

**FILED DISTRICT COURT**  
**Third Judicial District**

JUL 31 2003

SALT LAKE COUNTY  
*[Signature]*  
Deputy Clerk

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I CERTIFY THAT THIS IS A TRUE COPY OF  
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THIRD DISTRICT COURT, SALT LAKE COUNTY,  
STATE OF UTAH.  
DATE 7/31/03  
*[Signature]*  
CLERK OF UTAH

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

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In Re: : **LIQUIDATION ORDER,**  
: **DECLARATION OF**  
WASATCH CREST INSURANCE CO. : **INSOLVENCY,**  
: **AND RESTRAINING ORDERS**  
:   
:   
: Civil No. 030915528  
:   
: Judge Hanson

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The "Verified Petition for Liquidation Order and for Declaration of Insolvency, and ex Parte Petition for Restraining Orders" ("Petition") of Merwin U. Stewart, in his capacity as the Commissioner of Insurance of the State of Utah ("Commissioner"), petitioning the Court, pursuant to Utah Code Ann. § 31A-27-307, for an order appointing him, and each of his successors in office, as liquidator ("Liquidator") of Wasatch Crest Insurance Co. ("WC Insurance"), and directing the Liquidator to take immediate possession, control and title to all assets of WC Insurance and to administer them pursuant to the laws of the State of Utah and

under the orders of the Court, came before the Court on July 31, 2003. Also considered at that same time was the Commissioner's ex parte motion ("Motion") for an order restraining WC Insurance, its directors, officers, trustees, managers, agents, sub-agents, employees, affiliates, shareholders, and attorneys, and any person participating with them or acting in concert with them: from transacting any business of WC Insurance; from removing from their current depositories or otherwise converting, changing or modifying title to, withdrawing or removing, assets of WC Mutual; from removing books and records or other information of WC Insurance from the principal office, or any other office where such is located; and from destroying or altering the books and records or other information of WC Insurance, wherever located, whether in the ordinary course of business or otherwise.

The Commissioner was represented by Bryce H. Pettey and Perri Ann Babalis, Assistant Attorneys General of the State of Utah. Ray Barrios, attorney for the Special Deputy Liquidator was also present. No one appeared on behalf of the insurer, Wasatch Crest Insurance Co.

The Court, having read the Commissioner's Petition and Motion, including the affidavits attached thereto, and further having reviewed the Summons and the Return of Service on file with the Court, and pursuant to Section 31A-27-308(1), Utah Code Ann., the insurer having filed a Verified Response on July 22, 2003, and then having stipulated to the withdrawal of the Verified Response on July 31, 2003, and there being no appearance on behalf of WC Insurance, and upon motion of the Commissioner and the Court considering itself well-advised in the premises, hereby enters the following:

## FINDINGS AND CONCLUSIONS

1. Dennis Larsen, Registered Agent of WC Insurance was properly served with the above referenced pleadings and documents on July 17, 2003, and that service was effective and proper.
2. Pursuant to § 31A-27-308(1), the insurer has five (5) working days after being served in which to file an answer to the Petition for Liquidation, an answer was timely filed, but based upon the stipulation of the parties, the answer has been withdrawn.
3. Pursuant to § 31A-27-308(1), if an answer is not on file, the court shall issue a liquidation order under § 31A-27-310.
4. WC Insurance is a Utah-domiciled stock insurance corporation authorized to do business as a property and casualty insurance company by a certificate of authority issued by the Commissioner on September 30, 1886 (Certificate No. 791).
5. WC Insurance is licensed by the states of Alabama, Arizona, California, Colorado, Georgia, Hawaii, Idaho, Nevada, New York, Oregon, South Carolina, Tennessee, Texas, Utah and Washington, to write property and casualty insurance, although WC Insurance is only actively writing insurance in Utah and Oregon at this time.
6. Utah Code Ann. § 31A-27-202 provides that the Commissioner may petition the Court for a liquidation order on any of the grounds available under § 31A-27-301 for placing an insurer into rehabilitation, or on any of the grounds available under § 31A-27-307 for placing an

insurer into liquidation.

