

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF THE APPLICATION FOR
APPROVAL OF THE ACQUISITION OF
CONTROL OR MERGER OF AN ARKANSAS
DOMESTIC INSURER, DIRECT NATIONAL
INSURANCE COMPANY, A WHOLLY OWNED
SUBSIDIARY OF DIRECT GENERAL
CORPORATION, NAIC No. 23736, BY
APPLICANTS, ELARA HOLDINGS, INC. and
ELARA MERGER CORPORATION**

AID # 2007 - 010

ORDER

A hearing was held on February 14, 2007, before Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas ("Commissioner"), in the hearing room of the Arkansas Insurance Department ("Department") in accordance with the provisions of Ark. Code Ann. §§ 23-63-510, 23-69-149, 23-63-515, and other pertinent provisions of the Arkansas Insurance Code, pursuant to a Form A Application dated December 21, 2006, filed by Elara Holdings, Inc. and Elara Merger Corporation (the "Applicants"), seeking approval of a Agreement and Plan of Merger ("Agreement") dated December 4, 2006, between the Applicants and Direct National Corporation (the "Company"). The Insurance Department was represented by Zane A. Chrisman, Associate Counsel, and Mel Anderson, Deputy Commissioner for Financial Regulation/Audit. The Applicants was represented by Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., through William H.L. Woodyard, III and Morris, Manning and Martin, LLP through Thomas A. Player, Jr. and Joseph L. Cregan. Dan Tarantin testified on behalf of the Applicants. Mr. Tarantin will become CEO of the Company following receipt of all regulatory approvals and closing of the transaction. J. Todd Hagely, CFO

of the Company, testified on behalf of the Company. Mr. Hagely will remain as CFO following receipt of all regulatory approvals and closing of the transaction. The Applicants and the Department agreed to the introduction of thirteen (13) exhibits. The hearing record closed on Friday, March 16, 2007, at the close of business of the Arkansas Insurance Department.

All parties, including the Department, agreed that certain filings and documents submitted at the request of the Department are confidential and not subject to disclosure in response to a Freedom of Information Act request.

FINDINGS OF FACT

From the petition, Form A, testimony of the witnesses, and other evidence introduced at the hearing, including exhibits filed in connection therewith, reports and statements on file with the Department, representations of counsel, and other matters and law before her, the Commissioner finds as follows:

1. The petition and Form A were filed herein on December 27, 2006. The Commissioner has jurisdiction of the parties and the subject matter under the provisions of Ark. Code Ann. §§ 23-63-510, 23-69-149, 23-63-515 and other pertinent provisions of the Arkansas Insurance Code. The notice of hearing was given within the time and in the manner required by law or was waived, and the parties have consented to the holding of this hearing at this time and on this date;

2. The Applicants consist of two newly formed Delaware corporations and is subject to the provisions of the Arkansas Insurance Holding Company Regulatory Act ("the Act");
3. Through the acquisition of the Company by the Applicants, the Company will become a wholly-owned subsidiary of the Applicants. The Agreement has been approved by the Board of Directors of the Applicants and by the Board of Directors of the Company;
4. After the acquisition, the Company would be able to meet the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed;
5. The effect of the acquisition would not lessen competition in insurance in this state or tend to create a monopoly;
6. The Applicants are both financially sound companies. Consummation of the Agreement will not reduce the security of, or the service to be rendered to, any policyholders of the Company, nor will the financial condition of the Applicants jeopardize the financial stability of the Company or prejudice the interests of its policyholders or the interests of any remaining security holders who are unaffiliated with the Applicants;
7. The terms of the acquisition are fair and reasonable to the security holders of the Company;

8. There are no plans or proposals to liquidate the Company, sell its assets, consolidate or merge it with any other person, except as set forth in the Agreement. There are no plans or proposals to make any material changes in its business or corporate structure that would be unfair or unreasonable to any policyholders of the Company or against the public interest;
9. The competence and experience of the persons who would control the operations of the Company are not such that the acquisition of control would not be in the best interest of the policyholders of the Company and of the public and the changes in its business and management are not unfair or unreasonable to the policyholders of the Company and the public;
10. The Agreement is not contrary to law; and
11. All filings, hearings and other procedures required by law or otherwise deemed appropriate by the Commissioner have been duly complied with by the Applicants, the Company, its stockholders and the Department.

CONCLUSIONS OF LAW

Based upon the above and foregoing Findings of Fact and other matters, facts, and law before the Commissioner, the Commissioner finds and concludes that:

1. None of the conditions, specified in Ark. Code Ann. § 23-63-510 and 23-69-142 as preclusions for the approval of the Agreement, exist; and

2. The proposed acquisition of control of the Company by the Applicants should be approved as provided in the Agreement, Form A, and as described in this Order.

IT IS THEREFORE ORDERED that the Agreement whereby the Applicants would merge with Direct General Corporation and thereby acquire all of the outstanding capital stock and, thus, control of the Company should be and it is hereby approved.

DATED this 20th day of March, 2007.


JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS