

ORDER PREPARED BY:

J. RAY BARRIOS, JR. (A3915)
General Counsel to American Protectors
Insurance Company in Liquidation and
Utah Insurance Commissioner as Liquidator
of American Protectors Insurance
in Liquidation
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FILED DISTRICT COURT
Third Judicial District
OCT - 7 2004
By *[Signature]*
SALT LAKE COUNTY
Deputy Clerk

Attorney for Liquidator

IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR
SALT LAKE COUNTY, STATE OF UTAH, SALT LAKE DEPARTMENT

In Re:	)	ORDER OF THE COURT ON REPORT
	)	OF LIQUIDATOR REGARDING THE
AMERICAN PROTECTORS	)	STATUS OF API IN LIQUIDATION
INSURANCE COMPANY, in	)	AND APPLICATION FOR ORDER FOR FINAL
Liquidation,	)	DISTRIBUTIONS, DISCHARGE OF THE
	)	LIQUIDATOR, AND FOR CLOSURE OF THE
	)	ESTATE PURSUANT TO U. C. A., SECTION
	)	31A-27-339 UTAH CODE ANNOTATED
))
))
	)	Civil No. 900905169 CV
))
Respondent.))
	)	Judge Tyrone E. Medley

The Court, having reviewed the Report of Liquidator Regarding the Status of API in Liquidation and Application For Order For Final Distributions, Discharge of Liquidator, And For Closure Of The Estate Pursuant to Section 31A-27-339 Utah Code Annotated, as filed on September 1, 2004 by the Utah

Insurance Commissioner in his capacity as court appointed Liquidator of American Protectors Insurance Company in Liquidation ("API"), there being no objections filed, and there being good cause therefor, the Court hereby finds as set forth below:

1. The Court finds the Liquidator has liquidated and administered all the assets of the estate justifying the expense of collection, and pursuant to this Court's orders has previously made distributions to policyholders, creditors, guaranty associations/funds, and other claimants, reserving certain amounts for Class 1 administrative expenses of the estate.
2. The Court finds that pursuant to previous orders issued by this Court, assets to the various classes of policyholders, creditors and claimants, and guaranty associations/funds have been distributed in accordance with Section 31A-27-335, Utah Code Annotated, to the extent assets have been available for distribution to such classes in order of priority on administratively determined and court approved claims. Funds have been reserved for payment of Class 1 administrative expenses of the estate, consistent with applicable statutory provisions Pursuant to Section 31A-27-335, Utah Code Annotated, as it existed and is applicable to this case as filed in 1990.
3. The Court finds that final administrative expenses as incurred by the estate for records destruction, final

legal administration, final accounting and tax filings, and other Class 1 administrative expenses should be paid in the final distributions of the estate.

4. The Court finds that after payment of all final Class 1 administrative expenses, remaining funds available for distribution, which the Liquidator calculates to be approximately \$140,000.00, should be disbursed to the various affected guaranty associations/funds as Class 3 distributions on a pro-rata basis.

5. The Court finds that it is neither feasible nor economical for the Estate to make a pro-rata Class 3 distribution to all individual Class 3 claimants and creditors, as such number in excess of 4500 claimants. Rather, the sixteen (16) affected guaranty associations/funds that paid Class 3 claims pursuant to their various state statutory requirements represented about sixty-six percent (66%) of all allowed Class 3 claims in the API estate. Those guaranty associations/funds paid the claimants claims in their respective states, and filed Proofs of Claim in the API estate. Those guaranty associations/funds should receive a pro-rata distribution of the remaining funds available to be paid to Class 3 creditors.

6. The Court finds that it is in the best interest of the Estate to pay the remaining funds to the affected guaranty associations/funds only as opposed to making an additional distribution to all 4500 claimants. If a

distribution were made to all 4500 claimants each individual claimant would only receive on average a few dollars, and in many cases just pennies, in a distribution of the remaining funds available. The cost of postage to mail checks to 4500 potential individual claimants would exceed the amounts distributed to many of the claimants. Further, the costs to process such small checks would require costs and expenses exceeding the value of individual distributions to many of the claimants. Thus, since the affected guaranty associations/funds collectively would receive the bulk of the distribution of the remaining funds in any event, and the costs and expenses of making extremely small distributions to the other 4500 claimants would likely exceed the benefit derived from a distribution, it is neither feasible nor economical to distribute the remaining limited funds to all 4500 claimants. Therefore, the Liquidator should make the final Class 3 distribution to the sixteen (16) affected guaranty associations/funds only.

7. The Court finds that the Liquidator has been administering the API Estate over the past four years in an effort to monitor potential tax issues of the liquidation estate with the Internal Revenue Service, the Utah State Tax Commission, and other potential federal priority claimants. The Liquidator has also been administering this estate by monitoring the estate and

assessing the likelihood of finding policyholders for whom mailed distribution checks were returned to the estate. Unclaimed funds were distributed to the State of Utah, Unclaimed Property Division on December 31, 2001 pursuant to statutory requirements and pursuant to a previous order of this Court.