7. The Commissioner has reasonable cause to believe that:

a. WC Insurance is insolvent, according to the definition of “insolvency” in Utah Code Ann. § 31A-1-301(77) (2001) (amended 2003). Under Utah Code Ann. § 31A-27-307(2), this condition is grounds for the Court to grant an order of liquidation.

b. WC Insurance is in the condition that further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors, or the public. Under Utah Code Ann. § 31A-27-307(3), this condition is grounds for the Court to grant an order of liquidation.

c. WC Insurance does not satisfy the requirements that would be applicable if it were seeking initial authorization to do the business of insurance in the State of Utah. Under Utah Code Ann. § 31A-27-307(8), this condition is grounds for the Court to grant an order of liquidation.

8. The Commissioner is informed and believes that continued operation of WC Insurance in its hazardous financial condition would substantially increase the risk of loss to policyholders and creditors of WC Insurance, and the public.

9. The interests of policyholders and creditors of WC Insurance, and the public, will be irreparably harmed if the Commissioner is not granted the authority to take possession of WC Insurance’s assets, business, property, books, accounts, documents, and other records and the business premisses to determine the true condition of WC Insurance.

10. The information, property, assets, business records, and other materials of WC Insurance are subject to removal, destruction, dissipation, diminution, depletion, alternation, and removal by WC Insurance's officers, directors, trustees, agents, or employees, if they are not enjoined from doing so, and if the above-referenced property, information, and materials are not placed in the possession and control of the Commissioner, and are not protected.

11. It is necessary that the Commissioner take immediate possession of the property, assets, books, accounts, documents, and other records of WC Insurance, to prevent further prejudice to the interests of policyholders and creditors of WC Insurance, and the public, and to prevent irreparable harm to the estate of WC Insurance, which will be detrimental to policyholders and creditors of WC Insurance, and the public.

12. The Commissioner is informed and believes that the liquidation of WC Insurance would be in the best interests of policyholders and creditors of WC Insurance, and the public.

13. In view of the foregoing, it is in the best interests of policyholders and creditors of WC Insurance, and the public, for the Court immediately:

a. To issue a liquidation order, and to appoint the Commissioner, and his successors in office, as Liquidator of WC Insurance;

b. To enjoin, in conjunction with the issuance of the liquidation order, WC Insurance and its current directors, officers, managers, affiliates, trustees, agents, sub-agents, employees, and all persons participating with them or acting in concert with them, from removing the assets of WC Insurance from their current depositories, or otherwise converting,

changing or modifying title to the assets, withdrawing or removing the assets; and

c. To enjoin, in conjunction with the issuance of the liquidation order, WC Insurance and its current directors, officers, managers, affiliates, trustees, agents, sub-agents, employees, and all persons participating with them or acting in concert with them, from removing, destroying or altering the books and records or other information of WC Insurance.

14. The Liquidator will need assistance in liquidating the WC Insurance estate, and desires to appoint, and recommends that the Court approve the appointment of, Lennard W. Stillman as a special deputy liquidator, and Rheta Beach as assistant special deputy liquidator, pursuant to § 31A-27-314(a), and J. Ray Barrios, Jr., as legal counsel, pursuant to § 31A-27-314(b), to assist the Liquidator with the liquidation of WC Insurance.

WHEREFORE, the Court hereby enters the following:

#### **ORDER**

1. Utah Insurance Commissioner, Merwin U. Stewart, and his successors in office, are hereby appointed Liquidator ("Liquidator") of WC Insurance under § 31A-27-310, with all powers provided by the Utah Insurance Code, § 31A-27-101 et seq., generally, and § 31A-27-314, specifically. The Liquidator may do all acts necessary or appropriate for the accomplishment of the liquidation of WC Insurance pursuant to § 31A-27-301 et seq.

2. Pursuant to § 31A-27-314(1)(a), the Liquidator is authorized to appoint Special Deputy Liquidators with all powers provided by § 31A-27-314, and to fix their compensation, without further orders of the Court. The Court retains jurisdiction over compensation fixed by

the Liquidator.

3. The Liquidator's appointment of, Lennard W. Stillman as a special deputy liquidator, and Rheta Beach as assistant special deputy liquidator, pursuant to § 31A-27-314(a), and J. Ray Barrios, Jr., as legal counsel, pursuant to § 31A-27-314(b), to assist the Liquidator with the liquidation of WC Insurance is hereby ordered.

