mary Butterfield, Assistant Director
16 Catherine O'Neil, Consumer Legal Affairs Officer
17 Steven Ferguson, Assistant Director
18 Deloris Williamson, Assistant Director
19 Leslie R. Hess, Financial Affairs Legal Analyst
20 Kurt Regner, Chief Financial Analyst
21 Department of Insurance
22 2910 North 44th Street, Suite 210
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24 S. David Childers
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