8. The Court finds that the Exhibit "A" as attached to the Liquidator's Report and Application is a current Balance Sheet and ledger of Cash Receipts and Disbursements detailing the status of remaining assets of the API estate as of June 30, 2004.

9. The Court finds that no other material or significant events have occurred since the Liquidator last reported to the Court.

Based upon the findings of this Court as referenced above, the Court hereby

ORDERS, ADJUDGES and DECREES as follows:

1. The Liquidator's requests that the Court approve the Report and Application, and associated actions, requests and expenditures indicated therein are granted.
2. The amounts reserved by the Liquidator and remaining for Class 1 administrative expenses can be distributed.
3. That upon request of the Liquidator, the Court may grant a discharge and closure of the Estate and make any further orders the Court deems appropriate, including orders that any remaining assets of the estate as

reserved be utilized to pay outstanding Class 1 administrative expenses, with remaining assets, if any, to be distributed to guaranty associations/funds. If any funds remain after final distributions, and are unclaimed, such funds shall be transferred to the Utah State Treasurer for the benefit of persons unknown or who cannot be found. If such funds remain unclaimed for six years then such funds are to be distributed to the Utah State Treasurer for the benefit of the Uniform School Fund. (See, Sections 31A-27-335, 31A-27-338, and 31A-27-339, Utah Code Annotated).

4. The Liquidator can distribute the remaining estate assets in payment of remaining Class 1 administrative expenses; and can also make Class 3 distributions to the various affected state guaranty associations/funds.

5. The Liquidator shall file a Final Estate Closure Report with this Court after all Estate distributions and closure activities are completed. Upon the filing of such Final Estate Closure Report a further Order of this Court will be issued discharging all past and present Liquidators, Special Deputy Liquidators, Liquidator's counsel, and all other persons who have been or are currently employed by, have had or currently have consulting contracts with, or who have assisted or are currently assisting in any way in the administration and liquidation of the API estate.

6. The API Estate shall be closed, effective upon the filing of the Final Estate Closure Report and issuance of the Order of Discharge referenced in paragraph 4 above, which should be within a reasonable period of time after the Liquidator has made the final Class 1 administrative expense disbursements and Class 3 guaranty association/fund disbursements, and accomplished all other estate closure tasks.

7. The Liquidator is authorized to complete the following within a reasonable period of time after this Order is issued:

(a) Pay all administrative expenses of the estate to the extent possible, in the Liquidator's sole discretion, from the remaining assets of the estate, including but not necessarily limited to:

- (1) fees, costs, and expenses of the estate in liquidation;
- (2) fees, costs, and expenses of the Special Deputy Liquidator;
- (3) fees, costs, and expenses for all legal counsel for the estate, including any litigation counsel's fees, costs, and expenses that remain unpaid;
- (4) fees, costs, and expenses of any other professionals or others, such as accountants who have assisted in the preparation and analysis of the

financial status of the estate, prepared the closing tax returns, and provided other tax preparation;

- (5) Pay any other fees, costs, or expenses of the Estate as determined by the Liquidator which will include final Class 1 administrative claim distributions, and final Class 3 pro-rata distributions to the sixteen (16) affected state guaranty associations/funds.

(b) Pay the fees, costs, and expenses for the disposal of all records of the estate pursuant to Section 31A-27-341, Utah Code Annotated, and for the disposal of all such records.

(c) Pay the fees, costs, and expenses, if any, associated with abandonment and/or transfer of any unclaimed or remaining property pursuant to Sections 31A-27-335, 31A-27-338 and 31A-27-339(1), Utah Code Annotated.

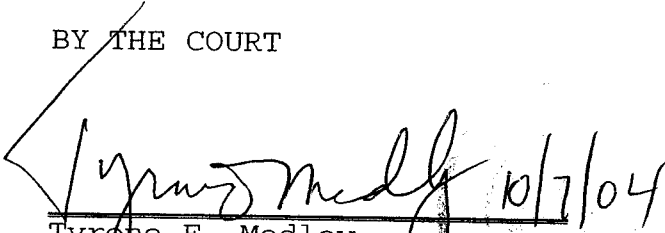
(d) This Court retains jurisdiction of this matter for the purpose of the potential reopening of the case if necessary pursuant to Section 31A-27-340, Utah Annotated.

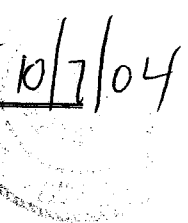
(e) The corporate entity of the insolvent insurer is dissolved as effected by operation of law upon the discharge of the Liquidator pursuant to Section 31A-27-312, Utah Code Annotated.

(f) This Court may issue any other or further orders the Court deems just and proper for effecting the purposes of this Order.

Dated this _____ day of September, 2004.

BY THE COURT


Tyrone E. Medley,
District Court Judge



I CERTIFY THAT THIS IS A TRUE COPY
OF AN ORIGINAL DOCUMENT ON FILE
IN THE THIRD DISTRICT COURT SALT
LAKE COUNTY STATE OF UTAH
DATE November 30, 2008
Sally Kocel
DEPUTY COURT CLERK