4. The Liquidator is vested by operation of law with the title to all of the assets, property, contracts, and rights of action and all of the books and records of WC Insurance, wherever located, as of the date of the filing of the Verified Petition for Liquidation, which date is July 11, 2003, unless otherwise provided for by law.

5. The Liquidator is directed to take immediate possession of the assets, business, property, contracts, rights of action, and all of the books and records of WC Insurance and to administer them pursuant to the provisions of § 31A-27-101 et seq., pursuant to any further orders of the Court, and under the general supervision of the Court.

6. All rights and liabilities of WC Insurance, and its creditors, policyholders, shareholders, members, and all other persons are fixed as of July 11, 2003, except as otherwise provided by law.

7. All actions and all proceedings against WC Insurance in Utah, and elsewhere, are stayed and the Liquidator may not intervene in them except in compliance with § 31A-27-317.

8. All rights to exercise rights of setoff against WC Insurance are stayed except as allowed by § 31A-27-323.

9. The Liquidator is directed to exercise any and all rights of WC Insurance in connection with any collateral or other assets being held for the benefit of WC Insurance by any person or entity, including any and all trustee accounts and other accounts.

10. Pursuant to § 31A-27-311, all of WC Insurance's insurance policies and surety bonds, if any, will continue in force as a claim against WC Insurance's estate for the shortest of the following: (1) 30 days from the entry of this Liquidation Order; (2) the normal expiration of the policy coverage; (3) the date the insured replaces the insurance coverage; or (4) the date the Liquidator has effected a transfer of the policy obligation under § 31A-27-314(1)(h).

11. The Liquidator shall file reports on the status of the assets and the liquidation of WC Insurance with the Court within 120 days after the issuance of this Liquidation Order and every quarter thereafter. The status report shall be issued to the court within 45 days of the end of the calendar quarter, unless the court orders otherwise.

12. The Liquidator is authorized to employ, or to continue to employ, and to fix the compensation of such special deputies, counsel, agents, clerks, accountants, actuaries, consultants, assistants and other personnel the Liquidator considers necessary, without further order of this Court, and all compensation and expenses of such persons, and all expense of taking possession of WC Insurance and of conducting and administering this liquidation proceeding shall be paid out of the funds or assets of WC Insurance pursuant to § 31A-27-314; and further, all such compensation and costs and expenses of such persons, and the costs and expenses of the taking possession of WC Insurance and of conducting and administering this liquidation, are



class one administrative expenses of the estate and not claims, and shall be paid at the Liquidator's discretion pursuant to § 31A-27-335(2)(a). The Court retains jurisdiction over compensation fixed by the Liquidator.

13. No suit, action, proceeding, or claim at law or in equity of any kind shall be brought, maintained, or further prosecuted or presented on behalf of or in the name of WC Insurance, or its Liquidator, without the proper authorization of the Liquidator, except that with respect to such suits, actions, proceedings, and claims at law or in equity which have been initiated previously by WC Insurance, no further authorization by the Liquidator is necessary.

14. No action at law or in equity outside this Court may be brought against WC Insurance, its Liquidator, or its assets, whether in Utah or elsewhere, nor shall any existing actions outside this Court be maintained or further prosecuted against WC Insurance and any and all such actions are stayed.

15. All persons and entities, including but not limited to, WC Insurance's directors, officers, trustees, manager, agents sub-agents, employees, affiliates, policyholders, attorneys, and any person participating with them or acting in concert with them, are hereby enjoined from:

(a) The obtaining of any preference, judgment, attachment, garnishment, or lien against WC Insurance, or any part thereof, wherever located, or the levying of execution against WC Insurance, or its property or assets, or any part thereof, wherever located, or the repossession of the property or assets of WC Insurance, or any part thereof, wherever located, or the commencement, prosecution or further prosecution of any suit, action or

proceeding having any such purpose or effect.

(b) The transfer, waste, or dissipation of the bank accounts or any of the property or assets of WC Insurance, or the transaction of any business of WC Insurance without the approval of the Liquidator, the interference with the Liquidator in the administration of the liquidation of WC Insurance, or the withholding from the Liquidator of the books, accounts documents or other records relating to the business of WC Insurance, or the copying of the books, accounts documents or other records relating to the business of WC Insurance.

(c) The making of any sale or deed for the nonpayment of taxes or assessments that would lessen the value of the assets of WC Insurance.

(d) Any other threatened or contemplated action that might lessen the value of WC Insurance's assets or prejudice the rights of WC Insurance with respect to its policyholders, members, insureds, obligees, principals, creditors, shareholders, agents, brokers, intermediaries, reinsurers, ceding companies in the administration of this proceedings under § 31A-27-101 et seq.

16. All secured creditors or parties, pledgees, lienholders, collateral holders or other persons claiming a secured, priority, or preferred interest in any property or assets of WC Insurance, are hereby enjoined from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of or exercise purported rights in or against any property or assets of WC Insurance without the prior approval of the Liquidator and without adhering to the provisions of

§ 31A-27-334.

17. The Liquidator is authorized to employ, or continue the employment of legal counsel, and other professionals, in jurisdictions in and outside of Salt Lake County, Utah, to represent the interests of WC Insurance and the Liquidator, in prosecuting, defending or otherwise disposing of all litigation now pending or hereafter instituted in his capacity as Liquidator of WC Insurance, or any or all of them, all upon such reasonable terms, including, but not limited to, the fixing of the compensation of such professionals, as may be deemed appropriate by the Liquidator, without further order of the Court. The Court retains jurisdiction over compensation fixed by the Liquidator.

18. All persons and entities with claims against WC Insurance will be required to follow the claims filing and other liquidation procedures established pursuant to § 31A-27-328. The deadline for filing claims as provided by § 31A-27-315, other than the compensation for all Liquidator authorized services, including but not limited to all reasonable attorney fees and other professional services rendered in the supervision or liquidation of the estate, as well as all costs and expenses of the administration of the estate as approved by the Liquidator under § 31A-27-335(2)(a), is the 31<sup>st</sup> day of July, 2004, at the hour of 5:00 p.m. MDT. All claimants required to file claims, except guaranty associations, will be required to file a proof of claim consistent with the requirements as set forth in § 31A-27-329. Guaranty associations shall file claims in the form required by the Liquidator and supported with such documentation as the Liquidator shall require.

19. Within 45 days from the date of this Liquidation Order, the Liquidator shall file a report with the Court, on the notice that has been provided to persons and entities with claims against WC Insurance as required by § 31A-27-315.

20. The Liquidator may enter into any contracts which are necessary to carry out the order to liquidate, and assume or reject any contracts to which WC Insurance is a party, pursuant to § 31A-27-314(1)(k).

21. The Liquidator may request instructions from the Court on any matters about which the Liquidator may wish to seek guidance from the Court.

DATED this 31 day of July, 2003.

BY THE COURT

  
Timothy R. Hanson  
DISTRICT COURT JUDGE



**FILED DISTRICT COURT**  
Third Judicial District

AUG 11 2003

By *Evelyn Thompson*  
SALT LAKE COUNTY  
Deputy Clerk

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

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In Re:	)	
	)	
<b>WASATCH CREST INSURANCE</b>	)	<b>ORDER AMENDING THE</b>
<b>COMPANY IN LIQUIDATION</b>	)	<b>LIQUIDATION ORDER,</b>
	)	<b>DECLARATION OF INSOLVENCY,</b>
	)	<b>AND RESTRAINING ORDER</b>
	)	<b>ISSUED JULY 31, 2003</b>
	)	
	)	Civil No. 030915528
Respondent.	)	(Consolidated with 030915527)
	)	Judge Timothy R. Hanson

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The Court, having reviewed the Liquidator's Ex Parte Motion To Amend Liquidation Order, Declaration Of Insolvency, And Restraining Orders, and finding good cause therefor, the Court specifically finds that Wasatch Crest Insurance Company in Liquidation is insolvent pursuant to Utah Code Ann. § 31A-1-301(77) (2203). Based upon this finding, the Court

**ORDERS, ADJUDGES and DECREES** that Wasatch Crest Insurance Company is insolvent, and that such finding of insolvency is incorporated into the Liquidation Order, Declaration of Insolvency, And Restraining Orders issued by this Court on July 31, 2003. The

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

*Evelyn Thompson*  
8/11/03  
DEPUTY COURT CLERK

Liquidation Order, Declaration Of Insolvency, And Restraining Orders issued on July 31, 2003 is amended accordingly.

DATED this 11 day of August, 2003/

BY THE COURT:

  
Timothy R. Hanson, District  
Court Judge

